

DISSERTATIONES RERUM OECONOMICARUM
UNIVERSITATIS TARTUENSIS

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**THE INTERNATIONALIZATION
OF ESTONIAN COMPANIES:
AN EXPLORATORY STUDY
OF RELATIONSHIP ASPECTS**

TÕNU ROOLAHT

TARTU 2002

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TARTU UNIVERSITY
PRESS

The Faculty of Economics and Business Administration (FEBA), the University of Tartu, Tartu, Estonia

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LIST OF AUTHOR'S RESEARCH PUBLICATIONS AND CONFERENCE PRESENTATIONS

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INTRODUCTION

The motivation and general logic of the research

The internationalization process of the firm has been a subject of interest for several scholars for over 40 decades. During that period, the views about the events, which lead to foreign expansion and about the factors explaining the logic of this process, have gone through considerable transformation. From the 1960-s to the 1980-s the field was dominated by sequential approaches as well as by emphasis on exports or foreign direct investments, then since the end of 1980-s the behaviourist views, such as the network approach, have gained ground. The focus of research has also turned to the explanations of the role played by intra-firm capabilities, resources, and management orientations. Despite this diversification in explaining the internationalization process, or maybe to some extent, even because of it, there is still not a widely accepted theory of internationalization.

The primary motivation for this thesis from the theoretical perspective is related to the perceived need to continue to strive towards eclectic explanations of a firm's internationalization, while introducing the specific characteristics of the small open transition economy. This, however, does not mean the introduction of eclectic theory of internationalization for this particular country group. It should be viewed as an introduction of the framework that will give us a better understanding of a firm's relational choices as factors that have an impact on the internationalization process. At the same time, we will attempt to put these choices into a more elaborate context of several aspects including a knowledge base of a company, intra-firm and industry aspects, and market related aspects. Different approaches are used as building blocks that will fall into their places in the final section of the theoretical part. Thus, there they will be explored in a more eclectic setting. The preliminary vision about the proposed interconnections is depicted in the figure 1.

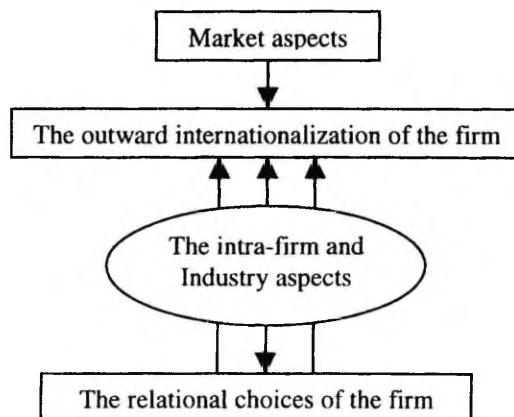


Figure 1 The initial view of the proposed framework

In this setting several internationalization approaches are used in an exploratory manner in order to reach the deeper understanding about the role of the relational choices as well as about the intra-firm, industry and market aspects. The motivation in viewing these approaches in the described manner comes from the fact that contemporary views have often emerged as a criticism to older internationalization approaches, like the sequential approach. Therefore, the reader should be aware that criticism of earlier works is mitigated by alternative explanations. The logic of exploratory research is shown on figure 2.

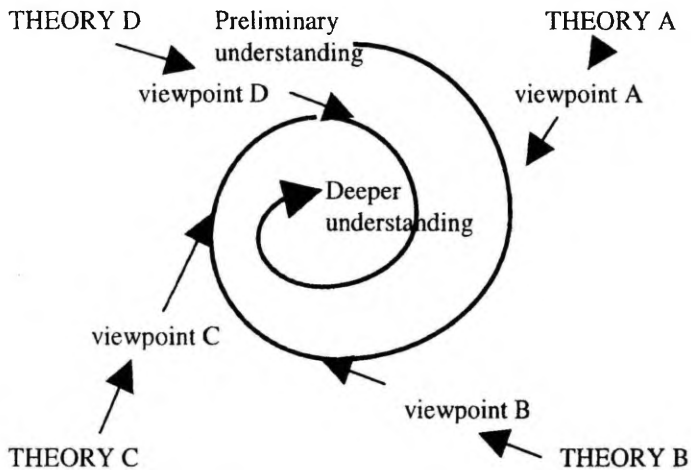


Figure 2 The general logic of exploratory study (Source: Routio, 2002)

The danger in trying to put process views, behavioural views, and resource views into a single framework lies in the fact that they are at least in some cases based on different research traditions. However, this problem can be solved through an awareness of the underlying assumptions of each concept. They are not as contradictory as is often believed. Only by bringing these different views together into a more elaborate framework can we start to approach the theory of internationalization.

The relatively detailed introduction of several internationalization views should thus facilitate the understanding of the relational framework, which is the core theoretical contribution in this field. Although, it might not be unique in every detail, the general layout should improve our comprehension of the internationalization process.

In addition to the theory building motivation, the internationalization process has also paramount importance for economic development at national as well as at corporate level. This is especially true in small economies where the development prospects of companies tend to be hampered by small market size along with intensifying competition. In order to continue growth expansion to foreign markets becomes often an inevitable choice. At the same time, the main intra-firm reasons for foreign expansion vary depending on a firm's technology,

external environment, and managerial competence. The enhanced understanding of these and relational causes helps us to make plausible generalizations concerning the internationalization pattern of a particular industry or country. In that respect research into a transition environment gives a unique opportunity to gather real-life evidence about infant internationalization processes, because in Western economies these processes are, in general, more mature. This relative infancy enables us, to some extent, to test empirically also older views developed in a similar setting.

Although, we must admit that global integration has led to somewhat different external conditions and international support structures that should be definitely accounted for. Thus, this thesis is also motivated by the need to enhance the knowledge about the internationalization of companies operating in transition economies.

The improved knowledge of the internationalization process in local firms will allow for further improvements in teaching of international business, which should in turn facilitate the dissemination of particular knowledge of society. Thus, this research will also contribute to international business education.

The aim and research tasks

In this thesis, the author intends to propose the framework of the relational choices or, in short, the relational framework for explaining the internationalization process of the firm. The relational choices are in this context firm's choices about the recruitment of knowledgeable and experienced foreign employees or about its degree of involvement in relationship-based (external) and ownership-based (internal) networks, in order to import market and internationalization knowledge. These choices are often closely related to the need to increase the speed of obtaining knowledge about the foreign target market beyond the speed offered by the gradual learning based on the first hand market experience.

The impact of these choices on the outward internationalization of a firm is likely to be intermediated by several aspects, including the intra-firm and industry characteristics as well as market aspects discussed in different approaches. At the same time, growing international experience will also influence these aspects along with the relational choices. These considerations allow us to formulate the following aim.

The aim of this thesis is to show that the impact of the firm's relational choices on its outward internationalization process is determined by the complex interactions of these choices with intra-firm, industry, and market aspects. To achieve this, research has been carried out in order to:

- Discuss the main theoretical concepts of internationalization and the impact of a firm's strategic role in larger corporate structure on its foreign activities;
- Synthesize the theoretical framework of relational choices in connection with other aspects of the internationalization;
- Highlight the general characteristics of Estonia as the firm's home environment;
- Advance the propositions concerning the characteristics of relational choices in Estonian companies' internationalization process;
- Test these propositions by using case study analysis in combination with survey data and public information, including statistics.

Research methodology

Although, the research of the firm's internationalization in a transition environment began a decade ago, the main research methods used so far have been in domestic research related to surveys, which have been based on mailed questionnaires with predominantly closed-end questions. These surveys have been carried out regularly and they have proved to be valuable sources of information about entry modes, motivations, and problems. At the same time, they unfortunately do not allow for a more detailed understanding of firm-specific managerial aspects that are likely to play an important role in the internationalization process. That is a major reason for selecting case study analysis as a primary research method, while using elements of triangulation.

This research method has so far not been extensively used by domestic scholars for research into internationalizing firms. Therefore, this thesis will hopefully help to close the important research gap in terms of applied methodology. The case studies about internationalizing firms in a transitional environment have been carried out mainly by western researchers, who tend to lack the in depth knowledge of local economic and business environment. In general, the local research should bring about additional customization of theoretical approaches, which are predominantly Western in their origin, to the specific conditions of transition environment.

In order to offer the empirical evidence about the relational choices of internationalizing Estonian companies, eight research propositions are advanced and discussed in this thesis, thus scrutinizing the internationalization processes of eight case companies in the light of several influences. These propositions range from the issues concerning the aspect of gradual learning to the intra-firm and locational advantages, from intra-firm capabilities to relations with partners. However, in essence this study constitutes an exploratory research of the eclectic relational realm of internationalization. Therefore, given that,

propositions should be taken rather as guiding notions, because an important part of relevant knowledge lies in discussion.

The analysis of our cases is twofold, combining introductory case narratives (see section 2.1.4) and inter-case evidence (see section 2.2). The case study data, gathered by interviewing top managers of our chosen companies and the collection of public information, are verified by survey data (surveys made at the University of Tartu in cooperation with Estonian Investment or Export Agencies during 1997–2001) and by official statistics from Statistical Office of Estonia and Bank of Estonia. From these data, The Survey of Outward FDI of Estonian Companies 2001 is used more extensively. The construct validity of case study data should be secured by the use of multiple sources of information about the companies (interviews, newspapers, annual reports, and homepages) and by review of interview transcripts and the analysis in this thesis by our selected managers.

The structure of thesis

The dissertation is divided into two parts, while each part has three chapters with 2–4 subsections per chapter. The first part of the thesis constitutes a theoretical discussion of a firm's internationalization and explains all the main approaches developed over the years. The first chapter is dedicated to gradual, economic theory based, and relational models. This chapter starts with a discussion of export development models and then turns to one of the best known internationalization approaches, namely to the Uppsala model or U-model. Then we introduces a similar but more elaborate product operation market (POM) approach along with other important contributions from the Finnish research school led by Reijo Luostarinen. The second subsection of the first chapter introduces concepts, which are to a certain extent based on economic theory. These include transaction cost approach, OLI paradigm, and the view of location advantages.

The network approach, discussed in last subsection of this chapter, is related to the Uppsala model, because one of its main developers Jan Johanson is also one of the authors, who developed Uppsala model. In that sense the network approach is also a follow-up concept to this initial sequential approach. At the same time, more dyadic views to relationships are briefly discussed as well.

Based on these three categories of concepts we formulate a more detailed description of the relational choices. In addition to that, these views explain also some market and intra-firm aspects

The main discussion of the views about the role of intra-firm characteristics in explaining the internationalization process is, however, concentrated into the second chapter. In this chapter we discuss three relatively interrelated approaches: resource-based, market orientation, and entrepreneurial orientation

approaches. These are the concepts, which put intra-firm characteristics further into the spotlight of internationalization research.

The third chapter of the theoretical discussion starts with the introduction of an additional issue that has considerable relevance in our explanation to the internationalization process of the firm. Thus, we investigate the possible strategic roles that could be assigned to a firm, which becomes a part of a larger international corporate structure.

In the final section of part one all these aspects, discussed in earlier chapters and subsections, are synthesized into the relational framework of a firm's internationalization, which then is taken as the theoretical background for empirical analysis.

The empirical analysis is in part two. The first subsection in the opening chapter deals with the general characteristics of the Estonian economy. This section should give the reader a better understanding about the features of a small open economy in transition, which is characterized by a Soviet past and an EU-oriented future. This state of affairs itself should be viewed as an important influence on the internationalization processes of foreign affiliates and domestic firms. This subsection should be taken as an introductory description that will help to facilitate the understanding of research to follow, rather than in depth analysis of Estonian business environment.

The next subsection of this chapter combines theoretical conclusions and features of described business environment into definitive research propositions. Before testing these propositions, the latter subsection explains the research methodology, data sources and the main limitations of this kind of analysis. Thereafter, the case company narratives that describe their activities, history, and internationalization are introduced.

The concluding chapter offers a predominantly qualitative discussion of research propositions based on inter-case evidence. In order to increase the external validity of the study, where possible, the results are verified using survey data and official statistics.

The internationalization of a firm is in this thesis defined as widening their operations in a foreign environment. In addition to exports, a company's foreign investments and contractual relations, it could include the import of equipment (technologies), materials, and knowledge from foreign companies as well as other activities that create international connections.

Since the internationalization process is the general context of this research, it means that all intra-firm characteristics and orientations are also discussed in international setting, if not explicitly mentioned otherwise. Thus, the reader would be advised to presume that discussion is about cross-border activities if it is not specified. The rationale for this kind of approach comes from the fact that in internationalizing companies the foreign operations management becomes integrated into general management function. This is especially true about the firms in small open economies.

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All the mistakes and errors still found in this thesis are the sole responsibility of the author.

Part I. THEORETICAL CONTEXT OF THE PROPOSED FRAMEWORK

1.1. The gradual, economic theory based and relationship models of internationalization

1.1.1. The gradual approaches and experiential learning

Research into the internationalization process has gained pace during last 30 years. There have been several different internationalization patterns observed in literature. Some of them concentrate only on the development of exports and on steps prior to export (Pavord and Bogart, 1975; Bilkey and Tesar, 1977; Wiedersheim-Paul et al., 1978; Cavusgil, 1982; Reid, 1981; Czinkota, 1982; Barrett and Wilkinson, 1986; Moon and Lee, 1990; Lim et al., 1991; Rao and Naidu, 1992; Crick, 1995). Models offered by Johanson and Wiedersheim-Paul (1975) and by Wortzel and Wortzel (1981) that have also been included in the list of export development models (Leonidou and Katsikeas, 1996), are in the sense more holistic, and thus more often treated as internationalization approaches.

Pavord and Bogart (1975) take an activity-based view on exporting, suggesting the following stages: no activity, passive activity, minor activity, aggressive strategy. Already this view illuminates main aspects refined in concepts that followed.

The early work of Bilkey and Tesar (1977) describes the export development process as an innovative procedure for the firm. The authors describe six stages starting from management's lack of interest in exporting towards a consideration of exporting to less-known countries. In between these two extremes, a company starts first with unsolicited orders, then it starts actively looking for the possibility of active or self-initiated exports followed by experimental exports to psychologically close countries and becoming an experienced exporter on neighboring markets. As could be recognized one of the central notions in this view is psychological distance, determining the gradual growth of company's exports.

Cavusgil (1980) differentiates between five steps or stages. Initially the firm is engaged only in domestic marketing without any foreign commitments. During the second stage information about the export possibilities is gathered and feasibility of that option evaluated. If the results are encouraging company starts exporting to nearby markets. During the fourth stage firm becomes more actively involved by entering new target countries via direct exporting and thus increasing sales. During the final, so called committed involvement stage, choices about resource allocations between domestic and foreign markets are

constantly made. This final stage however did not prove to be empirically supportable (Leonidou and Katsikeas, 1996).

The models of Reid (1981) and Czinkota (1982) share many similarities with these two described views, the latter based on the work of Bilkey and Tesar (1977). Reid (1981) looks at exporting in terms of awareness, intention, trial, evaluation and, acceptance. The work published by Lim et al. (1991) divides these stages using only slightly differently notions of awareness, interest, intention, trial, and adoption of exporting.

Czinkota (1982) investigates six types of firms: the uninterested firm, the partially interested firm, the exploring firm, the experimental firm, the experienced small exporter, and finally the experienced large exporter. The first two types characterize the emergence of interest in exporting, the following two stress the learning aspect, and last two describe the scale aspect of foreign sales.

Barrett and Wilkinson (1986) differentiate between two types of non-exporters (those who never considered exporting, and those who investigated exporting). In addition, their classification involves previous exporters and current exporters. The stages offered by Rao and Naidu (1992) classify non-exporters in a similar fashion, but the important distinction is made between sporadic involvement and regular involvement in export activities. They also offered empirical evidence about the supportability of differences between the four stages of export development.

Moon and Lee (1990) contributed to the field by analyzing export behaviour determinants and based on that three stages emerged, namely low stage of export involvement, a middle stage, and a higher stage. Although many organizational factors were found to be different between the stages, other types of factors did not have such a discriminating effect.

The model of Crick (1995) differentiates between non-exporters, passive exporters and active exporters, but otherwise draws upon Czinkota (1982). Some more recent works investigate further the role of psychological or also psychic distance (Stöttinger and Schlegelmilch, 1998; Evans et al., 2000).

The concept of Wiedersheim-Paul et al. (1978) differs from discussed models in this respect that it investigates only pre-exporting phases of development from domestic firm to the active non-exporter who is anxious to start exporting.

Haar and Ortiz-Buonafina (1995) argue, based on their empirical research, that the export development process is highly determined by a firm's financial flexibility and marketing know-how, while also global changes in business environment play a crucial role, thus developments in exports are rather one of necessity than a choice. According to Dalli the internal organizational commitment to exporting by small and medium-sized firms 'is mainly affected by availability of internal resources and not by the characteristics of the environment in which the firm operates or by the characteristics of the activities performed' (Dalli, 1995 p. 113).

Table 1. Models of export development stages

Pavord and Bogart (1975)	Bilkey and Tesar (1977)	Cavusgil (1980)	Reid (1981)	Czinkota (1982)
<ul style="list-style-type: none"> - No activity - Passive activity - Minor activity - Aggressive strategy 	<ul style="list-style-type: none"> - Non interested management - Filling unsolicited orders - Exploring active exporting - Experimental exporting to psychologically close countries - Experienced exporter - Exploring exporting to more distant countries 	<ul style="list-style-type: none"> - Domestic marketing - Pre-Export stage - Experimental involvement - Active involvement - Committed involvement 	<ul style="list-style-type: none"> - Export awareness - Export intention - Export trial - Export evaluation - Export acceptance 	<ul style="list-style-type: none"> - The completely uninterested firm - The partially interested firm - The exploring firm - The experienced small exporter - The experienced large exporter
Barrett and Wilkinson (1986)	Moon and Lee (1990)	Lim et al. (1991)	Rao and Naidu (1992)	Crick (1995)
<ul style="list-style-type: none"> - Non-exporters who never consider exporting - Non-exporters who are interested in exporting - Previous exporters - Current exporters 	<ul style="list-style-type: none"> - Lower stage of export involvement - Middle stage of export involvement - Higher stage of export involvement 	<ul style="list-style-type: none"> - Awareness - Interest - Intention - Trial and Adoption 	<ul style="list-style-type: none"> - Non-exporters (no interest) - Non-exporters (would like to export) - Sporadic involvement - Regular involvement 	<ul style="list-style-type: none"> - Non-exporters - Passive exporters - Active exporters

Sources: Pavord and Bogart, 1975; Bilkey and Tesar, 1977; Wiedersheim-Paul et al., 1978; Cavusgil, 1982; Reid, 1981; Czinkota, 1982; Barrett and Wilkinson, 1986; Moon and Lee, 1990; Lim et al., 1991; Rao and Naidu, 1992; Crick, 1995

Although influenced by some earlier works, one of the earlier more holistic approaches to emerge was gradual approach, when in the 1970s many Scandinavian authors, including Jan Johanson, Jan-Erik Vahlne, and Finn Wiedersheim-Paul published several important articles concerning the internationalization process of the firm.

This so-called Uppsala school suggests a sequential pattern of entry into successive foreign markets, while this process is related to the progressive deepening of commitment to each market (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977; Johanson and Vahlne, 1990). Johanson and Vahlne (1977) describe this process as a state and change interaction of internationalization variables. The state aspect is characterized by market knowledge and market commitment, while change is initiated by commitment decisions and current activities (see Figure A1 in Appendices).

The notion of market knowledge has many different aspects that determine the nature of the internationalization pattern. Based on Penrose (1959) the authors stress the importance of knowledge gathered via experience in a particular market, which is called experiential knowledge (Johanson and Vahlne, 1990). According to Penrose: 'One type, objective knowledge can be taught; the other, experience or experiential knowledge, can only be learned through personal experience.' (Penrose, 1959 p. 53). The same author draws her readers' attention to the fact that experience constitutes a subtle change in individual and thus, cannot be transferred, while it may only be applicable in certain environmental circumstances and as long as these conditions persist. The importance of experiential knowledge increases with the sophistication of the product handled and with the complexities of the target market, allowing firms to perceive and formulate opportunities (Johanson and Vahlne, 1977).

Johanson and Vahlne (1977, 1990) differentiate also between market-specific knowledge and general knowledge. The first is knowledge about the particular target market. The general knowledge in turn concerns awareness about present context, certain methods of operation, management of different customer types, which is independent of locational factors but might depend on similarities in production. Thus, the latter is easily transmitted from market to market.

Eriksson et al. (1997) view market-specific experiential knowledge in a more detailed fashion. By foreign business knowledge they mean experiential knowledge of clients, the market, and competitors. Foreign institutional knowledge refers to experiential knowledge of government, institutional frameworks, rules, norms, and values (Eriksson et al., 1997 p.343). Market knowledge has to be supported by knowledge of the firm's capability and resources to engage in international operations that is labeled internationalization knowledge (Ibid., p. 343). Essentially the last notion is very similar to the term, firm experience, discussed in the following section. The lack of knowledge influences considerably the perceived cost of the internationalization. In 2000 Eriksson, Johanson, Majkgard, and Sharma showed empirically that the first internationalization

step influences firm-specific experiential knowledge, thus, being in support of 'path-dependent' or sequential view (Eriksson et al., 2000).

In the facilitation process of cross-border activities, it is equally important to differentiate between market experience and firm experience. According to these Swedish scholars lack of firm experience, defined as knowledge gathered by working in or in some cases with a firm, is the factor that makes knowledge import by recruiting employees with appropriate market experience very difficult. These persons might have a profound knowledge of target market conditions but lack the experience of working in a firm where it is necessary to use this experiential resource efficiently. (Johanson and Vahlne, 1977)

In conclusion, the initial lack of market-specific knowledge and the subsequent need for a gradual learning process are the main assumptions of sequential market entry process.

In terms of market commitment there is a difference between the amount of resources committed and the degree of commitment. If resources allocated in a certain target area can be easily sold and with this procedure liquidated, then the degree of commitment is low even when the amount of resources in that area is relatively high (Ibid.). Thus, degree of resource commitment is considered to be high when it is very difficult or impossible to withdraw invested resources.

The change aspect of commitment decisions involves a selection between the alternatives in terms of resource commitment that are raised by the problems and opportunities perceived, based on the level of market-specific experience and firm-specific experience which the firm possesses (Johanson and Vahlne, 1977). Commitment decisions depend on a firm's level of risk tolerance in comparison with the actual rate of risk in a target area that depends on current resource commitment and on uncertainty related to the target market. Scale of activities is expected to increase when risk in a new market is below the maximum level of tolerance. If the current risk exceeds the tolerated level, the commitment into reducing uncertainty is still visible for example, by increasing interactions with the target area's institutions. Experience is expected to reduce uncertainty in fairly stable and heterogeneous markets, because unstable situations can usually not be managed based on experience (unless it is experience concerning management of turbulent situations), and homogeneous conditions do not always need experience for gathering of market knowledge. (Johanson and Vahlne, 1977)

The time lag of current activity consequences of the market might somewhat unexpectedly cause the increase in total commitment, when that lag is not sufficiently accounted for. Current presence in the market is also the main source for the experiential knowledge. Knowledge transmission through hiring a workforce with extensive market experience might offer, according to the authors, a solution only when interaction between market and intra-firm structures is not very important (Ibid.)

The important determinant connected with this gradual approach is a psychic distance, defined as factors preventing or disturbing the flow of information

between firm and market, including factors such as differences in language, culture, political systems, level of education or the level of industrial development (Andersen, 1993). This distance is the reason why firms usually start their internationalization process in culturally and geographically close markets, having similarities to the domestic business environment. Jan Johanson and other Swedish authors argue also that as experiential knowledge, acquired in different foreign markets in terms of market experiences, increases, the impact of psychic distance, as a determinant on choice of entry mode, decreases. Sequence of operational forms (export, marketing subsidiary, and production facility) in a market where a firm is gradually learning or gaining experience is labeled establishment chain (Johanson and Wiedersheim-Paul, 1975; Eriksson et al., 1997). Thus, initial lack of market experience causes firms to be cautious and rather risk-averse in their approach to committing resources. As they gradually learn to cope with a target market environment, the perceived threats are reduced and commitment, including financial commitment, increases. Feedback from activities in each subsequent entry mode helps them to advance to the next level. (Yip et al., 2000). The establishment chain in relation to its key features is depicted in Figure 3.

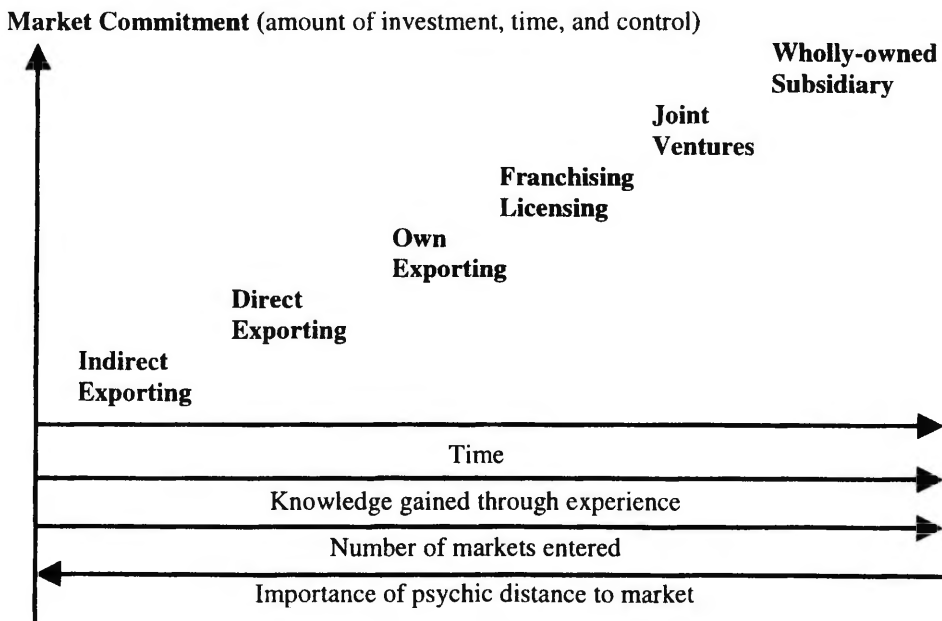


Figure 3 Establishment chain in gradual approach (Source: based on discussion in Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, Johanson and Vahlne, 1990)

The Uppsala or U-model has been criticized during last decades mostly in terms of empirical supportability of incremental stages or steps in the internationalization process (Sullivan and Bauerschmidt, 1990; Millington and Bayliss, 1999; Benito and Gripsrud, 1992; Bonaccorsi and Dalli, 1992; Ali and Camp, 1993; Pedersen and Petersen, 1996, 1998; Bell, 1995; Madsen and Servais, 1997; Crick and Jones, 2000). Even authors themselves have critically reviewed and amended the concept during the 1980s, admitting that 'leap-frogging' or skipping of some developmental stages is likely to occur in large firms which are often less risk averse than their small and medium sized counterparts (Johanson and Vahlne, 1990). However, this idea was not empirically supported. Some conditions that reduce the importance of experiential knowledge (homogeneous markets, experienced workers etc.) were already discussed earlier.

Terms like 'born globals' (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Andersson and Wictor, 2001; Knight et al. 2001; Saarenketo et al., 2001) or 'global start-ups' (Oviatt and McDougall, 1994) have during the last decade gained in importance. One of the earliest definitions of born globals was offered by McKinsey and Co. in 1993. Born globals are firms that start exporting one or more products within two years of establishment and tend to export at least 25 percent of their total production (McKinsey and co., 1993; Knight and Cavusgil, 1996).

Madsen and Servais (1997) argue that firms in high-tech industries have often to be global almost as soon as they enter the foreign market, and that the notion of the an incremental development path does not hold when a firm's owner/manager/leader has accumulated market knowledge before the establishment of the current firm or when the demand is inherently global (see also McDougall et al., 1994; Oviatt and McDougall, 1994; Jones, 1999; Crick and Jones, 2000; Bell, 1995).

There have also been attempts to offer new ideas in support of sequential growth in foreign market commitment. Pedersen and Petersen (1996, 1998) explain incremental changes with scale effects that emerge from export sales growth leading to creation of subsidiaries, with increased global competition and thus, higher risk due to the possibility of retaliation, and with a need to accumulate resources for gradual expansion. The first two are external environmental factors, while resource base explanation along with initial market knowledge explanation, constitute internal resource factors (Pedersen and Petersen, 1998) (see Figure A2).

On an operational level, Pedersen and Petersen (1996) stress the very important fact that gradual approach is meant to explain development of international operations motivated by market seeking. It is natural that a resource-seeking company would be more influenced by the cost of labour, for example, than by market-specific knowledge in its commitment decisions. The same authors criticize also the rigidity of the concept of establishment chain in initial Uppsala model. They argue that when researchers account for domestic

but systematic export support activities ‘leap-frogging’ or discrete internationalization is much less evident. In addition, the commitment to the target market can gradually increase within the framework of individual entry mode (Pedersen and Pedersen, 1996). This fact is also often ignored by the critics of incrementalism.

In conclusion, contemporary scientific discussion in the field of internationalization calls for more holistic views, and for further empirical tests in different industries and regions, but, in the next section, we offer first a more elaborated or holistic view of gradual internationalization process.

In many respects similar to the Uppsala model, but more general internationalization approach, attributable mainly to Reijo Luostarinen and Lawrence Welsh, was developed in the 1970s and the 1980s. There are some important aspects that this model incorporates. It describes internationalization through three important dimensions: product, operational mode (see Table A1), and market (Luostarinen, 1979). Therefore, it is also known as the POM-approach or holistic approach. In a product dimension, the important pattern of business operation is related to the export of business systems that combine physical goods, services and know how (Luostarinen and Welch, 1997). Although the empirical evidence shows that systems are in third place after physical goods and services, the most unpopular in terms of offering to others seems to be ‘know-how’. In the case of operational mode it has been shown that small and medium-sized Nordic firms tend to prefer non-investment sales and production modes to investment related modes in the outward internationalization (selling and/or producing abroad) or non-investment buying or production operations in the inward internationalization (sourcing from abroad) (figure 4) (Korhonen, 1999).

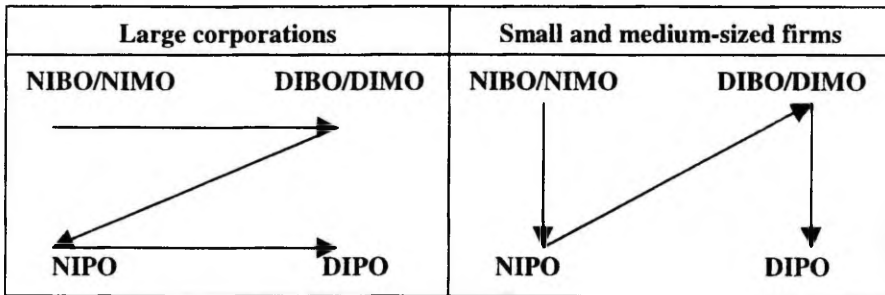


Figure 4 Dependence of foreign market operational modes from companies’ size (source: based on discussion in Korhonen, 1999)

With respect to market dimension, the Finnish model is very similar to the Uppsala approach. Only the knowledge gained in one market is even more transferable, so the choice of entry mode in a case of longer international experience will become flexible and some stages in chain a likely to be skipped (Welsh and Luostarinen, 1988). Instead of the term psychic distance the Finnish author uses the notion of business distance that combines the effects of cultural,

geographic, and economic distance (Luostarinen, 1979). Thus, his view is slightly more detailed. Goodnow and Hansz (1972) have divided target countries into hot, warm, neutral, cool, and cold countries, whereas hot countries have a short business distance, described by geographic and cultural proximity and by positive aspects of economic distance (Luostarinen, 1979). POM approach in general has four stages: starting, development, growth, and mature. (Luostarinen, 1979 p. 182).

Luostarinen and Welch reintroduced also the focus to the inward-outward connections, stating that inward international activities, like purchasing of materials, equipment etc., might have considerable role in helping to enter target market with firm's output (see Table A2). This could happen directly via countertrade and other forms, or indirectly, for example through formation of contacts with market channels in cooperation with a firm's foreign supplier (Welch and Luostarinen, 1993). In addition, cooperative internationalization should be included into the framework (Luostarinen and Hellman, 1994). The internationalization pattern of the firm that connects inward, outward, and cooperative aspects of the internationalization is shown in Figure A3.

In the process of internationalization there are several variables in different levels of environment affecting the market entry. Luostarinen (1970) uses three layers of impact: Macro-environment or super-system, microenvironment or sub-system, and milli-micro environment or sub-sub-system. The first being related to home and target country variables, the second with firm level variables, and the last with the variables affecting decision-making procedures. Ghauri and Holstius (1996) add to the approach global-environment, described by supranational cooperation and organizations, as well as by other global trends. Figure A4 combines these two views into single framework. The idea of global factors can also be found in Luostarinen (1982) p.136 and Luostarinen (1994).

The important decision making related variable, affecting the entry mode, is lateral rigidity, caused by limited perception, restrictive reaction, selective search, and confined choice. All these characteristics represent behavioural impacts on the process (Luostarinen, 1979).

The internationalization pattern can be identified in many different ways. When Johanson, Vahlne and Fiedersheim-Paul described this pattern mostly in terms of accumulating experience and subsequent increase in commitment (see section 1.1.1.), then Luostarinen has shown the interaction between different approaches to the pattern of internationalization. (Luostarinen, 1970; Luostarinen and Welch, 1990 p.258). This approach allows reader to see how operations in several target markets form the internationalization pattern of the firm and how the cumulation of firms' patterns in any similar industry gives an industry level pattern. In interaction of foreign operations in all industries, the internationalization pattern of (home) country is formed, and all these country patterns together constitute general trends in internationalization process all over the world (see Figure A5).

In the light of the internationalization process in transition economies this patternistic model stresses the importance of holistic view that intends to match the patterns in Eastern European firms and countries with those in Western economies. Whereas, matching should not necessarily mean using the same pattern, it could also intend to find the correspondence in complementary fashion. Luostarinen argues also that although the gradual view of internationalization has been criticized (Turnbull, 1987), empirical evidence (Luostarinen 1979, Luostarinen and Hellman, 1994, Luostarinen, 1994) suggests that company level pattern does exist, and is more valid than the target country level pattern. Target country or market pattern ‘leap-frogging’ is further discussed in Welch and Luostarinen (1988) and in some earlier writing of Luostarinen. The authors show that, as internationalization experience in time grows, the entry mode to new target countries could be more complex from the start (see Figure 5 markets 4 and 6).

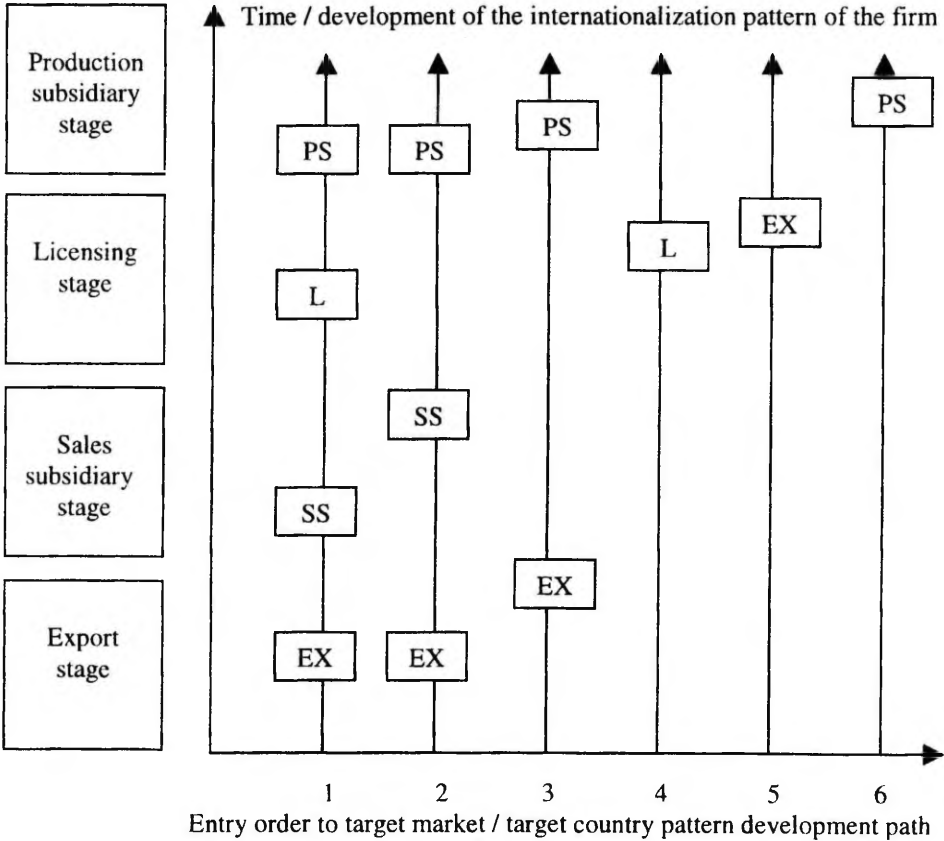


Figure 5 Development paths of the firm and target country level internationalization patterns – leap-frogging at target country level (source: Luostarinen, 1979; Welch and Luostarinen, 1988 p. 48 with authors modifications)

The development path of internationalization is not always straightforward. It is related to possible de-internationalization owing to the failure of foreign operation or as a consequence of so-called involuntary internationalization, where foreign market entry is initiated by customer interest or by market forces. The lack of intrinsic motives for internationalization might encourage a firm to withdraw from foreign activities when the situation changes. (Luostarinen, 1970) However, the experience gathered in foreign market could later be beneficially utilized when firm re-internationalizes (Luostarinen, 1979). Thus, although the internationalization process can be regressive, the related learning process is still continuous.

In terms of inward-outward connections, the cooperative international operations have to be considered as one of the main links. Luostarinen and Welch (1997) describe the following dimensions, levels, and fields of cooperation (see Table A3).

Especially, bilateral third country cooperation in sales or production can be important in terms of inward-outward connection between Eastern European and Western firms, exchange of knowledge as a resource also plays a considerable role, the latter falls into the field of managerial cooperation.

1.1.2. The concepts based on economic theory

The following concepts explain the internationalization processes based on arguments developed from economic theory, which relate to the market power aspirations, transaction costs, ownership advantages, and the location advantages. Thus, it should give the rational explanation why firms tend to use intra-corporate forms of a foreign entry, for example foreign direct investments.

Because of the managerial view taken in the current thesis, some important contributions that tend to be more macroeconomic in nature, like Raymond Vernon's international product life cycle theory (Vernon, 1966) and Kojima's hypothesis (Kojima, 1978), are not analyzed further. This line of discussion has closer ties with trade theory than with organizational aspects that are the main focus in this work, although, Vernon's approach includes some initially intra-firm determinants. John Dunning has also described certain limitations in their explanatory power (Dunning, 1991).

One explanation for the internationalization of the firm is given using the framework of internalization approaches. According to John Cantwell the internalization concept emerged in the middle of the 1970s with a work of Hymer (1976), where in his theory of the firm Hymer indicated the means firms use to gain market power (Cantwell, 1991). Mergers and capacity extension, first in domestic and then in foreign market, are central in this concept. This kind of approach was viewed as a way of retaining the profit margins. Although due to the monopoly power gained in the process the efficiency in the foreign plants could even be reduced (Hymer and Pashigian, 1962a, 1962b; Cantwell, 1991).

Due to this non-efficiency seeking nature of market power concept, the transaction cost approach of internalization has been more generally accepted than the early ideas of Hymer. In this view organizations tend to grow via mergers and acquisitions because of the strategic efforts to reduce transaction cost by internalizing transactions, as opposed to external market relationship. It has been argued by Williamson, that market relationship, or in other words arms-length relationship, is more opportunistic than hierarchical relationship within the organization (Williamson, 1975). The term transaction cost has also been widely used in the domain of monetary economics; some authors argue that it has been later adapted by the theory of firm (Klaes, 2000).

Williamson's view on transaction costs has not only attracted proponents but has also been the subject of criticism. Sumantra Ghosal and Peter Moran argue that organizational efficiency and market efficiency do not follow the same logic of conduct and therefore extensive seeking of intra-organizational efficiency could be bad for business practice (Ghosal and Morgan, 1996). Hierarchy in their approach is no substitute for the market because organizations have a more complex administrative nature than was assumed by Williamson.

However, in his remarks in 1994, Oliver Williamson calls for distinction to be drawn between the science of organization and the science of administration, the latter being a special case (Williamson, 1994). This partially implies that criticism published two years later might somewhat misread Williamson's pattern of thought. Although in the same source he admits that there are many aspects yet to be scrutinized, for example a theory of bureaucratic failure comparable in his view to market failure. (Williamson, 1994). In his direct answer to Ghosal and Morgan he says that his notion of opportunism is not to be taken as a call for misconduct but rather as a warning of danger, while also being of a long-term nature as opposed to a day-to-day frailty of motive (Williamson, 1996). On account of different efficiencies, he asks which concept treats them better?

There are also suggestions to combine the features of Schumpeterian entrepreneurial discovery of new market opportunities with the 'bounded rationality' and opportunism considerations of Williamson in a complementary fashion (Peng et al., 2000). In discussion these concepts are more often considered to be contradictory to each other.

The paradox of transaction cost economics lies in the fact that it was offered as a solution to 'frictions in economics', meaning that institutional framework constitutes a source for certain problems in economic processes. However, by now transaction cost theory itself is being regarded as the modern equivalent to frictions (Klaes, 2000).

Slater and Spencer on the other hand call for better distinction of uncertainty as a main assumption of the transaction cost concept. They argue that term 'bounded rationality' does not allow to sufficiently differentiate uncertainty from complexity (Slater and Spencer, 2000). All in all this is a suggestion for a more detailed approach to the risks and uncertainties involved in internalization

according to transaction cost theory, because firms in real life seem to operate in a very unpredictable void instead of having only few boundaries.

In the process of theory development the internalization concept has also been incorporated within John Dunning's OLI paradigm of foreign direct investments. This paradigm shows that foreign direct investments are caused by ownership (possession or ability to acquire firm-specific non-imitable assets), location (profitability of utilizing these assets abroad in comparison with domestic usage), and internalization advantages (utilization of specific assets in-house rather than selling or leasing them) (Dunning 1980, 1991). Although in this view ownership and internalization are separable concepts, even Dunning himself has acknowledged the fact that they are very closely related and one may lead to the other (Dunning 1991, 2001). The author of this research has a view that, although there could be many sources for internalization of the relationship, in most cases it involves some form of proprietary control (ownership of assets, ownership of rights or other kind of rights on property). In some cases, internalization could also occur by the use of licensing agreements (Buckley and Casson, 1998a). The OLI paradigm constitutes a general framework of international production aspects, and is not to be understood as separate theory (Dunning 1991, 2001).

During the last decades John Dunning has made efforts to keep that paradigm up to date by answering the criticism of other authors, for example by Kojima (1982), and by extending the concept to take into account the developments in the global economy (Dunning 1991, 1995, 2001, Dunning and Wymbs 2001). Although, in comparison with market power and transaction cost views of internalization, Dunning's distinction between ownership advantages and internalization advantages remains somewhat too specific for the general eclectic nature of his view. Peter Buckley also argues that '...if internalization is interpreted dynamically, the inclusion of ownership advantages is double counting' (Buckley 1988, p. 182).

Given that notion, Buckley supports two general axioms about international production: '(1) Firms choose the least cost location for each activity they perform, and (2) firms grow by internalizing the markets up to the point where the benefits of further internalization are outweighed by the costs' (Buckley 1988, p. 181–182). Thus, this division involves location advantages and internalization that is somewhat different from Williamson's market versus hierarchy approach, but still related. Initial intention of Peter Buckley and Mark Casson was to use the internalization aspect in explaining the firm growth (Buckley and Casson, 1976). Several authors (Casson, 1984; Teece, 1981) have shown that tendency towards internalization because of high transaction costs is mainly characteristic to vertically integrated process industries, knowledge intensive industries, quality assurance-dependent products, and communication-intensive industries. While Mark Casson explains the aspects of vertical integration (Casson, 1984), David Teece describes threefold incentives for inter-

nalization: circumvention and minimization of taxes and controls, monopoly, and efficiency (Teece, 1981).

Teece's view of the possible anticompetitive nature of multinational enterprises, emerging as a consequence of internalization of international activities, is based on discussions by Stephen Hymer (1976), the main elements of which were discussed earlier, and Richard Caves (1980, 1982). For Caves internationalization relates to the choices of appropriate strategy and organizational structure (Caves, 1980).

The relationship between location advantages and internalization has been analyzed in detail by Moon (1997). He makes a distinction between country-specific advantages (cheap labour, natural resources and market) and firm-specific advantages (certain firm's ability to internalize location advantages better than other firms in a target country) (see Figure A6). He stresses also the complementary nature of the entrant's resources and the resources of the local firm. Firm-specific location advantages and high complementarities make the use of strategic alliances or joint ventures beneficial, whereas country-specific advantages point, in the case of market failure, towards inter-industry trade or wholly owned subsidiary (Moon, 1997). Therefore, this concept indicates that market failure in the host country could lead to the internalization of operations via foreign direct investment. This approach gives a more specific description of the situation in which the internalization is recommendable. The importance of locational factors in modern dynamic conditions has been further stressed by John Dunning (Dunning, 1998).

Although, the internalization and location aspects are still of great importance, the nature of economic interaction on the global level has undergone some important changes. The increasing need for flexibility and speedy reactions renders intra-corporate interaction occasionally less efficient than joint venture agreements, and other forms of cooperation.

Peter Buckley describes also the change in the dominance of control from vertically integrated production function towards corporate control over distribution, marketing, and branding activities, whereas production could be extensively outsourced (Buckley, 1988; Buckley and Casson, 1998a).

In conclusion, one can recognize that these concepts revolve around three main advantages outlined in the works of John Dunning. Two of these, namely the location advantages and especially the internalization advantages, were analyzed in this section. Intra-firm ownership issues will be dedicated the entire chapter 1.2, which discusses resource-based view, market orientation approach, and entrepreneurial orientation approach. These constitute the contemporary views of the internationalization. This division of subjects is related to the relational framework proposed in the final section of the part one, where the intra-firm characteristics have a considerable role. The main aspects of economic theory based views are summarized in Table 2.

Table 2. Selected approaches about the internationalization in relation to the framework of John Dunning’s eclectic paradigm

The eclectic paradigm by J. H. Dunning (1977, 1980, 1991, 1995, 2001)		
Ownership advantages	Location advantages	Internalization advantages*
See sections 1.2.1–1.2.3 about the resource-based view, market orientation approach, entrepreneurial approach, and section 1.3.1 about strategic role of affiliates	Vernon (1966) Moon (1997) Baldwin (1995)- location effects of integration etc.	Buckley and Casson (1976) Casson (1984) Buckley (1988) Teece (1981) Williamson (1975, 1994) Caves (1982) Hymer (1962a, 1962b, 1976) etc.

* includes different approaches based on market power, monopoly, efficiency, and market failure

Source: Based on discussion in this thesis

1.1.3. The network approach

The Network approach emerged as a result of the criticism to sequential approach (see Turnbull, 1987; Rao and Naidu 1992; Madsen and Servais 1997; Tyebjee 1994; Reuber and Fisher, 1997). At the same time, this view is also closely related to the concept of internalization discussed in the previous section (see Ghoshal and Bartlett, 1990 and discussion of their views below).

The first element of the network approach to emerge was the relationship marketing concept, describing the long-term relationship between customer and supplier, one form of which is key account management. It has been defined as a way of achieving maximum sales from an identified group of external and internal customers (Wong, 1998). Although having many features of the network approach, this kind of works only look at the relationship between the two parties, whereas the network involves awareness of others.

There are many definitions of networks. Thorelli defines network ‘as the one intermediary between the single firm and the market, i.e. two or more firms which, due to the intensity of their interaction, constitute a subset of one or several markets’ (Thorelli 1986, p. 38). More broadly, ‘inter-organizational network could be defined as clusters of business units held together, in network fashion, by market mechanisms’. (Zeffane 1995, p. 26) Rachid Zeffane also argues that networks are faster, smarter and more flexible than reorganizations or downsizings, thus to be considered as an alternative to vertical integration, or in other words internalization, for the high-growth entrepreneurial firms. Networks help to make bureaucratic organizations more innovative (Zeffane, 1995).

In the modern era, the notion of a market versus an internalized hierarchy inevitably has to be extended to include the network approach as well as

cooperative forms of internationalization in more general terms. There are cases when vertical integration, in terms of mergers with suppliers or retailers, is inappropriate, for example if transactions are only occasional and involve very specific assets (Johanson & Mattson, 1987). However, that is not to say that internalization concepts are not applicable. They have to be revised in a higher level of alliances and conglomerates. Indeed, internalization bears many similarities with deep-rooted network bonds (Roolaht, 2001). A comparison of network with hierarchy, and market is given in table A4.

The view that networks offer an alternative to market vs. hierarchy dichotomy is supported by New and Mitropoulos (1995). In addition, this approach highlights the stable non-static nature of the commercial relationships, provides a framework for understanding technological diffusion processes, and helps smaller firms to enhance their competitiveness via increased responsiveness and flexibility by acting together (New and Mitropoulos, 1995). This last aspect of networks is especially interesting in the context of transformation countries.

In a more theoretical view, the network approach has three main features: actor bonds, shared resources and integrated actions (Johanson and Mattson, 1988). Actor bonds determine also the actor's network position. Network position has been defined as a semi-autonomous decision centre, that in most cases coincides with a firm, a strategic business unit, or a profit centre (Thorelli, 1986). This position in a network can also change when competitive situation or market environment develops. A firm's position in a network determines its power in network and *vice versa*. The network bonds could be both vertical among the members of value-adding system and horizontal among actual or potential competitors (Piercy and Cravens, 1995). Shared resources indicate that an actors' success in operating depends on other participants' choices. Inside the network, there could be competition for the use of common resources (Thorelli, 1986). Integrated actions imply that networks can be viewed as economic entities, although much more complex than organizations.

In addition to three main dimensions, one aspect often mentioned is mutual trust. In many respects, networking is about building and reinforcing trust-worthy connections between actors. This aspect of networks is especially important in Asian networks as indicated by several authors (Wong, 1998; Haley and Tan, 1999). Mutual trust is a basis for cooperation between competitors forming therefore links of co-opetition (Bengtsson and Kock, 1999).

The aspect of relationship building is further elaborated in several works of Håkan Håkansson (1975, 1976, 1980, 1982, 1989, 1992, 1994), some of them in cooperation with other authors. He started with studies of customer-supplier relationship and industrial marketing (Håkansson, 1975), gradually developing the idea of a network relationship of actors instead of mutual relationship (see for example, Anderson et al., 1994). Håkansson's works explain inward-outward connections within the framework of business network (see Figure A7). These connections depend on the strength and type of actor bonds, while the

strength of bonds can increase according to changes in network environment (Johanson and Mattson, 1987). Inward inter-company relationships are linked to similar outward connections by interaction between the departments and affiliates within a corporate structure, whereas intra-company links are of great importance.

A dominating type of relationships, on the other hand, depends on industry, whereas activity based bonds are common in process, mature, and production industries, while actor bonds are more important in new high-tech industries (Håkansson and Johanson, 1993).

Founders of the sequential approach have also recognized the importance of the multilateral or network aspect of the internationalization process (Johanson and Mattson, 1988; Johanson and Vahlne, 1990). They consider it as an important improvement to the initial incremental process. Other authors highlight important interconnections between process view of operational modes, firm's resources, and social networks (Holmlund and Kock, 1998), while offering also subsequent empirical evidence. The role of network support in the international markets is the main subject in several contributions (Coviello and Munro, 1995; Coviello, 1996; New and Mitropoulos, 1995; Zeffane, 1995). In addition, openness to change and socio-cultural background are very influential (Minguzzi and Passaro, 2000). The review of other listings of success factors, classified into performance, potential, and process factors by industry types, can be found in (Coviello et al., 1998).

The network has also its network horizon. When we define network as a complex set of integrated relationships, then within the horizon are those connections in network, which are considered important by the actor. This forms its network context (Johanson and Johanson, 1999) Therefore, although networks are separable, the network boundaries are very hard to define.

The feature of the classic network paradigm is that each member should be well specialized, independent, effectively organized and managed entity responsible for certain process or value-adding function (Verwijmeren et al., 1996). This implies that small entity is better than large organization. 'Because networks of co-operating organizations take the best of both market and hierarchy, they are capable of managing the additional complexity of business processes that is associated with increased product variety, higher customer service levels and affordable prices' (Verwijmeren et al. 1996, p. 18).

It is argued that the network approach helps to remedy many problems related to for example, transaction cost concept (see Johanson and Mattson, 1987), and it is often looked on as an alternative to the internalization. The author of this current research believes that under certain assumptions those two concepts are not as different as they often are considered to be and therefore the attempt is made to highlight the similarities. In some instances, it is up to terminological differences. For example, Ghoshal and Bartlett differentiate between multinational network and external network (Ghoshal and Bartlett, 1990). Under multinational or inter-organizational network, they mean 'a group

of geographically dispersed and goal-disparate organizations that include its headquarters and different national subsidiaries' (Ghoshal and Bartlett 1990, p. 603). This notion is obviously closer to the internalization concept than to the classic network approach. Some sources like (Peng and Heath, 1996) treat mergers and acquisitions as strategic choices differentiated from inter-organizational or network relationships. This separation stems from the definition of network as an external network by Ghoshal and Bartlett. Mergers and acquisitions are in turn related to internalization and corporate networks. These definitions depend somewhat on the extent of managerial control gained in the process as well, where the network describes a less controlled situation and acquisitions higher ability to direct actions.

Similar differentiation is offered by Gordon Wills who discusses two phenomena, socio-intrapreneurship, which seeks to make the large organizations work better in order it to regenerate itself, and socio-entrepreneurship, which does not need a common organization and is just oriented towards achieving the shared purpose (Wills, 1994). The first of them is obviously similar to the concept of multinational network and the second phenomenon relates to inter-organizational voluntary networks. Wills stresses the importance of well-defined leadership and financing in the process of making networks function (Ibid.). The need for extended management skills and abilities in terms of relationship building, negotiation skills etc. is also discussed by other authors (Buono, 1997). Network as well as hierarchical organization has to reinvent itself in order to be viable in the long-term. That notion offers one more similarity between the internalization and the networking concepts.

On the other hand, it has been argued that the network approach within corporate structure could lead towards more specialized, coordinated and integrated structure than for example decentralized organizations that use polycentric strategies (Malnight, 1996). Although this view relies again upon the definitions of Ghoshal and Bartlett, we can see that sometimes the network approach might mean better coordination than internalized but still quasi-autonomous activities.

A more essential connection between these concepts has been introduced by John Dunning. Dunning himself has reappraised his paradigm. He argues, that because hierarchical capitalism, where an intra-firm hierarchy was the core feature of business structures, is being replaced by alliance capitalism that is dominated by inter-firm network relationships or alliances and characterized by numerous mergers and acquisitions and very flexible/dynamic business structures, the concept of OLI (see 1.1.2) has to be adjusted (Dunning, 1995). The ownership-specific advantages should explicitly take into account the cost and benefits of inter-firm relationships. The location advantages should include the issues of territorial embeddedness of interdependent immobile assets in particular geographic areas; the increasing need for spatial integration of complex and rapidly changing economic activities; the conditions under which alliances could be successful; and the supportive role of authorities in creating

that local excellence (Dunning, 1995). The internalization concept should include network or alliance relationships; therefore, internalization would mean internal operation within a larger web of connections, not just within a firm. In other words, classical paradigm about the firm is suitable for describing the networks as entities as well.

Buckley and Casson offer another interesting concept. They argue that as an economy does not grow as fast as it was decades ago, competition has posed new requirements on firms' effectiveness. Therefore, organizations tend to be not as fixed as they were or in other words organizations have 'fuzzy boundaries' (Buckley and Casson, 1998b), meaning that even large and diverse corporations tend to use third party suppliers and joint venture agreements, while having similar operations in-house, in order to keep internal suppliers competitive and increase effectiveness. Sometimes external partners may be internalized via mergers and some subsidiaries sold. In addition to that, corporations' supplier networks have many levels, so that it is very hard to determine what constitutes internal and what external network. This example shows that both approaches are interwoven even on the corporate level. Some credit to the inter-organizational forms of functioning is given also by internalization economist Oliver Williamson (see 1.1.2.) who acknowledges hybrid governance structures, in cases when units within the boundaries of the firm work together with economic units outside the corporate structure (Williamson, 1991).

Johanson and Mattson have investigated the relationship between the network approach, internalization and the internationalization process of the firm (Johanson and Mattson, 1988). They offered a matrix describing the different stages in the development of the firm and market environment (see Table 3).

Table 3. The Internationalization and the network model

Degree of internationalization of the market (the production net)			
		Low	High
Degree of internationalization of the firm	Low	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Source: Johanson and Mattson, 1988

In conclusion, while the classic network approach helps to avoid the concentration of administrative complexities that are characteristic with highly integrated hierarchies, it retains many elements of control and coordination. Thus, networked operations help to achieve a more effective and more competitive solutions in a higher level than intra-firm operations. At the same

time specialization within the network helps to avoid organizational problems and to facilitate the changes needed in modern business environment.

Although one should keep in mind that network as a cooperative entity is still characterized by the notions of bounded rationality, where the impact of the outside world remains partially uncharted, and even opportunistic tendencies, that might lead to premature disintegration. Therefore, joint purpose has to be combined with joint efforts.

In terms of table 3 it is evident that most of the firms from CEE countries belong to the group of 'late starters', because the European market may be considered to be highly internationalized, although, in some respect, network ties between member countries are in a relatively infant state. Considering the suggestions given above, this indicates that there is a need for network bonds with foreign actors. The network bonds of the firm or the lack of them can hamper or facilitate the foreign market entry process. It is argued that structural diversity, that is the variety in a firm's transnational relationships, will build its international network and hence stimulate exports (Tyebejee, 1994). At the same time, it is very hard to succeed fast as a stand-alone venture that has no close ties with other agents. Given the fact that multinational corporations are moving towards network-based operational models (Malnight, 1996), in which integrated and interdependent actions, actors and resources are paramount, also smaller international firms should seek ways of attaching themselves to those very dynamic sets of interactions.

Belonging just to the external network, in terms of market and contractual relations, does give to the firms from Eastern Europe some new opportunities, although their financial position might remain unstable. The internationalization process of firms from new emerging markets is facilitated much more by acquisitions made by the foreign corporations. Therefore, given the urgent need for additional financing, characteristic for many CEE countries' firms, internalization into foreign corporation is in some situations even preferable to relatively loose network ties.

In conclusion to chapter 1.1, we can argue that in combination of the sequential, the internalization, and the network approaches, three archetypical relational choices could be proposed. The first relational choice would be to remain without support from other agents (firms or experienced persons) and, thus, follow the entire gradual market position establishment chain described in section 1.1.1. The second relational choice would be to use external inter-company and/or interpersonal networks in order to import the market and internalization knowledge from network partners (see discussion of external networks in this section). The third relational choice concerns deep involvement with foreign companies within the framework of internal (intra-corporate) networks or vertical integration (internalization) (see discussion in section 1.1.2).

Therefore, in combining these views about the internationalization of a firm, we were able to determine the three relational choices. However, the discussion of

OLI paradigm has shown that a considerable role in the internationalization process is played by possession or ability to acquire firm-specific non-imitable assets. Thus, in following chapter we shall discuss the approaches that explain these intra-firm characteristics in greater detail.

1.2. The views of intra-firm characteristics in explaining the internationalization of the firm

1.2.1. The resource-based view

All three approaches discussed in this chapter bear many similarities, which are outlined in the context of entrepreneurship in section 1.2.3. Although, the connection of these views to the firm's internationalization process is not as straightforward as in the case of earlier views, their importance in explaining the successful internationalization of new dynamic small and medium firms is growing. The resource-based, the market orientation, and the entrepreneurial orientation approaches are the concepts that will play the key role in still emerging research school of the international entrepreneurship, which intends to explain the internationalization process of innovative small and medium sized companies. Thus, in addition to explaining the potential influences of the intra-firm characteristics on the connection between the relational choices and firm's foreign market commitment, these views relate as well to the concept of 'born globals' described in section 1.1.1, and to the same extent below.

The general research outline in this section will as follows. At first the essential features and interconnections of each concept are introduced and in the final paragraph of each section the explicit connections with foreign expansion are offered. That approach has been chosen because some influences lie in the very nature of these concepts, because they are predominantly applied to the firms, whose activities are international or global. Thus, the general context of the discussion is the internationalization process even if it is not specifically stressed.

The modern resource-based view of the firm allows one to see the possible linkages between the learning aspect of gradual approaches, networks, and ownership aspect of the OLI paradigm. Developed during last two decades, with landmark writings by Birger Wernerfelt (1984) and Jay B. Barney (1991), this concept looks at a firm as a collection of inimitable resources and capabilities, whereas differences in a particular firms' competitiveness result from their unique abilities to accumulate, develop and deploy their resources and capabilities in order to formulate and implement their value-enhancing strategies. Resources are finite in supply; they depreciate over time and usually diminish in value when shared with other parties. Capabilities are invisible, knowledge-based phenomena that expand with use over time and appreciate

when shared (Wernerfelt, 1984; Barney, 1991; Westhead et al., 2001a; Bloodgood and Sapienza, 1996). Development of capabilities was also in the core of the gradual approaches (Peng, 2001), while ownership advantages in the OLI paradigm refer more, but not only, to the resources side of the concept. Therefore, this kind of approach would give a more integrated view of the internationalization process.

According to Jay Barney, these valuable, rare, imperfectly imitable, and not substitutable resources and capabilities are sources for sustainable competitive advantage (Barney, 1991). However, Marlene Fiol (2001) argues that derivation of sustainable advantage from single inimitable core competency is questionable, because modern business environment changes so rapidly that skill and resources of organizations and the way of using them must constantly change to produce continuously changing advantages (Fiol, 2001). This idea of the increased dynamics of environment is shared by other authors (Eisenhardt and Martin 2000, Buckley and Casson, 1998b, Griffith and Harvey, 2001). Barney's response is that ability to be adaptive could itself be considered as (dynamic) capability and source for competitive advantage, as long as it renders additional value (as long as environment remains unstable) (Barney et al., 2001). Thus, we can conclude that a resource-based view has the ability to incorporate the changes in business environment without major changes in underpinnings of the concept. Despite that, the authors have tried to explain the dynamics of resource-based strategy in building competitive advantage (Chaharbaghi and Lynch, 1999).

Unique resources give also ground for new types of ventures that are called 'international from the inception' (Oviatt and McDougall, 1994), 'born globals' (Rennie, 1993; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Andersson and Wictor, 2001; Knight et al. 2001; Saarenkento et al., 2001), 'international new ventures' (McDougall et al., 1994), and 'rapid internationalizers' (Hurmerinta-Peltomäki, 2001). From the given list, it appears, that the notion of 'born globals' is the most widespread. This aspect of internationalization has been incorporated in many other writings in the context of the software industry (Bell, 1995) or small high-tech firms in general (Jones, 1999; Crick and Jones, 2000).

According to a source-based view of the internationalization, the customers of the firm belong to its resources. Therefore, firms expand to foreign markets in order to have a better resource base (Westhead et al., 2001b). In some recent works the authors argue as well that, in addition to assumed stability in product markets (discussed also in Bergh, 1998), the assumed possibility to determine resource values, creates problems in practical strategic management (Priem and Butler, 2001). Therefore, concepts have to be amended with other demand-oriented approaches. Certain aspects of a resource-based view have also been criticized by other authors (Fahy, 2000).

Mike Peng (2001) discusses relations of resource-based view to international business research further. He found a certain impact in several fields of

international business research. Although, impact on the analysis of multinational company development and to the market entry discussion is marginal compared to the fact that fields like international entrepreneurship, research of strategic alliances (especially resource complementarities), and internationalization to and from emerging markets are largely propelled by resource-based view (Peng, 2001). These relationships are illustrated in Figure A8. Some authors, however, tend to concentrate only on capabilities' aspects (for example Gopalakrishnan and Bierly, 1997; Gopalakrishnan et al., 1999), thus new sub-field knowledge-based view is also emerging.

1.2.2. The market orientation approach

One widespread demand-related concept in modern management literature is also market orientation approach. This orientation has been looked upon from several perspectives. Decision-making perspective views it as a decision-making process, where the firm is strongly committed to share information between departments and involving functional and divisional personnel into open decision-making (Shapiro, 1988). Market intelligence perspective stresses the internal and external intelligence in implementing the marketing concept. This process involves intelligence generation about customers' needs and its dissemination in organization and responsiveness (Kohli and Jaworski, 1990). Narver and Slater (1990) offer behavioural view that relates a market orientation to organizational culture that most effectively and efficiently creates superior value for customers through subsequent behaviour. They describe market orientation as involving: customer orientation, competitor orientation, and inter-functional coordination (Narver and Slater, 1990). Narver and Slater offered a scale for the estimation of market orientation that has been shown to be valid and reliable in transition economies in Central Europe (Hooley et al., 2000). An alternative measure was developed by Kohli and Jaworski (1993). There have been also works testing the market orientation concept in transition environment or in small and medium-sized firms (Appiah-Adu, 1998; Shun-Ching and Cheng-Hsui, 1998).

In addition to given perspectives, strategic view (development and execution of business unit strategies) and customer perspective (beliefs that put customers' interest first, while keeping in mind the stakeholders' interest) have been offered (Hult et al., 2001). The term market orientation involves therefore culture, behaviours, processes, actions, and performance. Internal customer orientation, created by human resource management, employee training etc., is critical in leading to market oriented business (Conduit and Mavondo, 2001). The inability of organizational members to fully understand and embrace the concept has been identified as one of the barriers to development of the orientation (Harris, 1999). In order to overcome these barriers in international market Harris offers a people-focused model (see Figure 6).

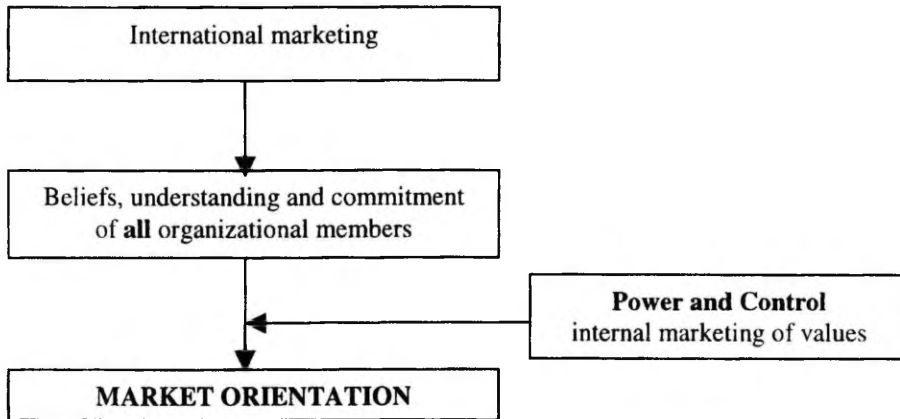


Figure 6 A people-focused model of market orientation development (source: based on Harris, 1999 with slight modifications)

In his later study Harris investigated the impact of market turbulence, technological turbulence, and competitive hostility on market orientation-performance relationship. Market turbulence was found to moderate the market orientation-profitability relationship, while competitive hostility had an effect on the connection between market orientation and sales growth. Technological turbulence, however, did not have a significant impact in terms of performance. (Harris, 2001) Slater and Narver (1994) discuss in turn the impact of competitive environment on market orientation-performance relationship. Kumar and others have shown that this relationship can also be moderated by supplier power (Kumar et al., 1998).

Alfred Pelham (2000) has in turn investigated the relationship between market orientation, Porter's strategies and firm size. He concluded that market orientation in terms of fast response to negative customer satisfaction information, strategies based on creating value for customers, immediate response to competitive challenges, and fast detection of changes in customer product preferences, has the highest impact on performance in smaller firms, which prefer growth/diversification strategy to a low cost strategy (Pelham 2000, p. 48).

Hunt and Lambe have investigated the connection between the market orientation approach and the resource-based view, arguing that increased market orientation constitutes a valuable resource and competence to the firm (Hunt and Lambe, 2000). They look on interconnections of several other theories (industry-based theory and relationship marketing) as well, thus, identifying the role of a market orientation view in the framework of other business strategy concepts.

The criticism of the market orientation concept could be found in Henderson (1998). He argues quite radically that inter-functional connections and

competitive orientation are important elements of many other business strategy concepts, and therefore by no means unique features of marketing orientation. Henderson highlights also issues related to operationalization of customer orientation that, according to him, is meant to be the central element of market orientation approach. (Henderson, 1998) In addition to Narver and Slater's (1990) view, the discussion by Kohli and Jaworski (1990) is considered by him as highly similar in content.

This criticism oriented against the claim of a unique explanatory power of market orientation view is accompanied by doubts concerning the construct validity of empirical test and the advantages of the market orientation view over classical strategic management concepts, as well as the possibility of adverse social effect on third parties (consumption as a goal in itself). (Henderson, 1998)

In the internationalization framework, the market orientation proponents suggest that because of extended globalization international marketing stressing international differences and the need for functional adjustments should be replaced by integrated marketing that benefits from transnational similarities and supports cross-functional integration (Sheth, 2001). Thus, in this view market orientation should not be that different by regions and countries, but instead must aim at finding ways to incorporate many cultures into a holistic, though very flexible vision.

From a different angle, there have been attempts to find measure for export market orientation and to test its validity in a multi-cultural context (Cadogan et al., 1999). This constitutes an elaboration of basic market orientation aspects for their utilization in cross-border marketing activities that are often more complex in nature. These additional complexities relate to interfunctional connections (different functions are performed in different environments), to competitive orientation (changes in global competition have a direct rather than an indirect impact on firm's performance), as well as on customer orientation (both external and internal customers are more heterogeneous).

1.2.3. The entrepreneurial orientation approach

Closely related to the market orientation view is an entrepreneurial approach. Although this concept draws back to the classic work of Joseph A. Schumpeter in 1934, where he formulated many central aspects of the approach (McFarling, 2000), it has not been considered as an internationalization concept until recently. The philosophical idea of entrepreneurship goes back in history much longer than the last century. The difference between the entrepreneur and capitalist has already been discussed by Robert Turgot and Jean-Baptiste Say (Bruyat and Julien, 2000). The Entrepreneurial culture has been defined as 'the composite of personal values, managerial skills, experiences and behaviours that characterize the entrepreneur in terms of spirit of initiative, risk-propensity,

innovative capacity and management of a firms' relation within the economic environment' (Minguzzi and Passaro 2000, p.182). This composite is also highly dependent on cultural, religious, intra-firm etc. environment. The question is what kind of environment supports favourable entrepreneurial culture?

Jeffrey Covin and Dennis Slevin (1991) offer the following list of important external variables that play a key role in determining entrepreneurial environment (see Figure 7) (Covin and Slevin, 1991).

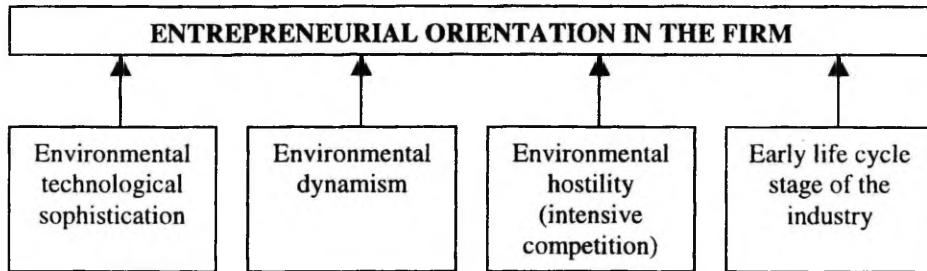


Figure 7 External variables facilitating the entrepreneurial orientation in the firm (Source: Based on Covin and Slevin, 1991)

The first dimension is environmental technological sophistication. It has been shown that there exist relatively more entrepreneurial ventures in high-tech industries than in other sectors (Maidique and Hayes, 1984). Also environmental dynamism is important in determining the entrepreneurial orientation, because rapid changes force firms to take more risks and to be innovative in order to cope and survive. The entrepreneurship of small firms in a dynamic environment is evident in their heavy reliance on external financing, emphasis on long-term profitability, and strong concern for maintaining an awareness of market and industry trends. They offer high quality products backed by superior warranties and strong customer service and support. Product patents and innovative operating techniques are widely used by those kinds of firms. New product development activities are stressed (Miles et al., 2000).

In a very competitive or hostile environment, the rewards to entrepreneurial posture in terms of performance are greater than in non-hostile situation (Covin and Slevin, 1991), although product innovations are supported only by non-price rivalry (Zahra, 1993a). Returns to entrepreneurship depend also on the industry life cycle stage. Innovative and risk-taking activities occur mostly in early stages of the life cycle (Vernon, 1966). In addition to external variables, Covin and Slevin (1991) analyze several strategic variables (including chosen strategy, efforts to predict trends, promotional efforts, product quality and relative prices), internal variables about top management (value of economic gain, market share, diversification, and industry leadership to the top management), variables relating to organizational resources-competences, culture and

structure, and finally variables related to firm performance (see Covin and Slevin, 1991).

The resource constraint is also believed to be the reason why smaller firms tend sometimes to be less innovative than larger firms. In addition, openness to change and socio-cultural background are very influential (Minguzzi and Passaro, 2000). Social network tends to impose certain behavioural standards on individuals that might support adoptive attitudes and distrust innovation. More individualist national cultures (see Lukes, 1973 for discussion), including Estonia (see Realo, 1998), and national cultures with a strong entrepreneurial tradition might in turn even encourage entrepreneurship (Lee and Peterson, 2000; Thomas and Mueller, 2000). There is also evidence that relates 'intrapreneurship' with intra-firm individualism and supportive organizational climate (Abraham, 1997).

Several authors have also discussed the issue of relationship between innovations and entrepreneurship (Covin, 1999; McDaniel 2000). Jeffrey Covin (1999) argues that the presence of innovation *per se* is insufficient to consider a firm entrepreneurial and that this label should be reserved for firms that use innovation as a mechanism to redefine or rejuvenate themselves, their positions within markets and industries, or the competitive arenas in which they compete. Based on Schumpeter, Bruce McDaniel (2000) also considers innovation rather as a tool for entrepreneurship than a main feature of it. According to a more general view there are six domains, namely: innovation, networks, internationalization, organizational learning, top management teams and governance, and growth, where a firm's wealth is created through integration of entrepreneurship and strategic management (Ireland et al., 2001). There is a need to keep in mind that entrepreneurship occurs over time (Gartner and Shaver, 1994) Thus, it is an evolutionary 'process of emergence' (Gartner and Bird, 1992, p. 13) and, at the same time, it is variable in nature.

Entrepreneurship takes many forms: an existing organization enters a new line of business, an individual or individuals champion new ideas of products and processes within a corporate framework, sometimes labeled 'intrapreneurship', or an entire organization's outlook and actions are led by entrepreneurial philosophy (Covin, 1999). Entrepreneurship could also be characterized by intensity, formality, types, and duration (Zahra, 1993b). Zahra argues that, in addition to intensity dimension used by Covin and Slevin (1991) entrepreneurship models should account for informal entrepreneurial initiatives within organization and take into account the type of entrepreneurship, be it administrative, opportunistic, imitative, acquisitive, or incubative (Zahra, 1993b). It is equally important to be aware that the duration of some entrepreneurial activities (acquisitions, opportunistic ventures) is much shorter than others. Conditions for intra-firm entrepreneurship are described also by Jansen and van Wees (1994).

Corporate entrepreneurship is more efficient when management has vested interests, therefore the stockholder status of executives and even outside direc-

tors contributes to taking an entrepreneurial approach (Zahra et al., 2000a). Ownership impact on entrepreneurship has been analyzed by other authors (Kuratko et al., 1997). Some authors even look for a single person called 'lead entrepreneur' in the overall context of the firm (Ensley et al., 2000) or investigate the role of a proactive company president in small and medium firms (Becherer and Maurer, 1999). An important role in the regeneration of competitive advantage is also played by knowledge creation and diffusion (Zahra, 1999). In 1973, Kirzner offered a theory of entrepreneurial alertness, asserting that entrepreneurs are more sensitive to new opportunities and use information differently (Busenitz, 1996). According to Gary Knight (2000) entrepreneurial culture can lead to superior performance also through marketing and quality leadership combined with product specialization, while firm acquiring new technology, responds to globalization trends, and prepares for internationalization (Knight, 2000).

During the last decade more attention has been turned to the international entrepreneurship. Although in recent review of the contributions in the field authors call for additional attention to that aspect (Zahra et al., 1999). Svante Andersson (2000) has identified three types of entrepreneurs that may be very influential in the internationalization process. The marketing entrepreneur has deep-rooted convictions about the importance of sales supporting activities and tends to stress the importance of push strategies (Andersson, 2000). The technical entrepreneur turns major attention on a technological development, thus using pull strategies. The third type is called the structure entrepreneur because his/her major interest lies in increased effectiveness of the industry that is achieved via international restructuring (Ibid.). In general, the strong entrepreneur gives a boost to the market entry process, although sometimes it might turn into matter of 'blind conviction' rather than rational market analysis.

Other writers have studied the role of entrepreneurship in support of technological learning in foreign markets when high-tech industries internationalize. Entrepreneurship has been found to facilitate these learning processes, while also improving performance (Zahra et al., 2000b). Entrepreneurial orientation as a determinant of the early, sometimes even from its inception, internationalization of small high-tech firms has been discussed by Jones (1999). Entrepreneurial studies indicate also a problem related to cross-functional integration needed for integrated marketing that was mentioned in our discussion, because innovativeness seems to have a moderating effect on cross-functional cooperation (Song and Xie, 2000). Thus, entrepreneurship orientation might have some trade-off with an integrated approach to the value chain.

In opposite to what was argued about the domestic situation, at the international level the environmental hostility tends to have a moderating effect on the relationship between entrepreneurship orientation and performance (Zahra and Gravis, 2000).

The intersection of international business research with entrepreneurship research is approached in McDougall and Oviatt (2000). They discuss the emergence of a new field, namely international entrepreneurship, which focuses on foreign market entry process and internationalization problems of entrepreneurial ventures. These are predominantly new small and flexible firms. The majority of the discussion so far has been concerned with the specific character of the internationalization process in high-tech and other emerging industries.

In terms of internationalization, the entrepreneurial culture might in some cases be viewed as a sole engine driving the entire process; however, the author of this research has an opinion that it is more reasonable to integrate entrepreneurship with some other concepts discussed in earlier sections.

The relationships between network paradigm and entrepreneurial approach are often straightforward. Several researchers have addressed the issue of internationalization of entrepreneurial firms in conjunction with partnerships, alliances, and buyouts or takeovers as facilitators of the process (Zacharakis, 1997; Wright et al., 2001; Alvarez and Barney, 2001). Although takeovers and buyouts do not belong to the traditional networks, following the definition of Ghoshal and Bartlett (1990), we could interpret this process as integration into multinational or intra-firm network. Shared resources in network allow access also to the small firms, who would not have it as a stand-alone venture. This concerns knowledge transfer, market channels, and in case of internal networks, direct financial support. Thus, network support helps to improve the impact of entrepreneurship on the firm's performance. The tendency of the entrepreneurial firms to apply organic or network structures has been shown by Miles et al. (2000).

Many aspects similar to the entrepreneurial view are also recognizable within economic theory based approaches. The Ownership advantage and firm-specific location advantages (Dunning, 1991; Moon, 1997) both have a strong element of international entrepreneurship. Therefore, the difference is more in terminology than in the essence of the arguments. A foreign investor's risk-propensity and innovativeness are signs of the entrepreneurial orientation. Entrepreneurship in target country should, on the other hand, make it easier for the investor to transfer technology, although at the same time increasing the danger of unwanted spillovers.

In the light of the resource-based view, the entrepreneurial orientation could be interpreted as the unique capability creating new firm-specific resources. Although from an entrepreneurial risk-taking standpoint market conditions do not have to be stable, because the entrepreneurial view helps to adjust other capabilities of the firm according to changed requirements. At the same time, it remains difficult to estimate the value of entrepreneurship in terms of performance as numerous works have shown (Knight, 2000; Song and Xie, 2000; Covin and Slevin, 1991).

The most obvious link between the market orientation approach and the entrepreneurial approach is revealed by innovativeness. It has been identified as a mean for improving performance in both concepts. The role of the innovations and the entrepreneurial orientation in linking the market orientation to the firm's performance has been studied by several authors (Conrad, 1999; Han et al., 1998; Hurley and Hult, 1998). The relationship between innovations and entrepreneurship has already been discussed. From the viewpoint of these connections, the line between two concepts becomes hard to draw. The findings of Matsuno and Mentzer (2000) or Slater and Narver (1994), about the nature of the best-performing market oriented firm and about environmental impact, only add to the sense of similarity and overlap. However, the reader should keep in mind that innovativeness is only one, though very important, aspect in both concepts. Risk-propensity is not an essential feature of market orientation, as many major elements of this orientation are not characteristic of the entrepreneurial approach. Nevertheless, the author of this work is of the opinion that further integration of those two concepts would only benefit the analysis of the firm's operations in international context. Some authors have already shown initiative in that kind of combined analysis (see Barrett et al., 2000).

In conclusion, the entrepreneurial orientation could or by now has been embedded into many different internationalization approaches. Therefore, the further incorporation of the entrepreneurial as well as market orientation and the resource-based views into a proposed relational framework seems contextually justified. This understanding relates to the fact that the impact of relational choices on the firm's foreign market commitment is reinforced or inhibited by these intra-firm aspects.

1.3. The impact of a firm's strategic role and relational choices on its foreign expansion

1.3.1. The strategic roles of local firms as corporate affiliates

The international aspirations of the firm are in some instances considerably supported or inhibited by its inclusion into the larger network of intra-corporate business units. In these situations, a local firm can be assigned different kinds of management tasks. These tasks determine the role, and subsequently the strategic importance, of each unit or firm in the corporate structure. This theoretical aspect has the paramount importance in explaining the internationalization process of Estonian companies, because during the 1990s, several of them were incorporated into Finnish or Swedish companies.

Due to an increased need for integration between subsidiaries, brought on by globalization, these roles become increasingly specialized. Some units are

assuming the coordinating functions of (regional) headquarters, while others constitute arms-length operations. Several authors discuss these changes in the strategic role of subsidiaries in the light of growth in lateral relations (White and Poynter, 1984; Bartlett and Ghoshal 1986; Martinez and Jarillo, 1991; Gupta and Govindarajan, 1991; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Taggart, 1997; Hood and Taggart 1999).

One of the earliest approaches defined marketing satellite, 'miniature replica', rationalized manufacturer, product specialist, and strategic independent types of subsidiaries (White and Poynter, 1984). 'Miniature replica' is a unit that duplicates the layout of headquarters, while the strategically independent position is most beneficial to successful internationalization of subsidiary.

Christopher Bartlett and Sumantra Ghoshal divide subsidiaries into four categories: implementer, contributor, strategic leader, and 'black hole' (Bartlett and Ghoshal 1986) (see Figure A9). In terms of international embeddedness, subsidiaries, in positions of strategic leader or at least as contributor, are in a favourable situation. Jon Martinez and Carlos Jarillo define units as autonomous, receptive, or active (Martinez and Jarillo, 1991). Following that classification an active subsidiary is most integrated into strategic decision making, while a receptive unit is likely to perform only certain supporting tasks.

Strategic roles in connection with information flows to and from subsidiaries are: local innovator (low inflow/low outflow), local implementer (high inflow/low outflow), global innovator (low inflow/high outflow), and integrated player (high inflow/high outflow) (Gupta and Govindarajan, 1991). The features of the last strategic position are most characteristic of the inward-outward pattern of activities that would facilitate subsidiaries international involvement. These flows are also depicted in figure A10. In comparison with The Bartlett and Ghoshal's model, a local innovator is not in as disadvantaged position as the 'black hole'.

Gupta and Govindarajan argue as well that an increased strategic role of subsidiaries, and accordingly their managers, is related to their grown responsibility in the integrated value chain. Thus, they needed to have equal authority that matches their responsibility (Gupta and Govindarajan, 1991).

James Taggart has given several names to subsidiaries: partner, militant, collaborator, vassal (Taggart, 1997; empirically in Hood and Taggart, 1999) (see Figure A11 for details), or autarchic subsidiary for a country-centred corporate strategy, confederate subsidiary for cases of high FDI with extensive coordination, strategic auxiliary for pure global strategy, and detached subsidiary for a country-centred corporate strategy (Taggart, 1998). The position of a strategic auxiliary is from this point of view the most integrated role for a subsidiary, although from the viewpoint of activities, confederate subsidiaries have also key positions.

Kendall Roth, Allan Morrison, and Julian Birkinshaw discuss the idea of the subsidiary with a global or world mandate (Roth and Morrison, 1992; Birkinshaw and Morrison, 1995). This subsidiary is comparable to former

regional headquarters because it controls and coordinates several business functions in subordinated subsidiaries. Other strategic types in Figure A12 are mostly subject to one way flows.

The classifications of foreign subsidiaries are summarized in table 4. Types given in bold print are to be considered the most important from inward-outward connections, or from the subsidiary’s foreign expansion perspective, because these types give them highest authority and control over their foreign activities.

Table 4. Strategic roles of subsidiaries

AUTHORS:	STRATEGIC SUBSIDIARY TYPES:
White and Poynter (1984)	‘miniature replica’, rationalized manufacturer, product specialist, strategic independent
Bartlett and Ghoshal (1986)	implementer, contributor , strategic leader , ‘black hole’
Martinez and Jarillo (1991)	autonomous, receptive, active
Gupta and Govindarajan (1991)	local innovator, local implementer, global innovator, integrated player
Roth and Morrison (1992)	integrated, global subsidiary mandate
Birkinshaw and Morrison (1995)	local implementer, specialized contributor, world mandate
Taggart (1997)	partner , militant, collabourator, vassal
Taggart (1998)	autarchic subsidiary, confederate subsidiary, strategic auxiliary , detached subsidiary

Source: Based on White and Poynter, 1984; Bartlett and Ghoshal 1986; Martinez and Jarillo, 1991; Gupta and Govindarajan, 1991; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Taggart, 1997; Taggart, 1998

In conclusion, the inward foreign direct investments contribute to the outward internationalization of recipient companies most, when they have strategic capabilities, valuable to the investors by full incorporation of this unit into the framework of strategic coordination. Without that specialized knowledge subsidiaries are more likely to assume the position of implementer or arms-length subsidiary, subordinated to the headquarters or other units. In external or relational networks firms should also aim at assuming the position, which bears strategic importance across borders.

1.3.2. A firm’s relational choices in its internationalization process

In previous sections we have discussed several concepts explaining the causes for the internationalization of firms. These views range from the step by step establishment of export activities leading to a higher foreign market commitment, which put perceived risks and the role of experience into the spotlight (see 1.1.1 for authors), to the market power, transaction cost, opportunism,

ownership advantages, and location advantages based on economic theory considerations (see 1.1.2), or to the long-term partnerships and mutual trust within internal or external networks (see 1.1.3).

The second stream of arguments has been even more oriented towards organizational aspects concerning resources and capabilities (1.2.1), a firm's orientation (1.2.2) and entrepreneurial orientation (1.2.3), as explanations for international expansion.

Also the firm's strategic position in multinational networks (1.3.1) has great influence on its pattern of inward-outward foreign activities, which can in some cases be very global right after establishment (see comments in 1.1.1 about 'born globals').

All these factors are by no means mutually exclusive. Some of them have better explanatory power for the firms in industries, where market and business environment is very international (resource-based view, entrepreneurial view, and partially network approach for specialized high-tech firms), while others are still applicable for traditional firms in less developed environments (gradual approach for learning in transition economies supported by network approach).

Although, discussed explanations have somewhat different underlying assumptions and viewpoints, common features can still be found. The connections among entrepreneurial orientation approach and the other discussed views were shown in section 1.2.3.

In the following discussion, the elements of the several internationalization concepts are incorporated into a framework, which combines the creation of the firm's knowledge base, intra-firm aspects and environmental conditions with its outward internationalization process. Our focus in this model lies in the relational choices that an independent firm or a local firm as subsidiary makes in its relations with the other actors on the market or within the network. These choices are not completely irreversible, because they can be reviewed at least periodically. Therefore, these are alternatives open to the firm, if not at any point in time, (because change in strategy might be costly) then at least after some trial period.

The first relational choice is to rely predominantly on the internal resources and learn gradually to operate on foreign markets. This is a classic case of establishment chain described by Johanson and Vahlne (1977) and from a different angle by Luostarinen and Welch (1988). In this case initial risks are highest and perceived psychic distance to the foreign markets has great impact.

This kind of stand-alone approach could lead to the slowest outward internationalization process, unless other aspects, to be discussed shortly, are very favourable and facilitating. However, if learning process is successful, then the returns to internationalization might be highest, because a firm is likely to possess detailed knowledge, which can render unique capabilities.

The second relational choice involves long-term network relationships which do not involve ownership ties (Thorelli, 1986; Johanson and Mattson, 1987, 1988), partnerships with suppliers (Welch and Luostarinen, 1993; Håkansson

1982) or hiring of the employees with foreign experience (extension to Madsen and Servais, 1997). In latter case, two options should be considered. The first option is to hire foreigners as expatriate managers of the headquarters or as employees to the foreign subsidiaries located in their home country. The second option is to use local managers who have received education in the target region, have stayed there, or have the experience from the previous employer. In the first option costs may be prohibitive (especially in case of importing foreign managers), but in the second option there is a greater possibility of mismatch between candidates experiences in region and the expertise needed by the firm.

All these external relations offer support in terms of knowledge transfer and extended social networks, but the financial limitations to foreign market entry remain. Due to extensive intercultural contacts, the value systems of the actors are likely to converge and the importance of psychic distance will be reduced.

The third relational choice is related to further resource commitments in terms of vertical integration with foreign suppliers (Williamson, 1975, 1994, 1996; Casson, 1984; Teece, 1981), or by being integrated into multinational network as recipient of the FDI (Dunning, 1980, 1991). These relationship options involve ownership ties, and can provide financial support or the cost economies, therefore reducing financial risks of entry. Partners' value systems are often converged thus perceived psychic distance will shorten. Because of the diversified support these relationships offer, the internationalization process could potentially be the fastest.

This potential can only materialize if the other internationalization aspects support this particular kind of relational choice and subsequent learning. These other aspects could be described in three categories: knowledge base aspects; intra-firm and industry aspects; and finally market and global aspects.

A firm's knowledge base or business knowledge consists of market specific knowledge and or general internationalization process knowledge (see Johanson and Vahlne, 1990; Eriksson et al., 1997 and 1.1.1). This knowledge base can be developed via gradual learning or by the transfer of knowledge. Therefore, relational choices 2 and 3 support the speedy extension of the firm's business knowledge. On the other hand, knowledge gathered by learning can be more detailed and better understood. We argue that, the relational choices affect the internationalization process via their influence on the firm's knowledge base.

The foreign market knowledge and the internationalization knowledge are extremely important aspects, but not the only aspects, influencing the outward internationalization process of the firm. Several intra-firm or subsidiary characteristics as well as industry characteristics might support or hinder the use of the accumulated knowledge.

The small size of the firm can limit its financial possibilities (Zafarullah et al., 1998), but at the same time render it more flexible (Dass, 2000). Large firms' strive for the monopoly power can facilitate foreign enlargement and transaction cost considerations make the managers prefer foreign subsidiaries to

import agents (see Williamson, 1975). Market orientation and entrepreneurial spirit in a firm can motivate customers (stakeholders) and partially compensate for gaps in initial knowledge, while the strategic role of a local firm, according to its capabilities, can speed the internationalization or defer it (see 1.3.1). All these intra-firm elements are largely interwoven with each other.

Industry characteristics, like economies of scale in production (see citations in Bonaccorsi, 1992), product and industry life cycle stage (Vernon, 1966), competition and demand conditions have also a great impact. We saw that product life cycle stage and density of competition affect the relationship between entrepreneurship and performance (see 1.2.3). Inherently global demand on the hand was a cause for immediate internationalization (see 1.1.1). To conclude, firm and industry characteristics have separate as well as a joint impact on the internationalization process of the firm.

This process of foreign market entry is related to a choice between the domestic market and the foreign target markets, and with a selection among different target regions (markets). In order to make these decisions, both pull and push factors (Luostarinen, 1979) have to be carefully considered. Pull factors are the advantages of the foreign locations over the domestic market, be it openness, factor prices, firm-specific advantages (Moon, 1997), or economic policy. Push factors are the unfavourable conditions in the domestic market (for example smallness) that force firms to trade abroad. In the modern world where national economies are highly interdependent and economic downturns escalate around the world, global changes in economic growth, demand, and regulations have to be predicted in order to manage foreign market risks.

All these discussed aspects (relationships and learning, subsequent knowledge available, combination of intra-firm and industry factors, market and global environments and trends) focus on the paramount aspect of the outward internationalization process. This process involves decisions about the speed of internationalization and about the resource commitment to the foreign market activities. The owner/manager aspect, discussed by Madsen and Servais (1997), has here a very important role because he, she or they, as decision makers, determine the scales of importance for other aspects introduced in this relational framework. The connections of all these aspects described above are depicted in Figure 8.

As we explained in the end of section 1.1.3, the gradual model, the economic theory based concepts, and the network approach in section 1.1 served as theoretical underpinnings for introducing the three relational choices, based on the notions of gradual learning, external networks, and internal networks or internalization. However, these subsections explain also some market and environmental aspects (see 1.1.1 and Figure A4) and intra-firm aspects (see 1.1.2 for the transaction cost and the market power perspective and the comment above). In this context internalization as the option under the relational choices means being internalized rather than internalizing other units.

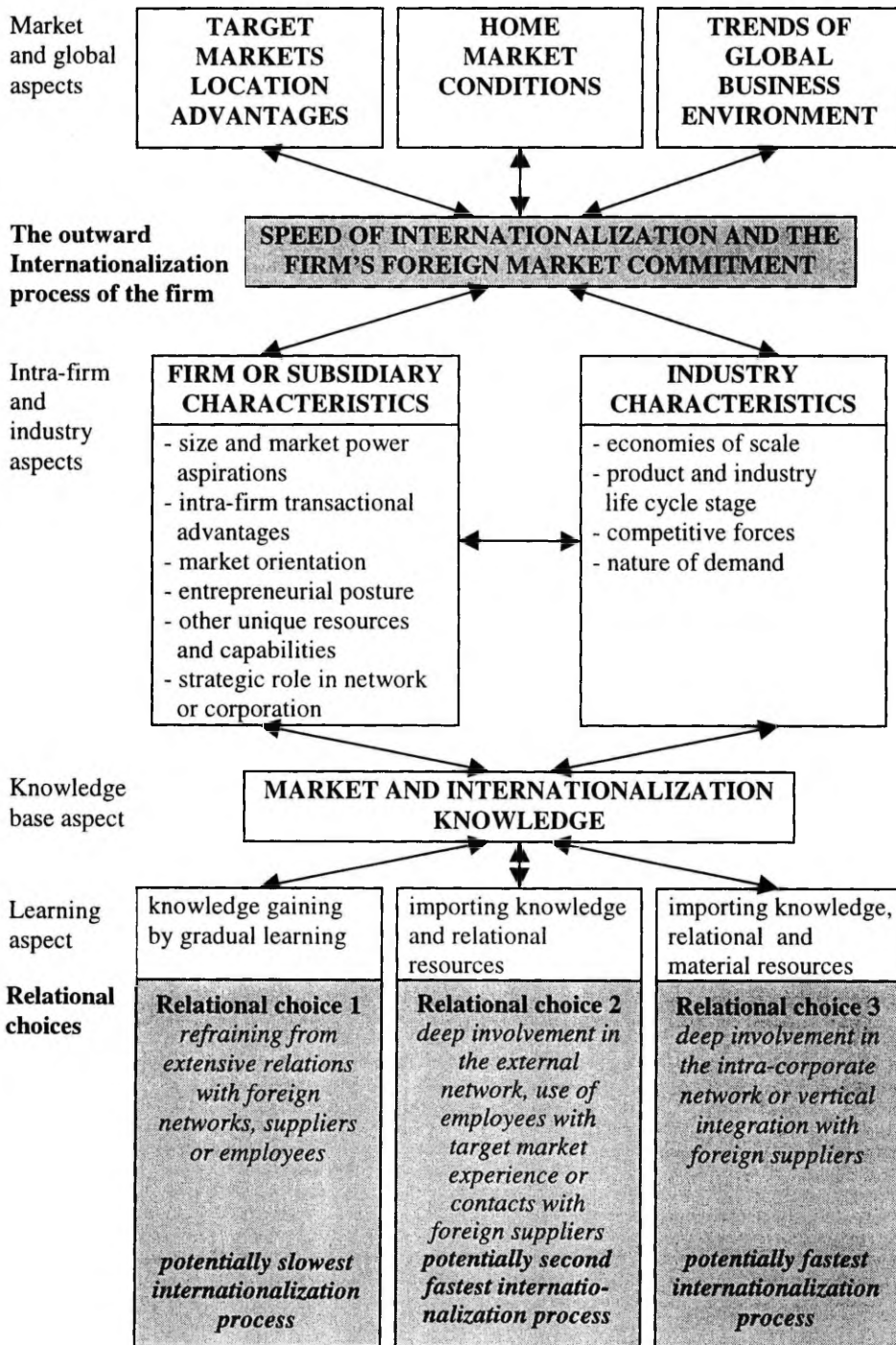


Figure 8 The relational framework of firm's internationalization

The main discussion of intra-firm characteristics along with their connections to the industry characteristics is concentrated to subchapter 1.2. The impact of the industry and environmental aspects on the firm's entrepreneurial orientation was illustrated in figure 7. It is logical to depict a similar connection between market aspects and entrepreneurship as the intra-firm characteristic in figure 8, through the internationalization process, because we have seen in 1.2.3 that the impacts on the domestic and on the international level might differ. The section 1.3.1 introduced a very important intra-firm or intra-subsidary characteristic, namely the strategic position that characterizes the unit in a larger corporate structure.

On the basis of that knowledge, gained during the analysis of all these earlier approaches, we were able to refine the preliminary theoretical vision proposed in the introduction. We specified the nature of the relational choices and the other aspects that impact on the internationalization process of the firm.

In the second part of this thesis, we will discuss the home market conditions of Estonian companies, and then advance propositions that relate theoretical aspects to the specific aspects of Estonia. Thereafter, we intend to offer empirical evidence about the impact of the relational choices as well as about the influence of the intra-firm and the environmental aspects on the internationalization of Estonian companies.

Part II. THE RELATIONAL INFLUENCES ON THE ESTONIAN COMPANIES' INTERNATIONALIZATION

2.1. The research outline for exploring the internationalization of Estonian companies

2.1.1. The general characteristics of Estonia as the home country

The following section represents a brief introduction to Estonia as the home country environment, and should not be approached as an in depth investigation of the market. Its aim is to familiarize readers, especially foreign readers, with the specific characteristics of Estonia, in order to facilitate understanding of later sections. At the same time, some issues, like the issue of market size, are discussed in subchapter 2.2 in a broader regional context.

During the last decade the outward internationalization process of Estonian companies has obtained a dual nature. At the beginning of the 1990s, Estonian special exports were directed to Eastern-European countries, especially to Russia, but during this decade the importance of Western export partners has increased considerably (see Roolah, 2000 for details). Thus, the foreign activities of Estonian companies have by now two different directions. From one viewpoint, they intend to continue Eastward activities in Russia and in other Baltic States, while the other stream of growth potential is related to exports to western economies, especially to EU-member countries. This dual nature of foreign contacts creates for Estonian companies the possibilities for acting as a psychic gateway between their Western partners/owners and Eastern European markets. This gateway could be defined as a nodal point where the negative impact of the East-West differences in business culture and –environment on market entry process of Western businesses will be considerably reduced.

One aspect, especially characteristic to Estonia, has been an extremely liberal economic policy during the 1990s that has also given a considerable boost to entrepreneurship. This policy has, until recently, been described by the lack of tariffs and other trade barriers on imports. In 2000, government imposed some tariffs on non-EU agricultural imports. Employers have also had many opportunities over wage determination. Compared to western countries the prices of industrial exports and wage levels are in favor of Estonia as a production location. Entrepreneurial orientation has been as well supported by the changes in the corporate taxation. According to Estonian Income Tax Law there is no corporate income tax as such, only non-business related expendi-

tures, gifts, and special remissions to the employees are to be taxed at 26 percent rate (Estonian Income Tax Law, 2001).

Entrepreneurs have often the need for external financing. In terms of loan interests and availability of funds intensive competition in the Estonian banking sector has led to the favourable conditions. Small firms are rather impaired by the lack of sufficient collateral than by the payment condition. Estonian banks are among the most successful in the Baltic Countries and in Eastern Europe. The level of their service and their trustworthiness is constantly monitored by several rating agencies.

International entrepreneurship in and from Estonia has been supported through a relatively successful privatization process where the leading idea was to find strategic owners with a sound financial background in order to facilitate the reorganization in the business sector.

Governmental support to the business sector development is twofold. On the one hand, government has stated that the importance of the private sector should continually increase, as indicated by tax policy, with strong efforts in attracting investment and projects related to intensive support to the overall diffusion of modern information technology. From a different standpoint the institutional framework, law enforcement, and export aid system are still in infancy but progressing, while entrepreneurs have certain complains about extensive bureaucracy and additional restrictions posed in relation to EU enlargement (see Table A5 for a more detailed overview). In terms of corruption, Estonia is considered to be one of least corrupt countries in Central and Eastern Europe (Transparency... 2002).

Currently government is also making efforts to encourage the creation of research-based spin-offs, although the level of the domestic innovations and support to innovative projects could be considered as one of the weakest links in the development of entrepreneurial initiative. This situation could be described by the percentage of domestic patent and trademark applications in all applications (see Table A6). The percentage of domestic patent applications has been very low and even decreasing, while the situation in trademarks is improving. Thus, Estonian entrepreneurs learn faster how to be marketers than how to be an innovative producer. The latter requires often more profound and specialized skills.

Due to the perceived overproduction of the workers with general business and management skills, the education system is now steered towards specialized professional skills and information technology specialists. At the same time, the lack of a qualified labour force has become one of the greatest intra-firm barriers to export activities (see Table A5).

To conclude, Estonia has a favourable geographic position between Eastern and Western Europe that has been supported by very liberal economic policy (including foreign trade policy) and tax policy. The relatively successful privatization process has also helped to facilitate the international business connections with Western economies. The problematic aspects of Estonian

economy are related to the development problems of the R&D intensive industries and a mismatch between the professional education system and the internationalizing companies' needs for the qualified workers.

2.1.2. The propositions for empirical analysis

In a first part of this dissertation it was emphasized that there are many different approaches and explanations of a firm's internationalization process. Based on these concepts we proposed the new relational framework. Now we will use the elements of this framework along with the background information in sections 2.1.1, in order to state the research propositions.

A company's preferences about the degree of foreign market commitment are to the some extent clear from its choice of foreign market entry method. According to Korhonen, in a case of outward internationalization small and medium-sized firms tend to prefer non-investment sales and production operations to the investment related operations (Korhonen, 1999). Because of the lack of domestic ownership-specific patented assets Estonian companies are prevented from using non-investment related production operations, like licensing and other contractual agreements, we would expect the non-investment sales operations, like direct exporting, to dominate as entry choices.

One of the arguments in the Uppsala model was the notion that perceived psychic distance to the host market plays an important role in commitment decisions especially in cases when a firm has a little knowledge about foreign markets. Although, as the international experience of companies increases, the psychic distance even to culturally, economically, and geographically remote countries shortens (Johanson and Vahlne, 1977). Since the majority of Estonian firms are still relatively at the beginning of foreign markets explorations, we would expect them to operate mostly in psychically close neighboring countries.

Since the experience of the market economy in the Estonian business environment is relatively short, only about ten years, we would expect experiential learning to play a considerable role as determinant of the internationalization. Estonian firms, especially new and private small and medium-sized enterprises (SME-s), lacked almost any international experience at the beginning of the 1990s because all foreign relations were governed by government officials in Moscow. This historic aspect suggests that in accordance with the Uppsala and Helsinki models (see 1.1.1 for details) we would expect the initial commitment to foreign market activities to be rather low. The successful transition process, throughout the last decade leads us to the assumption that by now the sophistication and level of foreign commitment, and thus diversification of foreign activities, has considerably increased. In between these two states, a gradual development pattern should be expected because the development of the home country economic and business environment has had some key phases, which expectedly impacted the business level. Thus, the first proposition, related to the learning aspect in figure 8, would be:

P1: Estonian companies' could be expected in their foreign activities to export directly or make sales-oriented investments in the nearby markets, while the diversification of their target markets and entry modes is gradual.

Since the Estonian economy is very small, it is inevitable that production companies have to import most of their raw materials or components. On the other hand, Estonia, along with other Central and Eastern European countries, has gained a reputation as a production location with competitive price-quality ratio, especially from the viewpoint of the Nordic countries. Smallness in combination with favourable cost and knowledge structure has led to a situation where the outward internationalization path is often supported by extensive inward-outward connections.

This notion about inward-outward connections builds a logical bridge to more sophisticated facilitators of the internationalization process, namely network relationships. There have been several processes, for example privatization of state-owned companies during 1990s and the wave of foreign takeovers in 1998 that have made Estonian companies participants in large multinational corporate networks. In addition to equity based networks (relational choice 3 on figure 8), some companies have preferred to look for production partnership arrangements while retaining their managerial independence (relational choice 2 on figure 8). The very adaptive nature of Estonian companies, as one of their main competitive strengths, has supported these aspirations. Due to their relatively small capacity, many Estonian companies have had to engage foreign counterparts in order to expand internationally. From another perspective, the support of relational network is one of the most valuable assets that a company should look for in order to remain competitive in a highly networked global economy.

As was discussed in section 1.1.3, the three characteristic features of networks are actor bonds, shared resources, and integrated actions (Johanson and Mattson, 1988). Each member of the network should benefit from the knowledge and resources available in the network, while activity coordination determines the role of the company and can open up some new market opportunities in terms of international buyer-seller cooperation. For example the mentioned wave of investments in 1998, was at least partially related to the fact that The Russian crisis rendered many small but also larger Estonian companies without financial resources despite their retained growth potential, thus making them attractive for foreign takeovers.

The transition of the Estonian business from subordinated activities of centrally planned production system towards the market economy and trust building between long-term partners has been relatively successful. There have also emerged means to communicate the background information via internet, which allow information concerning the business history of potential partners. This has helped to turn general business culture more towards transparent

behaviour where agreements are to be honored. Public stock companies, but also other firms, consider their credibility to be an important aspect of their competitiveness. Based on these inward-outward and network considerations that are directly related to relational choices 2 and 3 (see figure 8), we propose as follows:

P2: The outward internationalization of Estonian companies is likely to be influenced by their inward foreign connections that are, in several cases, related to ownership (relational choice 3) or subcontracting (relational choice 2) contacts in the framework of networks with target country companies.

On numerous occasions, the small scale of domestic market forces Estonian companies to expand their foreign presence faster than is needed from competitors with large domestic markets. In order to facilitate the corporate learning of foreign market environments they can rely on knowledge import via networks or employment choices (see 1.3.2). One option for coping with the alien business environment is to use local personnel. Although in this case a company has to face the possibility of intra-corporate cultural conflicts, it often renders the customer service more effective and less costly than the use of permanent (as opposed to a person who makes frequent visits from headquarters), expatriate managers. At the other extreme, contractual exporting without companies' own local representation might create a situation where marketing support for a product is unsuitable for extensive growth purposes.

P3: Estonian companies tend to employ target country personnel to their foreign subsidiaries (relational choice 2), while initiating the transfer of firm specific knowledge by regular visits and information exchange.

The aspect of ownership, location and internalization advantages for Estonian companies relates to the fact that Estonia has certain advantages as a production location over Western economies while other nearby post-socialist economies, like Latvia, Lithuania, Russia and Ukraine, have country-related location advantages (Moon, 1997) over Estonia. These Eastern European neighbors have larger market sizes, somewhat less competitive environments, and some development lag in some sectors compared to Estonia. The special feature of this location advantage seems also to be the fact that from Western companies' viewpoint it is in several situations firm-specific location advantage (Moon, 1997) that is most effectively utilized in cooperation with the Estonian subsidiary. This relates to the fact that the Estonian business sector has adopted many Western business practices, including quality management and logistics solutions, while retaining some knowledge of ex-Soviet countries. Therefore, we could assume that Estonian companies, as foreign firms' subsidiaries, have been assigned to fulfill the important task of translating Western style business interest into language of quickly developing but somewhat more unfamiliar and

risky Eastern European economies. Thus, in order to explain the reason behind extensive knowledge transfers from the foreign owners or partners to Estonian companies, we propose the following:

P4: Estonian companies are likely to function for their Western partners-owners as psychic gateways to other post-Soviet economies, because they possess intra-organizational advantages over companies from these economies, which in turn have location advantages over Estonia.

The resource-based view makes a distinction between resources, which are finite in supply, depreciate over time and usually diminish in value when shared with other parties, and capabilities, which are invisible, knowledge-based phenomena that expand with use over time and appreciate when shared (Wernerfelt, 1984; Barney, 1991; Westhead et al., 2001a; Bloodgood and Sapienza, 1996). Estonian companies tend to be on average rather small or medium sized, and face therefore some limitations in terms of available resources, which should render their (dynamic) capabilities very important.

In Estonia, total expenditure during the period 1995–1998 on research and development remained at 0.6 per cent of GDP. In 1999, expenditure increased to 0.76 per cent of the GDP. In international comparison this indicator is very low, forming only 40 per cent of the average for EU member states (1.9 per cent in 2000) (Estonian Research...,2002). This fact was also to the some extent confirmed for exporting companies by a recent survey of Estonian exporters (see Survey of..., 2001). On the other hand, the development of marketing services, along with trade mark and brand building has been much quicker (see section 2.1.1). Thus, Estonian companies have turned their attention to developing the customer base as resource. Given that some economies, like Japan, are more engineering and high-tech oriented, while in others organizational adaptiveness and customer orientation, as part of the market orientation approach, are likely to play a more prominent role, we will propose concerning the intra-firm characteristics of Estonian companies, that:

P5: The competitiveness of Estonian companies abroad is based on inimitable dynamic capabilities (ability to be adaptive) and on their customer orientation, rather than on intra-firm material resources or breakthrough innovations.

In addition to their adaptiveness to the specific needs of target market customers, firms often have to rely on the human resource potential. This should compensate for any shortcomings in the financial or production technology aspects. Although, skills and knowledge are transferable, some capabilities will always remain attributable to persons rather than to organizations. It is also the reason why one of the most serious intra-firm problems for Estonian exporters is the shortage of a qualified labour force (Survey..., 2001). Financial resources can be in present stable economic conditions raised relatively easily if a

company or its owners have sufficient collateral, while new technology can be to the a great extent transferred from abroad. Thus, following proposition concerning human potential is advanced:

P6: The key resource for success in the internationalization process of Estonian companies is their human potential.

Every firm has certain competitive advantages in a particular setting. These advantages can be static in nature, which leads to their erosion if the conditions change (for example average wage level increases) or more dynamic to be adopted continually when the surrounding conditions change. In that context it is interesting to explore if Estonian companies have opted for network-related dynamic advantages or remained on the level of static cost advantages often characterizing development economies.

Since the customer orientation aspect of market orientation concept has already been stressed in an earlier proposition, the next discussion will concentrate only on competitor orientation and inter-functional coordination aspects. Because Estonian companies are usually open to competitive forces on a regional or global level either as importers or as exporters and investors, competitive hostility is expected to have at least some impact on their strategic actions in foreign markets. On the other hand turbulences in the target market should also make exporters and investors more cautious in terms of pursuing fast sales growth and a high degree of commitment in these markets. Thus, we propose the following:

P7: The competitive advantage of internationalizing Estonian companies is determined by the synergies of their resources or capabilities with the developments in their regional networks (relational choices 2 and 3 include network ties) and competitive environment (market and industry aspects).

According to Covin and Slevin (1991) the high environmental dynamism and intensive competition, as environmental hostility, should facilitate the development of entrepreneurial orientation in the companies. Since the transition environment has proved to be very dynamic and Estonia has also a very open economic policy, we would expect both variables to have great importance for Estonian companies. The impact of technological sophistication and industry life cycle stage could be more negligible, because high-tech industries are only one fraction of Estonian industrial structure.

P8: Due to the high environmental dynamism and hostility, we expect the internationalizing Estonian companies to place the stress on entrepreneurial orientation.

The layout of research propositions in relation to the theoretical framework of the relational choices is summarized on figure 9. The first three propositions concentrate on explaining the learning process (proposition 1) and the use of the

relational choices in case companies (propositions 2 and 3). Proposition 4 should explain why the relational choices 2 and 3 are related to considerable transfers of knowledge and resources. Propositions 5 and 6 explain the nature of other intra-firm characteristics. Finally, propositions 7 and 8 should combine the firm's relational choices (especially firm's choices about its ties with regional networks) with the intra-firm and the market aspects.

<i>PROPOSITIONS 1–3: RELATIONAL CHOICES AND LEARNING ASPECT</i>
Evidence about gradual learning pattern in Estonian companies' foreign activities PROPOSITION 1
The nature of inward-outward connections, including network relationships, in Estonian companies – <i>Relational choices 2 and 3</i> PROPOSITION 2
The international recruitment policies and transfer of organizational culture in Estonian companies – <i>Relational choice 2</i> PROPOSITION 3
<i>PROPOSITIONS 4–8: INTRAFIRM, INDUSTRY AND MARKET ASPECTS</i>
The strategic role of Estonian companies as affiliates of foreign companies PROPOSITION 4
The nature of competitiveness of Estonian companies on foreign target markets PROPOSITION 5
The main resources and capabilities of Estonian companies PROPOSITION 6
The synergies between intra-company characteristics, developments in regional networks and competitive environment PROPOSITION 7
The entrepreneurship in internationalizing Estonian companies PROPOSITION 8

Figure 9 The general structure of research propositions (Source: Figure 9 is based on discussion in this subchapter and on proposed framework in section 1.3.2)

To conclude this section, the author wants to stress the fact that the analysis of these propositions will use the outward internationalization process as the general context for research. Therefore, all the managers' responses and information from other sources are related to the internationalization or foreign expansion process of case companies, if not stated otherwise. This approach has been chosen, because over time the foreign activities become an integral part of the general corporate management, and thus, to a great extent, inseparable from other activities. The case companies, who began their internationalization at the beginning of 1990s are in the described situation.

2.1.3. The research methodology, data and limitations

Because the empirical analysis in this thesis deals with managerial processes and perceptions, the main research method utilized is the exploratory case study analysis. This method helps to obtain elaborate insights about the motivations, beliefs, and experiences of corporate level managers who have been responsible for the internationalization process in their companies. In order to generalize from the results of inter-case analysis, the case data are in some occasions amended by survey data and official statistics.

The method of case study analysis has been scrutinized by Robert Yin. According to him (Yin, 1992) case study is an empirical inquiry that:

- investigates a contemporary phenomenon within its real-life context; when
- the boundaries between phenomenon and context are not clearly evident; and in which
- multiple sources of evidence are used

In the case of the present study, the phenomenon under investigation is the holistic internationalization process of the firm and the research context is formed by several factors and relational choices, which are illuminated in a real-life setting by discussing them in actual companies. Therefore, it is an exploratory study that attempts to determine the position of companies' relational choices among other internationalization determinants. Further explanation of exploratory type of case study could be found in Yin (1994).

In order to draw upon intra-case as well as upon inter-case evidence the multiple case study analysis was selected as sub-method. Intra-case narrative helps to highlight the specific features of phenomenon in that particular unit of research, while inter-case evidence offers an opportunity to make generalizations based on common features of all or a majority of case companies.

The selection of case companies was based on theoretical rather than statistical sampling. The main theoretical considerations were related:

- to the field of activity (to involve high-tech as well as traditional companies; manufacturing and services);
- to company size (having representation of big companies and SME-s);
- to the type of inward connection (having firms with foreign ownership; firms involved in international subcontracting; and firms whose inward ties are limited to supply relationships);
- to the level of foreign commitment (having firms with foreign affiliates or firms with extensive involvement in international production networks).

In addition to these criteria, three case companies were deliberately selected from the single sector (clothing and textile industry) in order to add the possibility of intra-industry comparison of cases. Given these criteria, the selection was not completely random but depended somewhat on the availability of

alternative sources of evidence (participation in earlier surveys; level of exposure in the media; availability of corporate homepage etc.) and on prior contacts. This should be viewed as one important limitation, because there is potentially some selection bias towards inclusion of well-known companies, which tend to be also leading companies. On the other hand, the author considers this kind of sampling justified because it allows for a more extensive use of scarce public data and secondary evidence, thus increasing the construct validity, while the diversification of the sample should increase the external validity and reliability. The construct validity of study was also improved by the review of interview transcripts as well as company narratives and parts of inter-case discussion by interviewees.

Eight companies were included in the sample, five of which were manufacturing companies (fine mechanics, the automotive industry, and clothing and textile), and three service companies representing banking, transport services, and internet-based recruitment (see Table A7). In this thesis, the companies are predominantly discussed in alphabetic order, except for three companies from clothing and textile industry that are kept as sub-sample. In parallel with the selection of case companies, the interview guide with open-ended and semi-open-ended questions was prepared (see Table A8). Because the questions were organized according to theoretical discussion in part one of this thesis and in line with preliminary research propositions (see 2.1.2), the implicit indexation and coding of interview data was to some extent made prior to interviews along the following lines:

1. the strengths and weaknesses of the selected company;
2. the stages of the company's foreign activities and their development;
3. change in perception of foreign market related risks;
4. impact of environmental changes on case company internationalization;
5. the partnership and network relationships of the case company;
6. location advantages of case company's home market;
7. the value of the company's knowledge base for its partners;
8. market orientation in the case company;
9. entrepreneurship and learning in the case company;
10. the impact of affiliated units on the case company;
11. the impact of internationalization on the case company.

The first topic determines the main capabilities of the case company, and bears a theoretical connection to resource-based views. The second and third topics refer to the sequential approaches. The fourth issue is related to environmental impact depicted in figure 7 and in figure A4. The fifth topic reflects the network approach, thus directly screening the relational choices of a company. The next issue is related to the OLI paradigm and home market aspects. Topic seven draws again upon the network approach and the resource-based view. Theoretical connections of the following two topics relate them to market and entrepreneurial orientation. The last two issues reflect once more the aspects of

network relationships and the dynamism of company's capabilities. Thus, this layout combines the company's relational choices with several intra-firm characteristics and as well as market aspects.

The initial interview guide was reviewed by two colleagues and shortened according to their suggestions. Given the limitations of resources and the need to collect multiple cases, the decision was made to interview only top managers of the companies. The interview guide was sent to them prior to interviews as e-mail attachment along with the letter explaining the purpose and procedure of the research. All managers contacted agreed to be interviewed. These interviews lasted for about one hour. Prior to each interview the extended information package about the case company, including the newspaper clippings, homepage reviews, and annual reports, was prepared and analyzed. All interviews were recorded on tape accompanied by handwritten notes during the interview. These notes proved to be very useful in recalling the interview context during data analysis. Interviewing took place in the selected companies and on some occasions managers provided interviewers with additional materials. During the process there were two persons at the interview, while the author of this thesis asked the majority of questions and the other person (Ph.D. Student Tiia Vissak) was the observer and participated in asking additional questions.

The full transcripts of all interviews were produced within a week after the interview and then reviewed by other interviewer. Later transcripts were sent to managers for a quick review. The interviewing period lasted from mid-April 2002 to mid-June 2002. The interviews were conducted in the Estonian language. Therefore, during the analysis of interview responses the results were also translated into English. These translations are approximate translations by the author of this dissertation.

The questions from interview guide constituted about 2/3 of all questions asked during the interviews. The other questions asked were either drawn from answers as a follow-up enquiry or based on specific features of the company. These additional themes produced several useful results that were also included in the analysis.

The discussion in section 2.1.4 and in sub-chapter 2.2 is predominantly based on these interview transcripts, on the extended information package (annual reports, homepages, and newspaper articles), and on additional information gathered after the interviewing process. Since most of this analysis was written shortly after the data collection there was no extensive additional coding of data, instead it relies mostly on the premeditated division of data introduced already in the interview guide.

In addition to multiple case studies the surveys conducted by the University of Tartu during 1997–2001 were used as secondary data sources in order to increase the external validity of the study results. These datasets available were collected by using mailed questionnaires and the average sample size is around 80 companies. The surveys 'Top investor' have been targeted on companies who have received foreign direct investment. The 'Top exporter' survey investi-

gates exporters. In the case of these surveys the author has access to dataset, but was not involved in collecting the data. In the case of the 'Survey of Outward Foreign Direct Investments of Estonia Companies (2001)' the author participated also in data collection and analysis. Thus, this survey belongs also to primary data.

The survey was conducted in May–September, 2001 by the Chair of International Business of Tartu University. Survey questionnaires were mailed to 194 companies that could be identified as having made foreign direct investments. Seventy of them were completed and returned. Thus, the final response rate of 36.1 per cent was higher than anticipated. Out of the 70 firms returning the survey form, 18 were manufacturing firms and 60 were involved in services. Eight companies fall into both categories (see Table 5). This is in good correlation with the general distribution of outward investment stock of Estonia by activities.

In manufacturing, five firms are involved in the sector of textiles and textile products, the second largest subgroup of manufacturing are the producers of basic metals and fabricated products (4 firms). In services the largest group is wholesale and retail trade (25 firms), followed by financial intermediation (12 firms); transport, storage and communications (8 firms) and real estate, renting and business activities (also 8 firms). (Varblane et al. 2001, p.15)

Table 5. Description of data sample (number of companies or indicated below)

1) Distribution of respondent firms by their activities according to NACE								
Trade			Services			Manufacturing		Finance
25			23			18		12
2) Respondents by the year of establishment of the parent companies								
<1990	1991	1992	1993	1994	1995	1996	1997	1998>
9	8	16	17	5	3	5	3	1
3) Respondents by the year of establishment of the affiliates								
<1992	1993	1994	1995	1996	1997	1998	1999	2000>
8	3	5	7	7	17	19	9	15
4) Distribution of respondents by target markets (% of companies)								
Latvia	Lithuania	other CEEC		CIS	Finland	other EU		
64	40	0		11	9	3		
5) Origin of foreign equity in companies making outward FDI								
No foreign equity		EU	CEEC-CIS	USA	Other			
24		37	2	8	1			
6) Employees in the investing companies (at the end of 2000)								
<10	11–25	26–50	51–100	101–250	251–500	501>		
8	14	16	8	9	8	4		

Source: Survey of Outward FDI of Estonian Companies, 2001

The presence of Estonian enterprises abroad increased in the years 1997 throughout 2000. The number of foreign affiliates among the firms surveyed increased from 87 to 141 (a growth of 62 %). The total amount invested in foreign affiliates has grown even more rapidly: from 32 million EUR in 1997 to 129 million EUR in 2000 (a growth of 302 %).

According to the survey, 65 per cent of the companies making OFDIs are indirect investors, i.e. they belong at least partially to foreign owners (see Table 5 for details). The majority, 82 per cent of the companies, have stockholders in the EU countries. This implies that European companies, especially Finnish and Swedish companies, often enter the Estonian market aiming to expand to the other Baltic markets via Estonia (Varblane et al. 2001, p.15).

In some cases a macroeconomic view is also introduced based on official statistics provided by the Statistical Office of Estonia or Central Bank. These data concern mostly the balance of payment accounts and the figures in trade of goods and services as well as outward investments. In addition, the official statistics are used to discuss the market size differences of Eastern-European economies.

The general outline of the research methodology is summarized in figure 10. The exploratory case study analysis will form the core of the presented research, while other sources, like survey data and statistics, will serve the role of verification tools. The introductory narratives about the case companies in section 2.1.4 introduce these companies in the light of public information (homepages, annual reports, and newspaper articles), while inter-case analysis in 2.2 draws more upon interviews with managers.

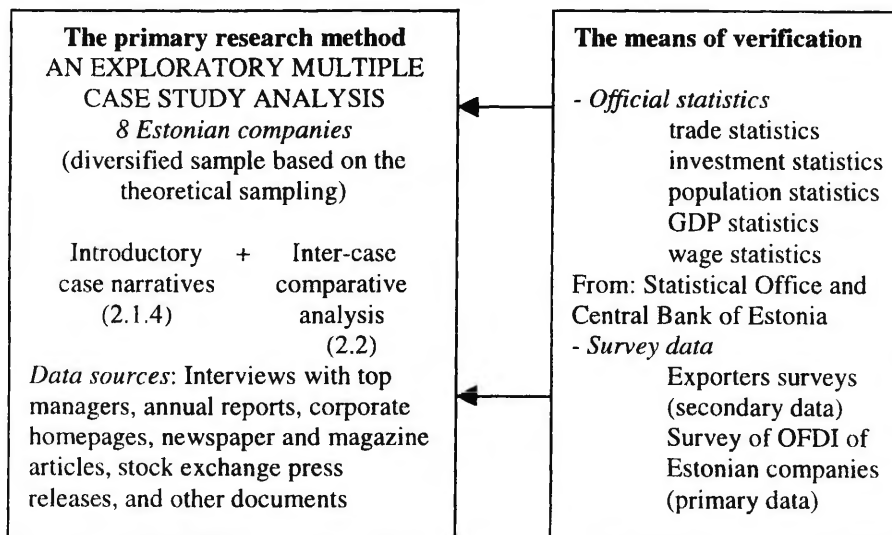


Figure 10 The research methodology of the thesis

To conclude this section, we will now discuss some of the main limitations of this study. In addition to the possible impact of some selection bias, the interpretation of case study results depends on availability of data and multiple data resources. Unfortunately, the researcher has been unable to verify all the results from secondary sources by using triangulation. Although, the author did his best to rely on several data sources, some arguments have not been studied before in the transition country setting. On these occasions, the results of this study require further empirical testing.

The second limitation relates to the possibilities of information collection. Although the registries in transition economies are developing fast, they often do not collect information in such detail that would considerably contribute to the understanding of the intra-company managerial processes. The closed-end nature of the majority of the survey questions shows the same limitations. Thus, secondary data sources do not provide many additional insights. One possible solution is to use follow-up case studies in order to transform retrospective analysis into longitudinal analysis of case companies, which due to the initial knowledge gap followed by time limitation, will not be covered in this thesis.

The inter-case evidence depends on comparability of the responses. This comparability can be somewhat hampered by open-ended questions that are open to several interpretations. Although, the responses gathered might in this way render very useful results about the perceptions in case company, it is difficult to compare this result with other opinions or categorize it. Therefore, some questions included in the guide were rather semi-open-ended, especially in cases when it was assumed that inter-case analysis could potentially render more results than intra-case discussion. Unfortunately, this puts a certain limit on the spontaneity of responses, thus introducing the danger of data mining. However, the interview was a compromise between these semi-open-ended and open-ended question, which allowed for some verification of results within the interview process, because some topics were approached from several perspectives.

One limitation of the exploratory case study method on several occasions is the ability to generalize from the case evidence. Can we really argue that characteristics of the internationalization processes of these eight companies are describing the similar characteristics in other companies? In case of a small open economy, this issue should be approached differently because, for example, three clothing and textile companies included in the sample represent also the majority of amounts produced in particular sector, while Hansabank is a market leader that is followed by other competitors in terms of service prices and other aspects. Therefore, we can argue that case companies are in the majority of cases core players in their particular industry. Given the relatively infant state of the internationalization process of Estonian companies, the selection of companies with considerable autonomy in foreign activities was also relatively limited.

2.1.4. The introduction of case companies

In this section a brief introduction of eight case companies will be offered, in order to provide reader with background information about their field of activity, history, and internationalization process. Five firms included in the sample are manufacturing companies, whereas three of them form the sub-sample of leading firms from the Estonian clothing and textile industry. That enables us to make generalizations concerning that particular industry. Three service firms interviewed are from transport, banking, and recruitment service sectors.

CVO Group

The company CV-Online was launched in 1996 as a traditional recruitment company by four Estonians, but in the next year, the company started internet-based recruitment service, which was and still is unique. The job seekers can, free of charge, enter their CV-s into online database and companies who need additional employees can use that database for a membership fee.

Although the service was launched in 1997, the sales activities were intensified in 1998. During the period from 1997 to 1999, the company focused on increasing the awareness about the service among internet users, on developing the CV-database, and on improving the service for users (job seekers) and clients (workforce seekers). During that era the number of internet users in Estonia grew rapidly, which allowed the company to develop profitable internet-based solutions. (Homepage of CV-Online Estonia, 2002)

In 1999, the number of CV-Online clients and users, as well as turnover, increased around 10 times. In September 1999, the owners of CV-Online decided to expand with similar services into Central and Eastern Europe, in order to become a market leader in that region. Because company lacked in-house funds for that expansion, the venture capitalist Esther Dyson from the USA, and LHV from Estonia joined companies internationalization process in 2000 by investing around EUR 639 115. In January 2001, the equity of the company was expanded further, when LHV and Esther Dyson were joined by 3TS Venture Partners owned by 3i from the UK, Technologieholding from Germany, Sitra from Finland, and others. The combined amount of this additional investment was around EUR 3 000 000. (Homepage of CV-Online Estonia, 2002)

Since 2001, the CVO Group has been lead by an international management team. The company's current British CEO, Norrie Sinclair has a long experience in international recruitment and investment companies. On the other hand, the company council now also incorporates representatives of venture capital owners. Most of the initial owners-managers have by now withdrawn from the day-to-day management of CV-Online (Ibid.; Ärm, 2002).

The company employs more than 110 people in six countries- Estonia, Latvia, Lithuania, Poland, Hungary, and the Czech Republic (Homepage of CV-Online Estonia, 2002). The company had also an affiliate in Russia, but at the moment only automated internet service from Estonian servers is offered. The market entry into Romania was postponed in the middle of the establishment process, because corporate management saw the company's foreign growth as too rapid and extensive. The decision was made to turn the focus from penetration of new target markets to developing the quality of service in markets where the company already operates (Ärm, 2002).

In order to achieve this, CV-Online intends to improve the multimedia extensions of the present internet database, to cooperate with popular internet portals, and to expand traditional recruitment services and other HRM services, like consultation, in addition to internet-based operations. The latter development relates to the fact that profit margins tend to be higher in traditional services than in the online environment (Ärm, 2002). The proportions of internet services to traditional services are shown in table 6.

Table 6. The approximate ratio of internet service/traditional service in the CVO Group (per cent of all activities)

Country	Internet service	Traditional service
Estonia	70–75	25–30
Latvia	60	40
Lithuania	50	50
Poland	40	60
Hungary	70	30
Czech Republic	50	50

Source: Interview with executive director of CV-Online Estonia –Margus Ärm, 2002

By 2000, the CVO Group had in all countries a total of 125 000 registered job seekers and more than 10 000 registered companies who had used or were still using company services (Postimees Online –01.02.01). In Central and Eastern Europe company's services have been used by big multinationals (Ärm, 2002).

The company made attempts to bring job seekers and job offers into an international arena, and not just within different target countries, but this data service did not live up to expectations. However, the different national databases can be accessed by firms or job seekers from other countries as well. The main performance indicators of CV-Online Estonia are shown in table 7.

Table 7. The performance indicators of CV-Online Estonia Ltd. 2000–2001

Year	2000	2001
Net profit (-loss) (EUR)	- 1 034 994	784 328
Net sales (EUR)	386 145	493 052
Export (EUR) (% of net sales)	5 725 (1.48)	6 432 (1.30)
Equity (EUR)	- 402 713	381 615

Source: Annual Report of CV-Online Estonia Ltd. 2001, 2002

These performance data have the markings of rapid expansion. The year 2000 saw the company making a loss, while in 2001, the situation was remedied. However, this result seems to be related to additional investments made during 2001. At the same time the company has been restructured under the new corporate management (Annual Report of CV-Online Estonia Ltd. 2001, 2002).

Hansabank Group

Hansabank was established in July 1991 as an affiliate of Tartu Commercial Bank in Tallinn. In 1992, the parent company got into economic difficulties and from 10 January, 1992 Hansabank continued its operations as an independent business unit. At first the bank mostly deposited foreign currency on Eurocurrency market, while gradually developing its network of offices. In 1993, Hansabank started to offer leasing products for which a separate affiliate, Hansa Leasing was founded. The same year the bank started to offer currency swaps and forwards. In February 1994 Hansabank founded a joint company Hansa Investments Ltd. On 1 August, 1994, the first international issue of bank's stocks took place and in October, opened the first issue in Estonia. The bank started to offer factoring services and overnight deposits. In November, the asset management unit was established. (Homepage of Hansabank Group, 2002)

In 1995, the shares of the Hansabank were listed in the I-list of the Helsinki Stock Exchange and the bank started to issue its own debit cards as well as international credit cards. The bank also established a network of ATM-s. In the same year, the first foreign affiliate Hansa Leasing Latvia was established and the bank opened a representative office in Riga, the capital of Latvia. Hansabank continued its investments into extensive utilization of modern information technology. (Ibid.)

The 1996 was an important landmark in the bank's history because it acquired Deutsche-Lettische Bank in Latvia and it was renamed as the Hansabank-Latvia. That meant an entry into another country with traditional banking services. At the same time Hansa Leasing established a presence in Lithuania as did Hansa Investments. These developments required also changes in the organizational structure which accounted for extensive growth in the bank's foreign activities. Thus, Hansabank-Estonia also emerged as a structural unit to be differentiated from corporate management. In 1996, a new unit called Hansabank Markets was founded, which was assigned to operate in the financial markets in all three Baltic States. In the same year, the bank started to offer stock and currency options, mortgage type loans, and life insurance products. In the following year, Hansabank Group launched its Internet service, expanded the listing of its shares in foreign stock exchanges, and took some syndicated loans. (Ibid.)

In 1998, Hansabank merged with the Estonian Savings Bank, founded a holding unit, Hansa Capital, in order to govern the leasing operations in the

Baltic Countries, and received a large investment from Swedish Swedbank, who obtained by 1999 more than 50 per cent of the bank's shares by additional issue of stock. Hansabank-Latvia merged in 1998 with Zemes Banka, thus, continuing the expansion in Latvia. (Homepage of Hansabank Group, 2002)

On 7 July, 1999, the Hansabankas- Hansabank affiliate in Lithuania opened its doors to customers. It was a Greenfield investment. In this year, it started to reduce its participation in the insurance business by selling its Latvian insurance affiliate, but before that it took over the Estonian insurance company. At the same time, Hansabanka (renamed from Hansabank-Latvia) announced the purchase of UBB Ventspils and therefore continued expansion via takeovers. Hansabank decided also to sell Faba Bank in Russia that was initially bought by the Estonian Savings Bank. (Ibid., Neivelt, 2002)

In 2000, the reorganization of UBB Ventspils was concluded and it became the affiliate of Hansabank. In 2001, the bank successfully finalized a tender to privatize the Lithuanian Savings Bank-LTB, which was then merged with Hansabankas and the new name of the merged bank became Hansa-LTB. Because LTB was the second largest bank in Lithuania this privatization deal considerably increased the market share of the Hansabank Group in Lithuania. Although by now the Estonian affiliate still provides more than 50 per cent of the bank's revenues, in five years time the main focus is likely to shift to Lithuania, because the larger population of that country allows also for higher growth potential.(Neivelt, 2002)

During the last decade, the Hansabank Group has become a Pan-Baltic organization that includes the entire Baltic region as its home market. At the same time the corporate strategy of Hansabank clearly recognizes the differences between the banking markets in Estonia, Latvia, and Lithuania. So its aim is to offer locally customized banking services, while benefiting from the synergies of all three regional affiliates in more technological or developmental matters. (Annual Report of Hansabank Group 2001, 2002)

The nature of the company has also changed from a domestically-owned bank to a foreign affiliate of a Swedish bank. Nevertheless, Hansabank Group retains a considerable autonomy in controlling its operations in Latvia and Lithuania. At the same time, foreign ownership has created a more favourable image and brought about the increase in the bank's risk ratings. In addition to these aspects investment in 1998, was needed because the Russian financial crises as well as the related crash of the Tallinn Stock Exchange left Hansabank with some problems that endangered its expansion plans. Therefore, this investment helped to continue growth despite these recent setbacks on the financial markets. (Neivelt, 2002)

It is, thus, a good example how an inward relationship can help to facilitate the outward foreign expansion of the company. Without this strategic investment, the expansion of Hansabank to Latvia and Lithuania would have been slower.

At the end of 2001, there were, in total, 6815 employees in Hansabank Group. The bank had about 20 per cent of the market share in Latvia, 30 per cent in Lithuania, and more than 50 per cent in Estonia (Annual Report of Hansabank Group 2001, 2002). The distribution of Hansabank's profit, revenues, and assets by geographic region is given in table 8.

Table 8. The net profit, revenues, and assets of Hansabank Group by geographic regions in 2000–2001

Country\Year	Net profit (%)		Revenues (%)		Assets (%)	
	2000	2001	2000	2001	2000	2001
Estonia	78	76	72	61	91	71
Latvia	17	17	24	24	27	22
Lithuania	3	7	5	17	8	29
Other	1	–	–	–	–	–
Eliminations	–	–	–2	–2	–26	–22

Source: Annual Report of Hansabank Group 2001, 2002

We can see the clear trend of reduction in importance of the Estonian affiliate. However, it still has very dominant role in all three categories. In the future, Hansabank Group intends to keep its return on equity above or equal to 25 per cent, its cost/income ratio below or equal to 50 per cent, and its net risk cost ratio below or equal to 0.8 per cent, while doubling the operating profit in every four years (Annual Report of Hansabank Group 2001, 2002). The main performance indicators of the bank are given in table 9.

Table 9. The performance indicators of Hansabank 2000–2001

Year	2000	2001
Net profit (Mil. EUR)	76.7	108.2
Total income (Mil. EUR)	226.7	288.7
Equity (Mil. EUR)	368.0	480.6
Return on Equity (%)	22.40 (year average)	25.26 (year average)
Cost/income ratio (%)	47.78	53.83
Net risk cost (%)	–	0.21

Source: Annual Report of Hansabank Group 2001, 2002

Mootorreisi Group

Mootorreisi Group was founded in 1993. Since 1996, the company is a member of a European organization Eurolines, joining 38 international bus companies. Mootorreisi Group operates under the Eurolines trademark. (Käos, 2002) From its inception, the company has been 60 percent owned by three Estonians and 40 percent by the German company Deutsche Touring GmbH, which is one of the biggest carriers in Europe (Osula, 2002).

The goal of the Mootorreisi Group was to create a competitive bus company with activities in the Baltic States and North-Western Russia with a well-organized logistics system and route network, a clearly identifiable position in the European bus transportation market, and to offer to its passengers a variety of flexible possibilities to reach various destinations in Europe by bus. (Käos, 2002)

The company has grown into a bus company that competitors should account for in Europe, while being a market leader in the Baltics. The company has 58 tourist buses, some of them double-deckers (Homepage of Mootorreisi, 2002). The parent company in Estonia serves 16 international bus routes, mostly starting from Tallinn (Käos, 2002). In addition to regular bus lines, the company offers charter buses on demand and intends to build and operate bus terminals/stations abroad, offer trips on demand, and some tourist services. Approximately 2/3 of the company's operations are currently directed at EU countries (Survey of OFDI of Estonian Companies, 2001).

In 1994, the firm began operating bus lines to Germany, other Baltic States and Russia. Soon after that, the first foreign affiliates were registered in Riga, the capital of Latvia. Sales and marketing company SIA Mootorreisi and passenger carriage company SIA Baltijas Autobusu Linjas (SIA BAL) started operations in 1995. In 1996, the sales and marketing operations were transferred to SIA BAL, in order to have a more flexible management and also cut costs. The activities of SIA Mootorreisi were stopped. (Käos, 2002) This change might have been partially initiated by the fact that entry into Latvia did at first not match up to the investors' expectations, because operations suffered from poor time schedules assigned to the company by the Latvian authorities (Osula, 2002).

In 1995, the foreign affiliate for international bus transport UAB Tibus was registered in Vilnius- Lithuania and one year later also the sales and marketing affiliate UAB Eurolines Baltic International (UAB EBI). Both started functioning in 1997. During the period 1997–2000, the importance of the Lithuanian sales unit has grown considerably. The sales of UAB EBI have increased from EUR 17 000 in 1997 to EUR 560 000 in 2000, more than 85 per cent of which were exports (Survey of OFDI..., 2002). This sales affiliate has 19 employees; all of them are locals (Homepage of UAB EBI, 2002). In 2002, one of the two Lithuanian affiliates will assume the role of a logistics centre in Baltic States (Osula, 2002).

In 1997, the former cooperative partnership with the Russian bus company that began in 1995 was replaced by the creation of an 80 per cent owned foreign affiliate ZAO Evrolines in Saint Petersburg. Twenty per cent of affiliate's shares are owned by the Russian managing director. At present, the Russian company has an affiliate in Moscow and in Minsk- Byelorussia. The Russian affiliate is also operating bus lines connecting Russia with Europe, especially with Germany. Similar to affiliates in Baltic States the Russian affiliate was also created as a Greenfield investment. In 2000 its sales amounted to EUR 805 000 and it employed 55 persons (Survey of OFDI..., 2002). The expansion to Minsk

in Byelorussia was related to the need to create a logistics centre for the buses going from Moscow and Saint Petersburg to Western Europe.

The main motives for the internationalization of the company have been market related or directed towards an increase in market size and regional growth. At the same time labour cost and other cost related motives have also impact on the process, indicating the relative importance of cost aspects in the transport business. All foreign affiliates of the Mootorreisi Group have facilitated the increase of company's market share abroad, supported its exports and therefore volume of services offered. At the same time, they have not had a considerable impact on employment in the parent company or on its imports. The company's foreign affiliates have created access to cheaper resources, improved customer feedback and improved the financial performance of the Mootorreisi Group. (Survey of OFDI..., 2002) Most foreign affiliates serve as important regional extensions with a strong local image, which is reinforced by the presence of local managers and personnel.

The main problems in internationalization of bus transport are related to the unfair competitive position in comparison with other means of transport (e.g. direct subsidization). (Postimees Online – Urmas Paet 27.10.98) Mootorreisi Group indicated in Survey of Outward FDI of Estonian Companies 2001 a lack of financial resources and personnel as well as host country specific factors, including risks, and investment climate as important difficulties affecting foreign expansion.

The Mootorreisi Group main interest of investing into Central and Eastern Europe could also be explained by less tense competition and higher growth opportunities in that region, compared to Western Europe. Nevertheless, soon the company plans re-entry into Scandinavia and also extension of its bus lines to Southern Europe, thus becoming an even more Trans-European firm. (Osula, 2002) The present distribution of sales by countries and the company's performance indicators are shown in table 10.

Table 10. The performance indicators and markets of Mootorreisi 2000–2001

Year	2000	2001
Net profit (EUR)	213 318	368 563
Net sales (EUR)	4 301 825	5 204 857
Export (EUR)(% of net sales)	4 129 752 (96)	4 840 517 (93)
Sales by countries (% of net sales)	Germany 61 Russia 19 Latvia 10 Lithuania 5 Estonia 4 Scandinavia 1	Germany 57 Russia 24 Latvia 8 Estonia 7 Lithuania 4 Scandinavia 0
Equity (EUR)	933 935	1 302 498
Return on Equity (%)	22.84 (end of year)	28.30 (end of year)

Source: Annual Report of Mootorreisi Group 2001, 2002

These figures indicate that the activities in Russia show a growth trend, while domestic sales have also improved. 90.4 per cent of Mootorreisi Group net sales revolve around its main activity, international passenger transport. In 2001, Mootorreisi Group employed around 111 employees (Annual Report of Mootorreisi Group 2001, 2002).

Saint-Gobain Sekurit Estonia Ltd.

This company was established in 1989 as an Estonian-Swedish joint venture and was given the name Elvex Ltd. The Swedish partner, affiliated to French concern Saint-Gobain, obtained 49 per cent of the shares and Estonian 51 per cent. The division of roles between partners was clearly laid out in the establishment contract. The technology was transferred from the Swedish side based on license agreement. This partner was also made accountable for the company's exports. The Swedish company agreed to guarantee the export of a predetermined amount of total output (Kasak, 1999).

The company started operations on 1 February, 1991, and having achieved the stability and quality of production runs, began to export during the last quarter of the same year. The main products have been car windscreens for after-market. The first foreign sale was made via the company's foreign owner to a Swedish wholesaler using own export method, but company used also indirect exporting as an entry mode. Gradually, Elvex gained experience in exporting and the number of export markets increased. (Kasak, 1999)

The collapse of the Soviet Union meant that the company's home market became very small and the need to export grew rapidly. It was necessary to find new export targets in order to survive. Fortunately, the company had already gathered considerable experience in exporting, which allowed for the rapid increase in the export amounts over a short period of time and compensated for the loss of the former home market. (Kasak, 1999; Kasak, 2002)

By the end of 1996, the joint company exported more than 90 per cent of its output. At present exports account for more than 95 per cent of total output. The first stage of the company's internationalization lasted from 1991 to 1996 and was marked by intensive growth and diversification of exports in increasing number of markets. (Kasak, 1999)

The second stage of the internationalization started when the company decided to build up its own sales network in geographically and psychically close markets. Starting from 1997, the company once again redefined the concept of home market, taking into account all three Baltic States as the home market, instead of just Estonia. At the same year, Elvex started to make additional investments into Estonian wholesale and retail organization in order to use this structure during later investments into North-Western Russia, Lithuania and Latvia. Consequently, the company founded foreign affiliate in Saint Petersburg that assumed the role of supporting the sales in that part of Russia. In the following year, the company founded a joint venture type sales

unit in Lithuania and a year later appointed a sales representative in Latvia whose duties were to gather information and create contacts that would help to enter via foreign direct investment. (Kasak, 1999)

Given these developments, the second stage was dedicated to enhancements of sales structures in the region in order to support stable and active operations. The use of foreign affiliates provided the company with valuable insights into the target market.

In 1995, the Swedish affiliate of French concern Saint-Gobain Sekurit, brought the rest of Estonian company's shares owned by Estonian state (Postimees Online, 1999; Kasak, 2002). In 1997, the company started to produce products under the trademark Saint-Gobain Sekurit, but in November 2000, the company name was changed from Elvex to Saint-Gobain Sekurit Estonia. (Postimees Online, 2001) The Estonian affiliate of Saint-Gobain Sekurit is at present subordinated to Saint-Gobain Sekurit Scandinavia AB. The French parent company Saint-Gobain has relatively diverse activities, therefore car windscreens is just one of the many product lines. However, the parent company's other activities are supported by different affiliates (Homepage of Saint-Gobain, 2002). The Estonian affiliate still governs its own daughter companies in Russia and in Lithuania. The most important target markets and the main performance indicators of Saint-Gobain Sekurit Estonia during last two years are given in table 11.

Table 11. The performance indicators and markets of Saint-Gobain Sekurit Estonia 2000–2001

Year	2000	2001
Net profit (EUR)	1 040 319	2 081 239
Net sales (EUR)	6 251 547	8 518 110
Export (EUR)(% of net sales)	5 945 221 (95.1)	8 143 313 (95.6)
Sales by countries (% of net sales)	Germany 26 Netherlands 25 Sweden 13 Poland 10 Austria 7 Estonia 5 Norway 5 Belgium 0	Netherlands 25 Germany 17 Belgium 16 Sweden 8 Poland 7 Austria 6 Estonia 4 Norway 4
Equity (EUR)	4 328 329	6 409 568
Return on Equity (%)	24.04 (end of year)	32.47 (end of year)

Source: Annual Report of Saint-Gobain Sekurit Estonia 2001, 2002

It may be noted that the company's exports have become somewhat more diversified during the observed year. Among other changes, the company has made a successful entry into Belgium. Although, one must keep in mind that these developments might be related to intra-concern redistribution of markets

rather than with the affiliate's own efforts. Since 2000, company produces also car sidescreens, while previously it produced only front or rear windscreens. For that purpose, the Saint-Gobain Sekurit Estonia has made also additional investments into the expansion of its production capacity (Postimees Online 1999, 2000). The general performance of Saint-Gobain Sekurit Estonia has also considerably improved during 2001, the net sales have increased more than 36 per cent and net profit has doubled. At present, the company employs around 118 workers (Annual Report of Saint-Gobain Sekurit Estonia 2001, 2002).

Tarkon Ltd.

The history of the fine mechanics company Tarkon began in 1907 with the establishment of a telephone factory 'Edisson-Kompagnie'. In 1923, the factory was extended and produced annually about 10.000 phones while employing 100–120 workers on a regular basis. In the next year, the company started to produce radio receivers. In 1929, the Swedish company became a major shareholder of the company then called Tartu Telephone Factory Ltd. From 1939 to 1940, products were exported to 27 countries, including Africa and America. (Homepage of Tarkon Ltd., 2002)

On 16 December, 1940 factory was nationalized and re-established as factory no.382. Most of the equipment and production were transported to Russia. During World War II the factory buildings were destroyed. In November 1944, factory no.89 was founded and came under the control of Moscow. From 31 December 1966 this factory was given the name Tartu Control Equipment Factory (in Estonian: Tartu Kontrollaparatuuritehas) and produced mainly on-board flight recorders or the so-called 'black boxes' for civil and military aircraft. (Ibid.)

After Estonia regained her independence, a state owned company Tarkon was established on 1 December 1992, which was later (1 October, 1996) privatized when a Swedish company Hallberg Sekrom Fabriks AB bought 60 per cent of the shares. This company had been the partner of Tarkon since 1993. After privatization, the company was named Tarkon Ltd. Over the years the foreign owner has increased its share to 85 per cent. See table 12 for Tarkon's market segments and figure 11 for its organizational structure. (Ibid.)

Table 12. The larger market segments of the company

Telecom. – Consumer products	28	Water and sanitation	5
Telecom. – Base Station Equipment	27	Mobile	5
Customer products	10	Hydraulics and pneumatics	3
Computer equipment	7	Others	15

Source: Homepage of Tarkon Ltd.

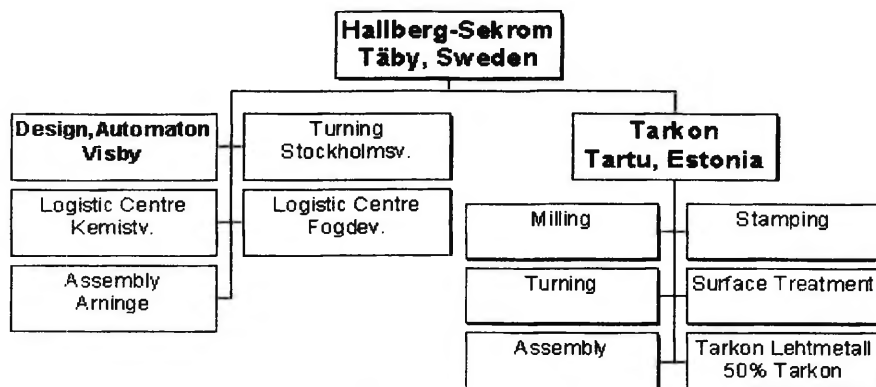


Figure 11 Tarkon Ltd. as part of Hallberg Sekrom Group (Source: Homepage of Tarkon Ltd.)

At present, Tarkon intends to build around its production site a technological village that would allow the company to offer in cooperation with its suppliers comprehensive service to its customers. Tarkon operates in close cooperation with partners or daughter companies shown in table 13.

Table 13. The partners and affiliates of Tarkon Ltd.

The name of company	The field of activity
Tarkon Lehtmetall	Sheet metal products
Glaskomponent	Industrial glass
Primus	Customer products
NPP	Plastics
EBÖ	Die casting

Source: Homepage of Tarkon Ltd.

The ability to be a complete solutions supplier, where most stages of production take place at one production site, could be considered one of the main advantages of Tarkon.

Although in a way Tarkon was international also during Soviet era, the modern internationalization of the company began around 1993 when sporadic contacts with Swedish customers emerged. At first they ordered very small batches of simple components. In 1994/1995, the launch of refurbished assembly hall helped to attract bigger contracts. Since then the orders have become gradually more complex, although the recent recession in the Nordic telecommunications cluster has forced the company to return to more basic work. (Noorem, 2002)

In 2001, company employed on average around 615 workers, in comparison with previous year, this number increased by 73 employees. Despite the problems in the telecommunication sector Tarkon intends, in 2002, to invest in productive assets about Mil. EUR 1.28 (Annual Report of Tarkon Ltd. 2001,

2002). The main economic indicators of the company for years 2001 and 2000 are given in table 14.

Table 14. The performance indicators and markets of Tarkon 2000–2001

Year	2000	2001
Net profit (EUR)	1 899 410	337 136
Net sales (EUR)	11 391 925	10 370 953
Export (EUR) (% of net sales)	7 404 751 (65.0)	6 015 153 (58.0)
Sales by countries (% of net sales)	Estonia 35 Sweden 62 Others 3	Estonia 42 Sweden 57 Others 1
Equity (EUR)	2 750 179	3 087 315
Return on Equity (%)	69.06 (end of year)	10.92 (end of year)

Source: Annual Report of Tarkon Ltd. 2001, 2002

The foreign sales of Tarkon are, to a great extent, handled by Hallberg Sekrom, which is also the main reason why the majority of exports are directed to Sweden (Noorem, 2002).

Companies from clothing and textile industry:

Baltika Group

The history of Baltika dates back to the year 1928 when the sewing plant 'Gentleman' was founded in Tallinn. Since 1959, the name of the company has been Baltika. Until 1988, Baltika produced only clothing for men, but then a decision was made to offer a collection for female customers. Since that point Baltika has tried to offer fashionable clothing articles for both genders by renewing its collections on a regular basis (Homepage of Baltika Group, 2002).

Baltika was privatized by 1991, and former state-owned company became Baltika Ltd. The managers of the company are at the same time the owners of the Group, although part of it is in the ownership of an international investment fund. In 1991, the company launched also 'Baltman' collection for men, which in time became one of the leading brands of Baltika. In addition, the company started to build up its retail store chain 'Baltmani Rõivad' (Baltman's Clothes') (Ibid.).

In 1993, the privatized Baltika introduced its first collection for ladies- the Christine Collection, while an additional line of products for men was introduced under the name 'Plus B'. In that year, the company opened its first store on the foreign market by opening doors in Lithuania. In the following year the collection 'Evermen' for male customers was launched and the company opened its flagship store in Yekaterinburg, Russia (Ibid.)

In 1996, the internationalization of Baltika Group continued with the opening of the first Baltman store in Latvia, a sales agency in Sweden, and a

shop-in-shop store in the department store 'GUM', in Moscow. In 1997, Baltika stock was listed on Tallinn Stock Exchange. In 1998, Baltika launched the 'Respect' collection for ladies. In the following year, a sales agency was established in Poland, while all retail stores of the company started to use the brand name Baltman, and the Christine Collection was re-launched under the trademark CHR. (Homepage of Baltika Group, 2002)

In 2000, Baltika signed its first franchise contracts in Latvia and in Russia, opened a first retail store in Poland, and founded a subsidiary and a store in the Ukraine. In that year, the company entered also the US market, but since then the sales in the US have been suspended after the events of 11 September, 2001 (Milder, 2002).

In 2000, Baltika Group launched its new corporate identity. In 1991, Baltika was just a production company. From 1991 to 1999, it became a clothing manufacturer. In the following year it defined itself as a clothing manufacturer with its own retail chain, but in 2000, the vision of Baltika as the clothing retail company with manufacturing was adopted, because corporate management started to draw more attention to capturing margins in clothing retail. These margins tend to be somewhat higher than profit margins in clothing manufacturing. Since 2001, Baltika intends to be a company that offers to the customer the very best service (Homepage of Baltika Group, 2002; Milder, 2002).

At present the mission of Baltika is 'to offer to the customers fashion clothing, which complements their lifestyle, thus becoming the best solution for their self-expression, and so helping customers to feel and perform their best'. The Baltika's main goal is to become the leading specialty apparel retail chain in Central and Eastern Europe by the year 2004 (Baltika Group Strategy 2002–2004, 2002).

At the moment, Baltika is active in 12 markets: In Estonia, Latvia, Lithuania, Sweden, Finland, Norway, Denmark, Great Britain, Germany, Poland, Russia, and the Ukraine. Seven commercial and three manufacturing enterprises belong to the Baltika Group. The commercial units are Baltika (Sales) Ltd. and Baltman Ltd. in Estonia, Baltmano Prekiba in Lithuania, Baltika Poland, Baltika Sweden, Baltika Ukraine and Baltinia OY in Finland. The list of manufacturing units includes, in addition to Baltika (Production), Virulane Ltd. (Baltika's share in 2001 was 75.02 per cent) and Elina STC Ltd. (Baltika's share in 2001 was 50.10 per cent). (Annual Report of Baltika Group 2001, 2002)

The volume of sales of its own trade marks forms 81.4 per cent of the overall production of Baltika Group. Baltika Group develops seven clothes trademarks and the retailing chain Baltman; in which there were 55 outlets controlled by Baltika in 2001 (Annual Report of Baltika Group 2001, 2002). At the end of 2002, company plans to launch a new retail brand Monton, and as a result Baltman will be repositioned back to its initial position of stylish collections for men, while other trademarks form the third line of product offering to more price sensitive customers. The new brand will incorporate the retail chain

layout, promotional measures, as well as clothing for both gentlemen and ladies (Milder, 2002).

In order to have better control over its retailing business Baltika intends to make use of wholly owned outlets rather than franchise agreements, although shop-in shop arrangements with large department stores are likely to retain their importance also in the future. The main performance indicators and target markets of the group in 2000 and 2001 are shown in table 15.

Table 15. The performance indicators and markets of Baltika 2000–2001

Year	2000	2001
Net profit (Mil. EUR)	0.911	1.004
Net sales (Mil. EUR)	21.778	26.487
Export (Mil. EUR)(% of net sales)	14.4 (66.06)	18.7 (70.57)
Sales by countries (% of net sales)	Estonia 32 Finland 12 Latvia 11 Lithuania 10 Russia 10 Sweden 9 Germany 2 Ukraine 1	Estonia 28 Russia 16 Finland 13 Latvia 10 Lithuania 9 Ukraine 7 Sweden 6 Germany 3
Equity (Mil. EUR)	8.169	8.944
Return on Equity (%)	11.2 (end of year)	11.3 (end of year)

Source: Annual Report of Baltika Group 2001, 2002

These figures indicate a diversification of export structure, especially the increased exports to Russia and Ukraine, while the importance of Sweden as a country of destination has somewhat decreased.

Krenholm Group

The Krenholm Manufacture was established in 1857 on the island in the Narva river by a German industrialist Baron Ludwig Knoop. He bought the island in 1856 and established a cotton factory. The factory produced cotton thread and fabric and wadding, which was supplied to the whole of Russia. During that period, Narva became one of industrial centres of the Russian Empire. The close ties with Russia as a supplier of raw material and also a consumer of Krenholm's fabrics characterizes most of Krenholm's history, although it was a fact that, during the brief period from 1920 to 1940, the export of Krenholm was diverted more to the Western countries. However, after World War II, Krenholm was subordinated to Moscow and thus the state-owned company served as an integral part of the Soviet industrial system. While some products were still exported to the Western countries, then these procedures were

governed by central authorities rather than by company management. Nevertheless, even during Soviet-era Krenholm was one of the most important employers in North-Eastern Estonia. (Homepage of Krenholm Group, 2002)

After Estonia had regained independence in 1991, Krenholm's re-orientation to the US and West-European markets made it possible to privatize the enterprise in 1994. As a result the Swedish company Borås Wäfveri AB, quoted on the Stockholm Stock Exchange, became the majority shareholder of the company. Since 1999, this company has owned all the shares of Krenholm Group. The new owners of Krenholm appointed new managers that have been responsible for reorganizing the former Soviet producer into a modern company that can survive changes in the global market environment. Today, Krenholm Group is a vertically integrated textile company that intends to set all its sub-structures to function under the terms of a free market economy and to raise efficiency to the Western European standards (Homepage of Krenholm Group, 2002).

At the beginning of the 1990s, but before the privatization process, Krenholm got a reputation as a producer that can produce in large quantities or in other words as a capacity producer. During this pre-privatization period, the company had a passive sales strategy, which meant that the company's exports of sub-contracted products were mostly initiated by US or European partners who utilized Krenholm as a low cost capacity provider. (Virkebau, 2002)

After the privatization, the group has tried to focus more on developing its own brands and trademarks, while improving the quality and value added of the offered products. The company has now diversified its activities, including the production of working clothes and making inroads into the segment of leisure clothing. (Ibid.)

The vision of Krenholm Group is to be a constantly developing European textile manufacture with customer and market orientation, a corporate culture, creative product development, production technology and modern management practices and the company sees its mission as producing and offering to its global customers natural and modern textile products and services, which have maximum added value. The main products of the company are finished cotton fabrics, bed-linen, terry and kitchen towels, curtains, table-cloths, baby cotton napkins, upholstery fabrics, and various garments. (Homepage of Krenholm Group, 2002)

The Krenholm Group consists of six major operationally divided production units – Krenholm Spinning, Krenholm Weaving, Krenholm Terry Clothes, Krenholm Finishing, Krenholm Sewing, and a support unit, Krenholm Service as well as of five major sales subsidiaries – Krenholm Textile, Krenholm Scandinavia AB, Krenholm Germany GmbH, Krenholm UK, and Krenholm Benelux (to be established in 2002). The US sales of cotton diapers and other products are handled by a local agent and Wall-Mart retail chain. The company's further interest is to expand its market to Russia. That decision is currently depending on Russia's entry into World Trade Organization. (Virkebau, 2002)

The present situation in the global textile markets has forced Krenholm's Swedish owner to close down its production units in Sweden and transfer the production to Krenholm. This has made the company the main production site of the entire group. (Postimees Online 2001, 2002) The shift away from very low cost subcontracting work to higher value added fabrics, textile products, and clothing articles could be viewed as a timely reaction to changes in the competitive situation.

At present, Krenholm employs around 4900 workers, but this number is likely to increase in the near future. In 2001, Krenholm exported around 86 per cent of its total sales, about 59 per cent of it goes to the EU and 19 per cent to the US market. The share of US market has been around 25 percent. (Homepage of Krenholm Group, 2002) The performance indicators of the Krenholm Group are shown on table 16.

Table 16. The performance indicators of the Krenholm Group 2000–2001

Year	2000	2001
Profit (Mil. EUR)	2.24	1.47
Net revenues (Mil. EUR)	71.38	78.59
Equity (Mil. EUR)	9.43	12.01
Return on Equity (%)	23.75 (end of year)	12.24 (end of year)

Source: Annual Report of Borås Wäveri AB 2001, 2002 (using exchange rates 1SEK=1.68226EEK (31.12.01) and 1EUR=15.64664EEK)

The data show that 2001 has been a relatively difficult year in comparison to 2000. The profitability of the Krenholm Group has decreased despite the increase in revenues from sales. Part of the change in financial results can be explained by investment cost made in order to foster additional growth.

Sangar Group

Sangar was first established as an artel of the felt-industry in October 1944 and its main occupation was the manufacturing of felt-footwear. During 1945 and 1946 tannery-artel Ühend and footwear-artel Mars were merged with Sangar, which was, due to this diversification, renamed the composite-artel Sangar (Homepage of Sangar, 2002).

By 1950, four other artels were incorporated in Sangar and in 1953 the company continued under the name sewing and tannery-artel Sangar. Sangar had many occupations – sewing, tailoring, wool-carding, fine tannery, knitting, tanning, cobbling, producing headwear, and felt-footwear. (Ibid.)

In June-July 1956 the artel members were obliged to found a factory and close down the producers' cooperative that had existed so far. On 1 July 1956, the clothes factory Sangar in Tartu was founded. During the early days, the factory had 364 employees. At the end of the first year tanning and fine tannery were transferred to the leather- and footwear combine in Tartu. From this time

on the main occupation of Sangar was the mass-production of garments (Homepage of Sangar, 2002).

By the middle of the 1960s, Sangar incorporated nine other sewing divisions and departments from Otepää to Põltsamaa. The number of employees expanded to more than 900 people. The labour productivity grew also steadily, while the profit was doubled annually, and the company held the first place in Soviet Republic of Estonia introducing new small-mechanisms. During the 1970s, the refurbishment of production facilities with the new equipment, which had started in the 1960's, continued. Significant progress in quality and labour productivity resulted from introducing new sewing lines from the Japanese company, Juki. This was a first sign of inward internationalization. (Ibid.)

In 1980s, the company internationalized outwards by organizing joint manufacturing of jeans with the Finnish company Beavers and by sub-contracting work for the Swedish company Textec AB.

Sangar was privatized, when on 17 December 1992 the employees of then state-owned stock company Sangar established Sangar STC Ltd. On 1 July 1993, the new joint stock company signed a contract with Estonian Privatization Agency to buy the assets of the factory. (Ibid.)

Difficulties during the transition from a planned economy to a market economy were overcome by the help of sub-contract work. As a result, Sangar established connections with many foreign partners, mostly from Finland and Sweden, with whom the cooperation continues today. The cooperation included exchange of valuable know-how. The necessity to be competitive with various apparel industries in the world caused the exchange of home-produced fabrics' and accessory materials' suppliers for European producers. (Kallas, 2002)

From the end of 1994, the main purposes were to change company's former production-oriented policy to more customer-oriented vision, to find new cooperation partners, while increasing the flexibility of production and exploring the new target market. In the middle of 1997, a sales subsidiary Sangar Kaubandus Ltd. was established in order to promote the sale of the company's own brands. In the spring of 1998, Sangar acquired the clothes factory Walko in Valga, established in 1963, which then became the factory of Sangar in Valga. On 1 July 2001, the number of employees working at Tartu factory of the Sangar Group was 460; at the factory in Valga and at Sangar Kaubandus Ltd. the number of employees was 260 and 31, respectively.

The present internationalization of Sangar is a twofold process. The outward side of the process is, to a great extent, governed by Sangar Kaubandus Ltd. that has established three retail outlets in Latvia and one in Lithuania. At the same time Sangar is still very active as a subcontractor for Nordic and European partners. Therefore, about 62.3 per cent of its net sales in 2001 were related to subcontract-work. On the other hand, these partners provide Sangar with valuable technological know-how and support, thus, creating considerable inward-outward connections. The main performance indicators and target markets of the company are given in table 17.

Table 17. The performance indicators and markets of Sangar 2000–2001

Year	2000	2001
Net profit (EUR)	431 857	269 464
Net sales (EUR)	4 808 227	6 098 986
Export (EUR)(% of net sales)	3 610 978 (75.1)	4 494 953 (73.7)
Own brand sales by countries (% of own brand total)	Estonia 59 Latvia 27 Finland 11 Other countries 3 Sweden 0.3	Estonia 65 Latvia 31 Finland 4 Sweden 0.00007 Other countries 0
Subcontracting by countries (% of subcontracting total)	Sweden 47 Finland 27 Norway 22 Denmark 4 Estonia 1	Sweden 47 Finland 32 Norway 13 Denmark 6 Estonia 1
Equity (EUR)	1 943 984	2 171 622
Return on Equity (%)	22.22 (end of year)	12.41 (end of year)

Source: Annual Report of Sangar Ltd. 2001, 2002

The exports of Sangar went predominantly to Latvia and to nearest Nordic neighbours Sweden and Finland. This export to Sweden and Finland is mostly related to subcontracting made under the brand name of the company which places the order.

During 2001, the performance of Sangar was somewhat problematic. Despite the growing sales, the company became less profitable and return on equity decreased as well. Due to different visions about the future strategy of Sangar, in August 2002 the the company's Chief Executive Officer (CEO) Jaan Kallas, interviewed in May, unfortunately decided after discussion with the owners to leave the company (Postimees Online – Priit Rajalo 02.08.02).

2.2. The impact of relational choices and intra-firm aspects on Estonian firms' foreign activities

2.2.1. The gradual learning in internationalizing Estonian firms

P1: Estonian companies' could be expected in their foreign activities to export directly or make sales-oriented investments in the nearby markets, while the diversification of their target markets and entry modes is gradual.

In order to test this proposition we will first analyze the pattern of market entry modes characteristic to Estonian companies. That discussion is based on inter-case comparison of eight companies, on statistics at national level, where general trends emerge by looking at the balance of payments accounts concerning exports and investments, and on survey data. After the analysis of entry modes, the target market aspect of gradual approach will be in focus in context of Estonian companies, based again on several different information sources. To conclude the discussion of proposition 1, the aspect of gradual or step-by-step development will be addressed from more a holistic perspective.

The company cases revealed a following picture. Only CVO Group, Hansabank Group, and Mootorreisi Group have transferred their operations directly to foreign markets. These are all service companies.

Manufacturers in the automotive industries (Saint-Gobain Sekurit Estonia) and mechanics (Tarkon) rely on their network relations, thus avoiding investments into marketing units, although the latter has made that kind of investment prior to complete incorporation into the present brand and ownership arrangement.

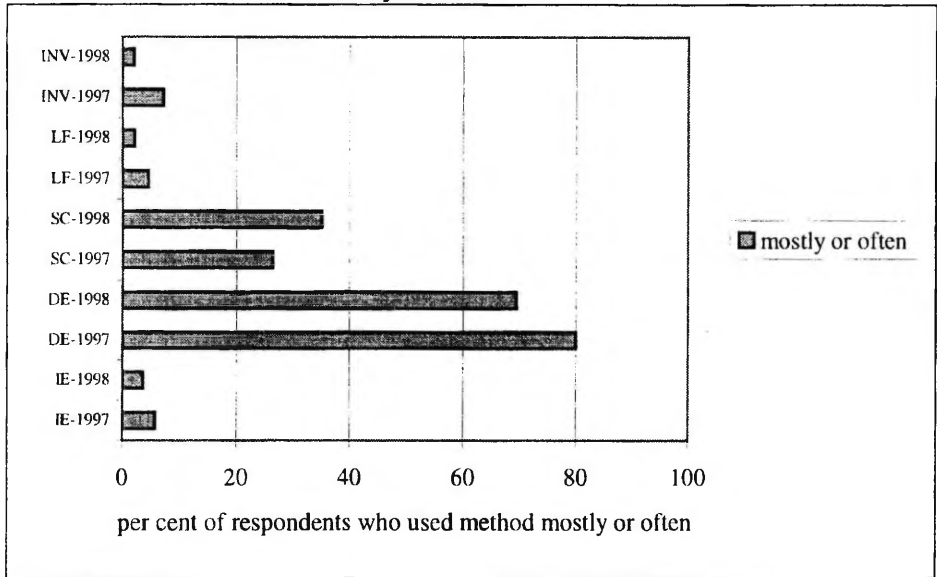
The marketing and sales support to Estonia-based production via wholly-owned foreign affiliates is one of the most characteristic features of the case companies in the clothing and textile industries. The Baltika group has taken the position that it wants to build up its own retail network first in Central and Eastern Europe. Krenholm has established regional sales affiliates in Scandinavia, Germany, and the UK, while a similar unit for Benelux countries is emerging. Also Sangar has started investments into its own retail stores, although not as extensively as Baltika, but these two companies have also a great potential to 'piggyback' on each other's retail outlets. Their future strategies have, thus, much in common.

The analysis on the balance of payments level does not allow us to differentiate between direct and indirect exports, but helps to get obtain a more accurate measure of exports in general. The amount of goods exported in FOB prices was in 2001, about Mil. EUR 3747.7, while outward FDI constituted Mil. EUR 207.2 or 5.5 per cent of the amount of exports (Bank of Estonia – Statistics, 2002). This result proves that the foreign activities of Estonian Companies are mainly related to exporting.

The Survey of Outward FDI allows us also to view some aspects of exporting. The share of exports in sales for these companies was around 64 per cent in 1997, and about 63 per cent in 2000. For retail and wholesale companies the average share of exports in sales is about 18 and 21 percent, subsequently, in 2000, and 1997. Thus, the survey indicates that exporting is predominantly used only by manufacturing companies

In case of exporter surveys made some years earlier the direct exporting was clearly outlined as the dominant foreign market entry mode (see Figure 12). More recent information is available from the survey 'Top Investor 2000'. It reveals that 38 out of 81 respondents used direct exporting, either as the only

entry mode, or in combination with subcontracting or indirect exporting, while outward FDI was mentioned only in seven cases.



INV – investment LF – licensing and franchise SC – subcontracting
 OE – direct exporting KE – indirect exporting

Figure 12 The usage of different entry modes by Estonian enterprises in 1997 and 1998 (Source: The studies 'Top Exporter '97' and 'Top Exporter '98')

The nature of foreign direct investments is best described by responses to the Survey of Outward FDI where companies had to explicitly choose the activity of their foreign affiliate from the list of following options- production functions (production, assembly), sales and marketing, or other to be specified by the respondent. These responses can be grouped. Three main types emerge- production affiliates, sales affiliates of manufacturing firms and (sales) units of service companies. According to this kind of classification, only five respondents out of 70 companies indicated that they had production affiliates abroad. On the other hand, 31 companies stated that they support their marketing of products with sales affiliates in target markets and 25 companies, including banks, had sales of services in foreign countries. These data show that investment in manufacturing industries is often used in order to support the export sales of the products produced in Estonia. For certain kind of services it is only natural that they have to be transferred via investment rather than be exported abroad (examples are classical banking services).

The assumption, that most Estonian companies use direct exporting or investment into foreign sales affiliate, as main entry modes, was supported by the evidence gathered from cases, surveys, and balance of payment accounts. The only addition to be made relates to the fact that ability to use direct exporting, as an entry mode, is for service companies inherently limited, therefore

this proposition is more appropriate in relation to manufacturing companies. This was also revealed by the analysis of case companies' selection of entry modes. Although manufacturers rely mostly on direct exports from Estonia, they use investments in order to build up their own marketing channels abroad.

The closeness of target markets, assumed in proposition, could be tested on the basis of national level statistics concerning export target countries. These figures (see Table 18) indicate that neighboring Finland and Sweden are the main target countries, while Latvia is in the fourth place.

Table 18. The main destination countries of Estonian exports in 1995 and 2002 (per cent from special exports(*põhieksport*))

Country of destination	1995	2002 – half year
1. Finland	23.27	24.99
2. Sweden	11.82	15.11
3. Germany	7.29	9.35
4. Latvia	7.45	7.39
5. United Kingdom	3.30	4.98
6. Denmark	3.29	4.33
7. Netherlands	4.35	3.82
8. Norway	1.90	3.49
9. Lithuania	4.48	3.24
10. Russia	16.35	3.11

Source: Statistical Office of Estonia, 2002

This shows clearly that, at least, in terms of exports the more developed western neighbors are dominating. The exports of Estonian companies has diversified mostly at the expense of Russia which had about 16 per cent share in 1995, but just 3 per cent share in Half 2002 (Statistical Office of Estonia, 2002).

According to the statistical data of the Estonian Central Bank in terms of outward FDI, Lithuania and Latvia have the biggest amounts (see Table 19). At the same time, the Lithuania's share is now over that of Latvia.

Table 19. The share of target countries in outward FDI stock of Estonia 1998 and 2002 (per cent from total OFDI stock)

Target Country	End of March 1998	End of March 2002
1. Lithuania	23.4	44.4
2. Latvia	42.6	35.2
3. Cyprus	22.9	9.8
4. Italy	–	7.9
5. Russia	6.3	1.1
6. Poland	–	1.0
7. Ukraine	1.5	1.0

Source: Bank of Estonia-Statistics, 2002

These figures demonstrate that outward FDI from Estonia is very concentrated in two Baltic countries. This could be explained by the fact that outward foreign investments started later than exporting and thus are also at this stage much less diversified. It is an interesting fact that these two countries are followed by Cyprus and Italy as target countries. Cyprus has a 10 per cent share because Estonian shipping companies register their ships there, and investments to Italy are mostly related to the activities of one Italian businessman in Estonia, therefore these shares are inflated.

Similar tendencies were also confirmed in the surveys of 'Top Exporter '97', 'Top Exporter '98, and 'Survey of Estonian Outward FDI 2001'. The difference is that in the exporter surveys exports to Russia are represented by a 37 and 22 per cent average share, which might be caused by the fact that some exports to Russia are sometimes channeled through other countries to avoid tariffs. The figures of exports to Finland and Sweden are also slightly inflated compared to the statistics, especially for 1998.

In 'Survey of Estonian Outward FDI', the share of exports to the EU was around 25 per cent, to Central and Eastern European Countries, including the Baltic countries, was 36 per cent, and to the CIS countries only around 8 per cent.

Thus, we can conclude that the secondary data is in accordance with the target markets pattern assumed in the proposition. In order to analyze the possible diversification of exports and investments towards more distant target markets, we will turn to the public data of the case companies and to the interview responses.

The internet recruitment company CVO Group has a presence in six countries, namely Latvia, Lithuania, Poland, Hungary, the Czech Republic, and Russia (only automated operations), while investment to Romania was withdrawn. This selection of target markets is likely to be retained in the near future.

The biggest bank in Estonia, Hansabank, has chosen to be a Baltic financial institution, and therefore it has investments only in Latvia and Lithuania. As a medium-term future, it now has plans for entering new target markets and is determined to concentrate on the quality of service in all three markets. During the interview, the chairman of the board was asked about the possibility of entry into Western markets. He responded as follows:

We don't have any competitive advantage there. It is very difficult to operate in foreign markets and you don't have any competitive advantage. The market in these countries is full. There are no empty slots for new entries. There is no good reason to expect that, if we would open our 'shop' in Finland, clients of Nordea or Okopanka would come to us. What reason could these clients have? No! Bank clients do not go from bank to bank they are very stable. (approximate translation (a.t.))

Indrek Neivelt – CEO of Hansabank Group

The International bus service company Mootorreisi Group has investments in Latvia, Lithuania, Russia, and through Russian affiliate in Belarus. The Russian direction was pursued only after Baltic operations. In terms of route network,

the company is now launching its activities in France and in UK. Shortly the company will consider routes to Italy and entry into Scandinavia. Thus, the company's range of the target market is much larger than its range of outward FDI. In this respect the company plans to attain the position as a bus company for Europe. At present its exports to EU countries consist of 64 per cent of company's total exports.

The car windscreen producer Saint-Gobain Sekurit Estonia which has also strong ownership ties with Sweden, because it is owned via a Swedish unit, has a somewhat more diversified export strategy, because in 2001, about 25 per cent of its total exports went to the Netherlands, while Sweden accounted for about 8 per cent. (Annual Report of Saint-Gobain Sekurit Estonia 2001, 2002)

The fine-mechanics company Tarkon exports its products mostly to its foreign owner's home country Sweden (about 96 per cent of total exports). Because of this ownership link, Tarkon is likely to continue to concentrate on a few target markets. It is a case where the majority of market is provided by a foreign owner. On the other hand, this link might also act as a barrier for diversification of the company's exports.

In the clothing and textile industry Baltika, Krenholm, and Sangar are, through subcontracting, involved on a more global scale, although their investment activities are concentrated more on Europe (Krenholm), Central and Eastern Europe (Baltika) or Baltic and CIS countries (Sangar). In general, all three are attempting to improve their market position via their own affiliates in certain countries that are culturally diversified. Krenholm and Baltika are now considering further investment into countries, with a higher psychic distance, like Benelux countries and Ukraine.

Given the trends provided, one can conclude, that the proximity of Estonian companies' main target markets found support on a country level as well as, in the example, of case firms or survey respondents. Although, there is somewhat less evidence about the gradual diversification of markets, there are identifiable changes towards a more diversified export structure, which means relations with more distant counterparts. At the same time, investment activities of Estonian companies are far less developed and still concentrated mainly on neighboring countries, with a noticeable exception of Krenholm.

In order to test the gradual development patterns that emerge during internationalization, managers of the case companies interviewed were explicitly asked to describe their perception of stages in the internationalization process of the firm. This kind of explicit question has naturally certain limitations. For example, the pattern may emerge because it was asked about and not because it is intrinsically recognized as important. On the other hand, a more open-ended question could have created a situation where understanding of the issue would be too diversified for useful inter-case analysis. In order to take these limitations into account the case study information is, in many cases, amended by various survey data and public information about the case companies.

According to the Executive director of the Estonian unit, Margus Ärm, in the case of CV-Online there were no recognizable stages in increasing the foreign market commitment. There was just a goal to expand with a similar business idea throughout Central and Eastern Europe. However, by now the company considers this growth as a bit too fast and has turned its attention more to the quality of service of the existing market rather than opening new ones.

It is rather difficult to describe the stages in a fashion of when one period ends and other starts. The First thing that comes to mind, when I think of a jump into foreign market, is the initial sense of euphoria, followed by the sensation of a hangover, when you realize that your understanding of a target market is very poor. Then you hire locals to remedy the situation and the market presence becomes the routine work where you have to look how to support them functionally. (a.t.)

Indrek Neivelt – CEO of Hansabank Group

Although this quotation is far from describing the stages found in the works of Nordic scholars, it introduces a new cognitive perspective on the issue by indicating that, despite the careful preparations, the gap in knowledge about a target market is sometimes entirely felt only after the establishment of the market presence.

The sequential development in terms of the increase in the number of markets entered is best revealed in the case of the Mootorreisi Group.

The first stage was just a marketing of our product. This stage ended when we came to realize that the specific nature of the field we are in does not allow us to stay in the market only with marketing activities. The second stage was related to securing a regular route traffic from Tallinn through the establishment of a Latvian affiliate and its activation for operations. The third stage was the exploitation of Lithuanian market from 1997 to 2000 and the fourth, last stage, started with entry into the Russian market in 1997 with a full-scale development there in 1999 when regular traffic between Russia and Europe was launched. (a.t.)

Hugo Osula – CEO of Mootorreisi Group

The relational aspect of the internationalization pattern is well highlighted in the following quote:

One of the most important stages is the beginning of marketing activities after the production of some product has started. There is a need for gathering and giving information in order to spot potential customers and tell them that we exist and we produce this and that. The second stage concerns the fact that if information is gathered it has to be turned into practical contacts, which in turn have to be cemented with good personal relations. The credibility of persons that comes with it as well as the strength of contacts that will be created, in both supply and sales aspects, are both very important in international business. The third stage is when, based on mutual trust and continuous information sharing, the business becomes a routine buy and sell operation, where you have to make predictions about customer needs. In some situations it could be followed by disappointments, which has not been the case with our clients. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Eesti AS

The internationalization of the fine-mechanics company Tarkon began at the beginning of 1990s as a subcontracting manufacturer. It has preferred not to make inroads into its own-brand production and therefore has retained the position of component producer up to this day. However, the sophistication of products has increased considerably (Noorem, 2002).

At the beginning of the 1990s, our main foreign activity was re-exporting or re-processing imported materials /.../. It was important at the time for the company's survival and development, and, in a decreasing scale we do that even now. But with own products we started very cautiously, when we created our first foreign unit in 1994 in Lithuania, and from that point forward it has grown steadily, because the first step gave us the courage to continue. Today we have made it a principle in the development of our retailing function that we do it only through our own structural units, thus developing also the organizational side, but in terms of all target markets we don't create products or collections which would have only a market which is limited to only certain countries. (a.t.)

Meelis Milder – CEO of Baltika Group

This description of the internationalization process is more in accordance with theoretical postures by introducing the idea of courage gained in the process for increasing the foreign market commitment.

Krenholm Group and Sangar Group have developed in a similar manner, although by now they both have set, as the priority, the increase of own brand in foreign sales. The difference between Sangar and Baltika lies in the fact that Sangar's approach to increasing its foreign market commitment via creation of its own sales units is much more cautious. In terms of a foreign market presence, the Krenholm Group has a more global position than the other two firms from the textile and clothing industries, because its sales in the US form about 19 per cent of its total sales.

The analysis of interview responses and public data about the company indicates disparity between the managerially perceived pattern and a historically revealed pattern of internationalization. For some companies, like the Hansa-bank Group and Baltika Group, the pattern that can be formed on the bases of public information sources (homepages, annual reports- see section 2.1.4) has relatively more identifiable stages, while managers' responses stress more, behavioural aspects of foreign market entry. Thus, it emerged from discussion that the internationalization pattern of a company can be perceived in various ways. Thus, we should admit that, although there are developmental stages towards more diversified foreign activities, they are not as clearly identifiable as predicted in theory.

In conclusion, proposition 1 found support on the basis of many different information sources, including balance of payment statistics, survey data, and intercase comparison. In general, the internationalization process of Estonian companies could be described as being in a relatively infant state with relatively low resource commitments mostly on geographically and psychically approximate target countries. At the same time, there is no single clearly identifiable

development pattern leading to a higher foreign market commitment, but gradualism is present.

2.2.2. The Estonian companies' choices of relational support

P2: The outward internationalization of Estonian companies is likely to be influenced by their inward foreign connections that are, in several cases, related to ownership (relational choice 3) or subcontracting (relational choice 2) contacts in the framework of networks with target country companies.

The discussion of inward-outward connections of Estonian Companies should start from the short explanation of the most influential inward internationalization process influencing these enterprises. Because the purchase of equipment is in most cases related to a one-time transaction, we would expect regular buyer-supplier relations to be more influential because, in that way the Estonian company is often integrated into the international production network, which offers support also in the outward side of the business. This process is made easier by foreign ownership ties. Inward FDI to Estonia is about three and a half times higher than outward FDI. Thus, the inward investment relationships are relatively common in Estonia.

In order to analyze the impact of inward determinants in a detailed fashion, the author will now turn to the analysis of case companies' inward relations. In two cases, a foreign ownership was considered a useful solution to the financial or credibility problems companies faced during their expansion. When CV-Online started its intensive foreign expansion in 2000, it perceived urgent need for additional financing and a decision was made to expand the equity to involve various domestic and foreign venture capitalists into the process of financing the internationalization. The main managerial change relates to the fact that some managerial positions are now filled by experienced foreigners and investors have also their representatives on the Council. The other similar case of Mootorreisi Group will be discussed after Hansabank.

In the Hansabank case, foreign owners are mainly interested in growth in its companies located in the Baltics, thus turning the Estonian company, to a great extent, into the regional headquarters for the Baltic countries. Although, it should be noted that this strategic investment was made at the key moment, when the Russian crises left the bank in urgent need of additional capital. This investment allowed the bank to proceed with its ongoing expansion in the Baltics that had proved promising already prior to extensive foreign ownership. Therefore, Hansabank Group is, from the owners' point of view, the centre of excellence for the Baltic region. However, this does not mean that corporate control does not exist. It is more an example of polycentric corporate management.

In the Mootorreisi Group case, the first 40 per cent minority ownership was offered to the big German bus company in order to gain access to its home market and later on, in 1997, joint venture agreements were preferred for operations in Russia, while this unit started to function also as indirect investor for further investments into Belarus. Some restrictions on Mootorreisi foreign activities have also been created by its belonging to the Eurolines group, although it has helped to gain some credibility as well.

As mentioned earlier, two of the eight case companies Saint-Gobain Sekurit Estonia and Tarkon have a relatively deeper involvement in international intra-corporate network than other companies. The manager of Saint-Gobain Sekurit Estonia pointed out that the Estonian unit is, in many ways, subordinated to Saint-Gobain Sekurit's corporate and regional headquarters.

Saint-Gobain is probably one of the few big global concerns which have remained faithful to the matrix organizations. It means that the management is both territorial and functional /.../ The territorial headquarter for Nordic countries and Baltic states is located in Sweden and functional management takes place in Paris /.../ So we, as well as our first-hand owners in Sweden, have to follow these routines. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Estonia

Of the 96 per cent of exports going to Sweden, Tarkon sells about 60 per cent through its foreign owner, who provides Tarkon with subcontracting work for Swedish telecommunication and fine-mechanics companies. This kind of relationship has a virtue in that the company has very strong and interested representatives in its main target market, but at the same time it might bring the company into intolerable risk if the owner company, or its home market, faces serious difficulties, although Tarkon's General Director stated, when asked about the possibility:

If a partner goes into deep recession, then he takes you with him. He can fire you and leave you alone with your troubles. Then it is very difficult to find a new sector, because they already have their own contractors and besides, it takes years to move to a different sector, because our work is streamlined with telecommunications and it might prove to be ineffective for other uses /.../ Therefore, it is very important not to jump quickly into new sectors, because that might prove to bring even greater losses than remaining with your present activities. (a.t.)

Toomas Noorem – General Director of Tarkon Ltd.

Clothing and textile companies, with exception of Krenholm, are mostly domestically owned which makes them more subjects for constraints, determined by their own supply networks than for ownership constraints. In this respect, Krenholm and Baltika have, to the some extent, pursued the road of gaining higher independence by replacing production outsourcing extensively with in-house production capacities.

In the Survey of Outward FDI, 45 companies out of 70 were so called indirect investors or investors who are themselves at least partially in foreign ownership. Although these firms reported a higher impact of outward FDI on

additional market shares abroad and on employment in parent than direct investors, the differences were often marginal and statistically not significant. As the main effect of outward FDI for indirect investors, the improved customer feedback and financial performance are mentioned by 25 and 27 companies in that division. The improved customer feedback might be related to the fact that indirect investors put greater stress on customer relations management or alternatively feel that a local presence is needed to handle the culturally different customers adequately. At the same time indirect investors are also slightly more optimistic about the expansion plans in two years and five years time than their direct or domestically owned counterparts. The motivational ground of outward investments, made by these two investor groups is very similar. Market related motives dominate on both counts.

Given the ownership and outsourcing ties, we can say, that the establishment of Estonian companies' foreign market position in its outward aspect does depend on their inward international connections. Now we proceed to the discussion of the general character of these inward connections. The eight case companies could be approached in the following manner:

- 1) Tarkon, Saint-Gobain Sekurit Estonia – deeply involved in corporate network
- 2) Krenholm, Hansabank – networked intra-corporately but with extensive autonomies
- 3) Mootorreisi, CV-Online, Baltika – own corporate networks with strong managerial position and some foreign ownership ties
- 4) Sangar – involved mainly in relational networks based on long term mutual benefits

These categories are somewhat provisional but, nevertheless, indicate the networked nature of internationalizing Estonian companies, while the relational aspects seem to be somewhat more complex than initially proposed.

According to the Survey of Outward FDI about 64 per cent of investors, who responded, had received some investment from abroad. When at the beginning of 1990s, the foreign investments to Estonia were dominated by small-scale investment by private persons from neighboring countries. Then from 1997, the bigger regional or even multinational concerns have shown their interest in investing into Estonian companies. This process has rendered the Estonian economy more networked on an international level, be it in banking, retail sales, accounting services or in the media.

In order to analyze the impact of these inward relationships on outward internationalization of companies we have to discuss the issue of inter-company transfers. For that purpose the managers of case companies were explicitly asked to describe the role of foreign partners and owners in providing case company with information, personnel, technology and new market opportunities.

CVO Group has embraced partnership benefits in terms of improved managerial structure and involvement of foreign personnel in corporate mana-

gement. These managers have received their experience and schooling in human resource management in the UK or in other developed markets. The venture capitalists have helped CVO group to gain access to Central European markets by utilizing their funds as well as knowledge of this target region. The support received from owners and partners is to some extent returned via providing them with technological assistance in their other lines of business (Ärm, 2002).

As shown in previous discussion, Hansabank Group is relatively independent of its foreign owner. Therefore, the main aspects of ownership support are related to improvements in the field of internal audit and control mechanisms. In the Baltic market the Swedish ownership has a somewhat better image than the stressing of the firm's Estonian origin. In this way strategic ownership helps to facilitate the bank's foreign market entry procedure. It has also improved the bank's credibility in raising additional funds from the European money markets (Neivelt, 2002).

The bus company Mootorrei Group gets, from its minority owner support, improved image and credibility, occasionally during the peak seasons also owner's personnel, in booking and dispatch services, is utilized. In terms of financing there have been cases when Deutsche Touring's cash flow has been utilized, but in general, the financial management is handled by Estonian owners with Estonian banks. The company's route logistics network and booking system are also handled independently by headquarters in Estonia. Although on the management level, the contacts with the German minority owner are not very intensive, the information exchange, on the operational level, is taking place almost on a daily basis. These contacts are especially important in operating the bus connections between Russia, Belarus and Germany. It could be argued that in terms of providing access to the German market the minority ownership in the company has a very important role (Osula, 2002)

Saint-Gobain Sekurit Estonia, which is an integral part of the big concern, gets most of its technological support along with training on the developer's factory floor within the corporate structure. In addition to this kind of technological learning there are also regular briefings about technological matters. In addition to internal support, Saint-Gobain includes training in contracts with outside suppliers of equipment and other technologies (Kasak, 2002).

In the case of Tarkon the support of its foreign co-owner is felt the most. The foreign owner provides Tarkon with a contact for making subcontracting work for Swedish telecommunications and has also helped to transfer up-to-date technology as well as supported the reorganization of production financially. The aspect of the foreign owner supporting Tarkon's foreign market entry was already discussed in an earlier discussion with a notion, that it might make Tarkon even too concentrated on a few target markets. In respect of personnel there is a mutual learning process going on, mainly in the form of short training visits to Sweden or tutoring visits to Estonia (Noorem, 2002).

To conclude the discussion about transfer effects, the cases of three companies in clothing and textile industries have to be analyzed. In the case of the Baltika Group, there is now considerable ownership support and the learning procedures related to outside partners are mostly of a contractual nature or, in other words, certain knowledge is to a great extent purchased. In its foreign affiliates, Baltika utilizes local personnel thus creating an additional source for intra-corporate learning by frequent visits and short training programmes. Information about the performance of a company's retail outlets is entered at locations into online database which provides information for management decisions. This information transfer is enhanced by system of weekly sales reports. In addition, the company uses shop-in-shop retail solutions, which are made in cooperation with department stores. In that respect some of its retail partners definitely foster Baltika's market entry processes (Milder, 2002).

In the case of textile and clothing manufacturer Krenholm, the partnership relations have considerably helped to protect the company's sales in the situation where certain liberalizations in the textile trade have considerably eroded its price competitiveness. In order to retain the key accounts, Krenholm's managers make regular visits to partners in order to clarify their expectations about Krenholm's future development, their needs and also discuss possible difficulties.

Some partners, like Wal-Mart in the US, pose also very strict requirements on Krenholm's production system, but, in terms of new technologies, the company is relatively self-sufficient and develops them in-house. Outside the sales and supply chain, the company places great value on contacts with the International Financial Corporation who funded the company's recent investment into the sewing factory. In addition to financial support, the IFC has many experts in the field of textile industries and can offer consultations to its creditors from that sector. Krenholm's Swedish owner assists the Estonian affiliate mostly in the matters of financial management as it is a stock company, while Krenholm is its biggest production site within the international network. The management of Krenholm values the possibility to discuss developments with representatives of its owner, who have longer experience in the field of textiles. At certain times equipment has also been provided by the owner (Virkebau, 2002).

Sangar Group has a defined approach to knowledge transfer and learning.

We obtain the information about new solutions usually through the production orders of our foreign partners. It is our wisdom and skill to find the ways to capture and utilize this kind of information. For that purpose we use the internal chain of procedures, we have named 'treasury of wisdom', during which we make a record of all new incoming models and materials and, if possible, also of target countries and target clients. We, as subcontractors, produce very fashionable and complex clothing articles, which helps us 'to learn by doing', and we can utilize the gained knowledge later on in our own product lines. (a.t.)

Jaan Kallas – former CEO of Sangar Group

The technology transfer from foreign partners, who place orders, is in Sangar so intensive that about two-thirds of the technological changes are related to assistance received from these partners. At the same time there is no very intensive exchange of human resources. It is mostly limited to short term consultations (Kallas, 2002).

The analysis of these responses revealed considerable transfer effects that are in line with the extent of network embeddedness of case companies, being more considerable in companies, which have very intensive relations with their foreign owners or key partners. In all eight cases the considerable influence of knowledge, technology and/or credibility transfers were shown to be important in facilitating case companies' outward internationalization process.

In conclusion, the detailed analysis of inward-outward connections in Estonian companies' internationalization process offered considerable support for proposition 2. First, it was shown that the inward linkages have a considerable role in outward foreign expansion. These inward connections range from being an integral part of multinational concern to minority foreign ownerships and non-ownership relational networks. The connection-related transfers of knowledge, technology, credibility etc. are more considerable in companies which are more embedded in international networks.

P3: Estonian companies tend to employ target country personnel to their foreign subsidiaries (relational choice 2), while initiating the transfer of firm specific knowledge by regular visits and information exchange.

Although some aspects of this proposition have been discussed in previous arguments, a closer look will be taken at recruitment policies of Estonian companies in their foreign affiliates. The following discussion is again based on the interview responses of case companies' top managers. On this occasion two companies, namely Tarkon Ltd. and Saint-Gobain Sekurit Estonia are omitted from the list, because the first does not have large foreign affiliates and the latter did not describe them during interview. At the same time it is likely that Saint-Gobain Sekurit Estonia uses HRM concepts similar to other Estonian companies. The company has affiliates in Russia and Lithuania that were established before company was fully incorporated into the Saint-Gobain Group.

CV-Online Group utilizes on target market locals, while at general management level there is an international management team. An interesting point about this initially small IT-based recruitment company has been the adjustment of its Estonian employees, who had a very strong identity as family group, to a more open communication with its foreign counterparts and to the mutual learning procedures. The company had to increase its willingness to actively transfer the knowledge to, and in some cases, from target markets. (Ärm, 2002) Sometimes changes to larger but less cohesive groups are difficult

and create some tension. Nevertheless, the company has managed to build up open communication with its foreign affiliates.

Hansabank Group usually utilizes the strategy where management in Latvian and Lithuanian affiliates is predominantly local but the CEOs of affiliates in the three Baltic Countries are, at the same time, board members of the entire group. This helps to keep these managers updated with information concerning strategic decisions about the general trends in corporate development. In addition, short visits to acquired companies have been utilized in order to facilitate their integration into one business group with a shared image and value systems. According to the Chairman of the Board the learning process is also reciprocal because ideas of technologies transferred to other Baltic Countries are often implemented in an improved fashion, which gives new knowledge to people in Estonia (Neivelt, 2002). Transfer effects in general are still mostly from headquarters in Tallinn to other established or merged foreign units.

The bus company Mootorreisi Group uses, in its Baltic and Russian affiliates, local personnel. The chairman and one of the major owners of the company commented:

We prefer to use local employees. Our task is to train them and load them with our experience, attitude, and visions. But that is not to say that we do not communicate with them later, this communication takes place often on a daily bases, very intensively. (a.t.)

Hugo Osula – CEO of Mootorreisi Group

In the case of the Russian affiliate company, Estonian management utilizes it as a gateway to the Belarus market, because the cultural ties between these two target markets are very close. The training in the Estonian headquarters is rather the exception than a rule. It is mostly offered locally.

When we turn our attention to the clothing and textile industry subset, we can see that the Baltika Group has a tendency to use local personnel in its retail outlets all over Central and Eastern Europe. During the market entry process, the company tries to benefit from the know-how of people who possess prior knowledge of the target market, but then it prefers to build up its own organization in order to transfer its visions and value systems to the foreign markets as well. Intra-corporate training programmes can involve sending experts to visit foreign units or inviting people to the company's main production site (Milder, 2002).

We spot also one company, namely Krenholm Group, which has preferred to use Estonian expatriates as managers in German affiliates and in the UK affiliate. Although it seems that this is not a very strict rule, because in other units, the involvement of local personnel is more prominent (Although in case of Scandinavian affiliate one must keep in mind that the company has a Swedish owner). In its recruitment policy the company usually looks for suitable candidates domestically as well as internationally. Krenholm's foreign units are regional sales offices, which have to combine the knowledge of

Krenholm's production possibilities with target market demands. In the US, the company prefers to sign sales contracts instead of a creation of affiliate.

Sangar Group cooperates in its foreign activities very closely with Baltika Group by selling its products partially through Baltika's foreign outlets. In general, it also prefers to import specific market knowledge via utilizing the target market employees and partners.

In conclusion, it was found that in the majority of case companies, with the exception of Krenholm, used polycentric recruitment policies, although, at the same time, the transfer of unitary corporate vision was considered to be of great importance. There was a clear indication of the presence of extensive training programmes within the case companies in order to facilitate these integrative processes. Thus, with caution, we can say that proposition 3 found support.

2.2.3. The strengths of Estonian companies in a relational context

P4: Estonian companies are likely to function for their Western partners-owners as psychic gateways to other post-Soviet economies, because they possess intra-organizational advantages over companies from these economies, which in turn have location advantages over Estonia.

We start the discussion of this proposition, which should explain the strategic position of Estonian companies in international networks, from an analysis of the competitive advantages and weaknesses compared to companies from other post-Soviet economies.

The very liberal economic policy in Estonia, during the 1990s, included also the privatization process and advancements in telecommunications and business infrastructure. In general, these developments have helped Estonian companies to establish contacts with foreign firms. We have shown that these contacts have been related to considerable transfers of knowledge, business culture, and technologies, which have resulted in a more modern business structures that have the ability to successfully interact with their counterparts in Western economies. Many case companies pointed out advantages in the corporate tax system, the superior knowledge or workforce for their core business, cost and logistic advantages over Western competitors, as strengths of location (Ärm, 2002; Neivelt, 2002; Osula, 2002; Kasak, 2002; Noorem, 2002; Milder, 2002; Virkebau, 2002; Kallas, 2002).

The cost advantage is not applicable in other Eastern countries like Russia, Latvia and Lithuania. Because their average wage levels and also labour costs in general are somewhat lower than in Estonia (Average gross monthly wages in first quarter of 2002 were in Estonia: 365.64 EUR; in Latvia: 255.01 EUR; and in Lithuania: 276.16 EUR – Estonian Statistics..., 2002). The economic policies

chosen by these countries have been much more conservative and protectionist compared to Estonia. The pace of economic restructuring has been somewhat quicker in Estonia because these preferences in policy have influenced the business sector development. It has given Estonian companies certain advantages over other Baltic firms especially in the service sector. This is revealed by Estonian companies' ability to make a successful entry into other Baltic markets in combination with an extensive transfer of knowledge gathered on the domestic market. Part of this intra-organizational advantage might relate to the fact that Estonian case companies were mostly, except for CVO group, created or privatized during the first half of the 1990s. Therefore, they have learned how to handle foreign markets via utilization of the incoming transfers. The historic roots of this ability to adapt derive from close contacts with Finland during the Soviet era. Thus, geographical proximity to Western cultures has allowed case companies to utilize that experience when conditions encouraged market relations. Indeed, Scandinavian support has been important in the case of six out of eight case companies. Krenholm, Tarkon, Hansabank, and Saint-Gobain Sekurit Estonia have Swedish owners, while Sangar and Baltika are in a close partnership with Scandinavian companies.

Eastern European neighbors of Estonia have certain location advantages in two respects. The market size of the surrounding Eastern countries is much bigger than that of Estonia and due to the lower cost levels and less competitive environment the growth expectations are more promising. The numbers of the population and GDP for selected Central and Eastern European countries are given in table 20.

Table 20. The market size approximation by the number of population and GDP for selected CEECs

Country	Population (millions of people – 2000)	GDP (billions of US\$ – 2000)
Estonia	1.4	5.0
Latvia	2.4	7.2
Lithuania	3.7	11.2
Hungary	10	45.6
Poland	38.7	162.2
Czech Republic	10.3	50.8
Russian Federation	145.5	251.1
Ukraine	49.5	35.3

Source: Homepage of World Bank Group, 2002

According to Indrek Neiveit if today the home market is for Hansabank the biggest market, then in five years Lithuanian activities via Hansa-LTB should contribute the biggest share in corporate income and profits (Neiveit, 2002). In addition to Hansabank also Baltika's new strategy points to being rather Baltic or even Eastern European company than just an Estonian company.

Similar growth orientation is also characteristic in the CVO group and Sangar. Mootorreisi Group and Krenholm have slightly more balanced attitudes towards Western and Eastern markets, although affiliates of Mootorreisi Group are mostly located in the Baltic region and Russia. Tarkon and Saint-Gobain Sekurit Estonia are more related to their Western corporate headquarters, although the latter controls its affiliates in Russia and Lithuania.

The evidence in support of proposed structure of advantages is, to the some extent more anecdotal than for earlier statements. However, the revealed behaviour indicates some advantages, at least in business and financial services, in comparison to the business sectors of other Baltic Countries. Location advantage of target markets in terms of market size was pointed out in several responses (Neivelt, 2002; Osula, 2002).

The more particular role of Estonian companies as psychic gateways could again be analyzed at two different levels. The Study of Outward FDI in 2001 revealed the great importance of indirect investments mostly to other Baltic Countries but also to Russia. This could be interpreted as an indication that for some reason investors tend to continue their expansion in Baltics via their Estonian affiliates, which were established at a somewhat earlier date. At the same time, Estonian managers are often handed also the obligation to monitor and control these investments. This strategic position was, during the case study process, best revealed in a case of Hansabank and also Saint-Gobain Sekurit Estonia. Both of these companies' have been assigned the role of regional mandate, for the Baltic region and, in Saint-Gobain's case, for North-Western Russia. In the case of Hansabank its strategic owner did not have extensive internationalization experience and thus opted for a similar polycentric control as do most Estonian companies in controlling their foreign affiliates. In the case of Saint-Gobain Sekurit Estonia, the role in Russia and Lithuania was already assumed prior to complete takeover by Saint-Gobain Group, but the company has managed to retain its position as regional coordinator (Kasak, 2002).

In the case of Sangar Group the initiatives to help its foreign partners to enter the Estonian or other Baltic markets were revealed. Other companies in the sample of case companies, had more self-sufficient ownership structures (Mootorreisi Group, Baltika Group, CVO Group) or had business mainly with Western economies (Tarkon Ltd. and Krenholm Group). In these situations it is impossible to determine their role as mediators between East and West, although in the case of the CVO group one could still argue that it helps US and Western European investors to gain access to Central and Eastern European markets, despite being minority investors. A similar statement could be made about the bus connection, which Mootorreisi group helps to build up between its German minority owner's home market and the Russian bus transport market. Nevertheless, the mediator position in these two cases is of secondary importance compared to Hansabank Group and Saint-Gobain Sekurit Estonia.

As mentioned, Krenholm Group has plans to potentially regain its position in the Russian market on a precondition that Russia first joins the World Trade

Organization. If these plans realize then Krenholm will also assume the position of mediating its Swedish owner's interest in the Russian textile and clothing market.

Why have companies like Hansabank and Saint-Gobain Sekurit Estonia (former Elvex) got such strong managerial credentials for controlling other affiliates in the region? Part of answer lies once again in their historic corporate activities prior to acquisitions made by the present foreign owners. By 1998, Hansabank Group had already established a strong presence in the Latvian market and started its activities in Lithuania. Similarly Elvex, then partially owned by a Swedish affiliate of Saint-Gobain Sekurit, initiated investments in the Saint Petersburg region and Lithuania before it completely merged with Saint-Gobain concern in 1995. Thus, these two companies have managed to retain a great amount of their former strategic autonomy than to have it assigned by new owners. In a sense, foreign owners have, in this case, opted for buying in already accumulated expertise rather than gradually developing it in-house.

In the case of clothing companies, like Baltika and Sangar, the possible reasons for being a gateway to a market might be related to an interest for bundled sale of large scale of related products, for example suits, shirts, ties, shoes etc. The importance of this concept has been revealed by the cooperation of these two companies on nearby target markets.

Although, only two case companies clearly exhibited the behaviour stated in proposition, some other companies had also assumed that role in a more secondary manner or have the potential for assuming this kind of status in the future. Nevertheless, we must say with a caution that proposition 4 found only partial support because the strategic positions of companies are much more diversified. Some of them form independent corporate units (Mootorreisi Group), while others have outward relations predominantly by the foreign owner's home market (Tarkon). Therefore, the position described in the proposition does exist, and it found support on the basis of survey data, while it is not dominant among the case companies. At the same time, the advantages and disadvantages described in the second part of the proposition are of characteristic to more independent companies, like the Mootorreisi Group.

P5: The competitiveness of Estonian companies abroad is based on inimitable dynamic capabilities (ability to be adaptive) and on their customer orientation, rather than on intra-firm material resources or breakthrough innovations.

In order to analyze the competitiveness of the case companies, two issues were addressed during interviews. First, managers were asked to describe what they consider to be the competitive strengths of their company, and thereafter to spot the fields which should, in the future, be further developed. However, in addition to these explicit questions a lot of information about the companies was provided by answers to the follow-up questions posed outside the domain of the prepared interview guide.

The human resource management company, CVO Group, considers their unique strength to lie in unique products and solutions offered, which should also allow for reasonable profit margins. However, the company has come to realize that margins are and will remain higher in traditional services rather than in internet-based online service. Thus, the company has adopted a more conservative style where the range of traditional services will gradually increase. The company's flexibility is indicated by the fact that the share of online services in target countries goes along with a general internet penetration of these markets rather than is imposed by corporate management. Managerial flexibility is also identifiable in a change from very extensive growth strategies to more value-adding strategies in terms of quality and value of services offered. Although, the main competitive strength of the company lies in its unique services our flexibility plays an important role in its customer handling.

For the Hansabank Group one of the biggest strengths is the human potential gathered into the company along with the diversified possibilities for clients to access the bank's services. In geographical terms the bank needs to concentrate its efforts on improving the services in Lithuania while, functionally, further inroads into pension insurance services have to be made. (Neivelt, 2002) In addition to these strengths and needs for development, the company's managerial abilities are revealed by the market entry process into Lithuania.

When first Hansabank entered that market via Greenfield Investment by establishing Hansabanka, it quickly came to realize that growth prospects of the wholly-owned unit will not live up to expectations and changed the entry strategy towards the acquisition mode already used earlier in Latvia. With the privatization of LTB and its merger with Hansabanka, corporate management was able to considerably improve the bank's position and growth perspectives in that market.

Mootorreisi Group has built its strengths on a choice of European partners and on a good timing of the expansion into other Baltic markets. In order to retain and improve its competitive position Mootorreisi Group will extend its network to Scandinavia and continue the improvement of bus connections between Europe and Russia. (Osula, 2002) These notions indicate that a regional presence, along with the scale of route network, is the main competitive argument in business. At the same time, managerial adaptiveness of the Mootorreisi Group is revealed by its choice of entry methods in Russia and Byelorussia and by embracing of the alliance capitalism by engagements in partnerships.

The manager of Saint-Gobain Sekurit Estonia had an opinion that the main competitive weapon of the company is the quality of products along with a quality of supporting services to the customers and flexibility in terms of being able to respond quickly to changing needs. In order to achieve that the company utilizes small patch production. The gap, that needs to be closed in the future, was identified in the relative narrowness of the company's product range. The

scale of products has to be expanded in order to offer a complex service, extensively needed by clients (Kasak, 2002).

This description shows that dynamic capabilities have most definitely a considerable role in the companies business. However, due to industry specific aspects the flexibility in terms of product range, seems to be an integral part of the company's general ability to be adaptive.

In the case of Tarkon Ltd. the Chairman pointed out the long experience of employees and company in the field of fine-mechanics along with a wide range of technological procedures, available at one production site as their main competitive strengths. At the same time, the lack of employees' ability and willingness to actively participate in teamwork and to embrace the changes was highlighted as the weakness. (Noorem, 2002) The company's ability to do several value-adding procedures at one location has proved valuable to its partners because of logistic benefits. The gap in readiness for close cooperation seems to be more serious problem at the middle rank manager's and technical expert's level than at the level of corporate management. Anyhow, in case of Tarkon the evidence for a company as a whole, points rather against the proposed nature of competitiveness, although management has clearly identified the gaps on the way to greater managerial adaptiveness.

When we turn our attention to the clothing and textile firms, then Baltika Group intends to improve its position by full incorporation of clothing retail into its organization in order to capture the value-added related to retail margins. This change from production to a more elaborate value chain has brought about additional complications in fine-tuning the stock and supply management. (Milder, 2002) Along with the ambition to become one of the leading clothing retail companies in the region, Baltika Group wants to adapt its product and brand strategies towards further customer orientation by offering made to measure products and diversifying its brands.

Krenholm Group considers its competitiveness to be based on ability to invest into the production expansion and reorganization as well as on its sales organization abroad, on IT solutions developed, in its training programs, on its level of accounting, and on its management in general. Its goals for development relate mostly to the new target markets in Benelux and Russia. In addition to that, probably one of the greatest strengths of the company is an ability to communicate with its partners.

Lets take for example the expansion of NAFTA to Carribean countries. Up to January 2001 these countries had to pay 10 per cent duties. After the expansion their cost were accordingly 10 per cent lower, with the result that our orders to the biggest US buyer fell around 40 per cent, which is a big amount for us. We had to review our costs and prices very quickly. I visited this buyer's management during last winter and spring several times and we managed to get that market back, though it was very nervous time for us. So the most important thing is still personal communication. (a.t.)

Meelis Virkebau – CEO of Krenholm Group

This quotation gives a clear indication of the ability to find a compromise even in very delicate situations. This kind of interaction is also done on an annual basis in order to retain customers' satisfaction.

The other clothing company Sangar pointed out its geographical location, including flexible reactions, its ability to offer a chain of complex services, its effectiveness and quality, and its experiential know-how as the company's main strengths. In order to increase its flexibility according to customer needs Sangar plans to make further inroads into personal sewing and 'made to measure' products (Kallas, 2002). In order to go along with these trends the company has been replacing its mass production system with flexible machine cells that cumulate in a flexible production system, which allows the company to be very flexible to changing needs.

The analysis, so far, shows that in many cases (CVO Group, Saint-Gobain Sekurit Estonia, Baltika Group, and Sangar Group) changes in product or service offerings were essential elements of the companies' strategic development in order to retain competitive edge. Thus, the answers to the explicit questions about competitiveness do not allow us to conclude that advantages lie more in marketing-related learning than in product or service development. It would probably be more appropriate to say that product and/or service developments in the case companies are mostly market-driven. It implies that development efforts are more oriented towards adoption to existing customer needs, than towards creating products that are surprisingly new. In that sense product and service development is likely to be subordinated to the customer relations aspect in the companies' operations. The opposite to this situation would be, for example, high-tech company concentrating on so called 'break-through innovation' for which market demand has yet to emerge or has to be created.

Indeed, all case companies are, to a great extent, customer oriented in their effort to improve the product or service offered according to evolving needs. This aspect was also addressed because managers were asked to explain the role of consumers in the foreign activities of the company.

For CV-Online, one of most important aspects in terms of target market clients is their habit to use or not to use internet services. In countries where internet penetration is relatively low, the company has to rely more on traditional services in order to build up its presence and expand in these markets (Ärm, 2002).

Hansabank Group has taken the initiative to lead the customers by offering them new services and solutions, and is, therefore, itself somewhat less customer led. Although, the introduction of more sophisticated services requires certain development level of clients on particular target market. The role of competitors, on the other hand, is very similar to that identified in the previous section. (Neivelt, 2002)

The customer relations of the bus company Mootorreisi Group are, to a great extent, led by idea that its service should not be targeted on any special segment

but rather should have general appeal on openness to all possible customer groups. (Osula, 2002)

In the case of Saint-Gobain Sekurit Estonia the focus on consumer needs has already been stressed. In his additional comments concerning the role of employees, owners and competitors in the company's foreign activities, the manager, Andi Kasak, stressed the importance of qualified employees in reassuring the company's credibility in the eyes of customers and viewed competitors as motivators for continuing efforts in following the customers needs (Kasak, 2002).

In Tarkon Ltd. the needs of customers are often represented via a company's foreign owner, which occasionally leads to a situation where certain orders put the company under additional pressure because its production system is not best suited for these kinds of orders. (Noorem, 2002) In this case the customer interest are not always perceived as intrinsically important, but rather taken as an obligation.

The management of Baltika Group considers customers to be most important, but its relations with different customer groups are more a dialogue than mere following of customer needs. This means that company's designers try to predict what consumers would like and then seasonal collections are formed, from which clients can choose products they like and reject the ones they do not like. (Milder, 2002).

The role of customers and partners in Krenholm is highlighted by the fact that the company has to do constant lobbying, in order to avoid the shift of key accounts to Middle East producers, accompanied by subsequent improvements in products quality and reductions in prices.

In Sangar, the customers have an important role because their orders create the bases for long lasting partnerships (Kallas, 2002).

To conclude, the author must say that proposition 5 found, to a great extent, support. The advantages were somewhat more product-oriented and less based on organizational adaptiveness than expected, but the product and service developments in these companies are usually market-driven and not solely based on new and very innovative product ideas. The dynamic capabilities are at best demonstrated in the case of Krenholm. Nevertheless, the other companies possess at least some ability to adapt themselves in a changing environment. This is especially true when we consider their development in the past. The customer orientation was the main competitive aspect in almost all case companies.

2.2.4. The impact of intra-firm characteristics and environmental aspects on Estonian companies' internationalization

P6: The key resource for success in the internationalization process of Estonian companies is their human potential.

In some case companies, like Hansabank Group, the importance of human resource potential in their competitiveness and internationalization success has been identified in previous sections. The role of employees in the CVO Group has gone through some very important changes, part of which we reviewed earlier, the initial family feeling of small company employees has had to be transformed into more open and international knowledge sharing with employees of several different nationalities, starting from corporate management to foreign affiliates. (Ärm, 2002) That is, however, not to say that the role of human potential in the company has decreased. It has been elaborated to the international setting where, alongside with personal relations, knowledge sharing is gaining ground.

In the Mootorreisi Group great importance is assigned on company's workers at all levels. The managerial staff is motivated by issues of stock options and other long-term benefits, while cohesive culture is cultivated among other employees in order to create corporate synergies and joint feeling of responsibility across the national borders. The joint field trips and regular information exchange are utilized in order to achieve that purpose. This synergy and cohesiveness become extremely valuable in situations of crises or if there is a need to solve problems, because then it is very important that employees make their decisions in accordance with company's interests. (Osula, 2002)

In Saint-Gobain Sekurit the role of company's workers is viewed as having paramount importance:

The attitude and image that is created by company's employees is one of the most important carriers of trust for our clients. We pay great attention to the training of people in that area: we have quality seminars, where the importance of customer orientation is also stressed and where the corporate culture is channeled into certain directions. And when workers realize how important are terms like quality, deadlines, credibility and loyalty to customers (and our workers have done so) then inevitably it helps to build strong customer relations. Because in reality employees are the ones who can either help the customer in solving certain problems or they do not. So, the role of employees is extremely important. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Estonia

It has also been shown that in Tarkon Ltd. the cooperative abilities of employees have been perceived as limitations rather than advantages in international business relations. Thus, at least partially, this case company offers evidence against this proposition. At the same time the technical qualifications of these employees are very valuable to a foreign owner and partners, despite

the difficulties of motivating these experts to more open communication in the teamwork setting.

In Baltika, employees' abilities form the second most important aspect after customer orientation:

Employees are a very important interest group for us, because we have decided to grow only through our own organizations. For us it seems to be the only way to get our message across to the consumer and to secure the quality of service exactly as we think is right. On the other hand it is also a very good channel for getting from markets some feedback. (a.t.)

Meelis Milder – CEO of Baltika Group

In the textile company Krenholm it took some time before the employees realized that even with the Swedish owner the changes would need the efforts of all parties including workers, and even then they would not happen overnight (Virkebau, 2002). By now, the Krenholm's management and factory workers have found mutual understanding and so the human resource is not a limitation any more. On the other hand, its importance to the company's competitive advantage is mostly reflected via labour cost levels and not in terms of human capital. Therefore, in the case of the Krenholm Group there is more evidence against the proposition than in support of the proposition.

Because Sangar Group intends to use more personalized customer services in the future and its learning procedures rely heavily on peoples learning abilities as well, the human potential has, in this company, central importance. Part of its competitive strategy is to have the best sewers available in the year 2004 (Kallas, 2002). Personnel have a key role also in monitoring the customer database and selecting which accounts should be dropped and which utilized more intensively. The role of workers, in rendering Sangar Group competitive in global markets, has also the aspect of low labour costs although corporate management tries to build on future strategies (flexible production of made to measure products) which will help to untie its competitiveness from the labour cost aspect.

In several cases, the company's human potential was pointed out as a key factor in the companies' internationalization success. Therefore, in general, the results of case study analysis provide support for the proposition 6. At the same time some serious limitations have to be accounted for. For example, in cases of Tarkon and Krenholm the behavioural aspects of human resources were identified as problematic in foreign market expansion. Thus, in bigger and older manufacturing companies, the change in culture seems to be much slower, than in small service companies or in newly established companies.

P7: The competitive advantage of internationalizing Estonian companies is determined by the synergies of their resources or capabilities with the developments in their regional networks (relational choices 2 and 3 include network ties) and competitive environment (market and industry aspects).

In order to analyze the match between company characteristics and developments in network(s) to which a particular company belongs, we have to look on the manager's responses about the network impacts on the companies' success.

The renewal of the CVO Group's international strategy towards slower but more careful expansion of activities has likewise strong elements of networking with its owners from venture capital companies. These companies have, in addition to funds, provided CV-Online with long-term expertise in the field of traditional human resource management services. (Ärm, 2002) In that respect the future competitive advantage of the company intends to combine unique solutions with more traditional services.

The Hansabank Group case is interesting in this respect that in 1998 the bank's management realized that its biggest competitor would inevitably be taken over by a Swedish bank, which would give the company certain advantages. In order to avoid these changes in competitive environment, the decision was taken to allow strategic partners to join Hansabank as majority owners. Although the human potential, as one of the company's main competitive strengths, existed already prior to that step, foreign owners have improved the bank's credit ratings, increased its credibility and subsequently allowed for improved access to funds. In addition, the Swedish image is in the target market somewhat preferable to Estonian. (Neivelt, 2002) Therefore, at present its competitive advantage builds on long-term domestic experience in combination with additional signals of credibility gained through foreign ownership.

In international bus transport the network relationships is one of the most important sources for competitiveness. In the Mootorreisi case, the selection of partners in Europe and in Russia has also proved to be one of the main reasons for successful market penetration. In addition, that company has also joined the organization of European bus companies sharing the trademark Eurolines. This helps to signal to the consumers unified service standards. Although, the adverse side of it could be the spreading of negative experience to other partners in a trademark-sharing network.

The car windscreen producer Saint-Gobain Sekurit Estonia belongs to a multinational or intra-corporate network. The change in relations when the company's present owner increased its share up to 100 per cent is best described by the following statement:

When we went into 100 per cent ownership of the concern, then naturally the level of integration with the concern's general business policy increased considerably and the concern's role in making strategic decisions has increased as well. All strategic decisions have to be in accordance with corporate strategy of the entire concern. Surely this has also impacted on the daily life in our company. Such a big investment, as has been made here, can only be in accordance with concern's general strategies. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Estonia

The other issue that is also partially related to corporate decisions within this production network relates to the fact that the Estonian affiliate serves, with its windscreens, mainly aftermarket or repair shops rather than car factories. Although, one must admit that this was the company's initial line of business prior to complete inclusion into the Saint-Gobain Group. Nevertheless, this case shows clearly that, in addition to intrinsic competitive strengths of the affiliate, its position in the production network of the entire concern is also very important determinant. One might argue that this position is more the result of company's initial advantages than the determinant of advantage, but because network position shapes also the company's network contacts it can reinforce or depreciate its competitive strengths.

In the case of Tarkon Ltd. the additional discussion about network impact was straightforward. During this interview, the question about the possible negative impact of network embeddedness in case of recession was asked. The response has already been given during the discussion of proposition 2. Although the company manager stated that network relationships are important even in situations of recession, the adverse developments in regional network have considerable impact on the growth of the company.

In Baltika Group, the management has tried to create the situation where the company does not depend on any single partner in a crucial manner. Although, it might be argued that companies advantages do not directly depend on network partners, the strategic change towards increased attention to retail could be viewed as a direct response to changes in industry where cost advantages in production shift from Estonia to China and elsewhere.

The vulnerability of Krenholm's advantages in the light of changes in the global network of textile producers, initiated by changes in trade regulations, has already been reviewed in previous sections. Krenholm's case shows how much the advantages in a particular industry depend on partnership relations that are in turn subject to environmental changes.

The reorganization of the production system in Sangar towards a more flexible approach could also be viewed as a shift in the company's competitive strengths under the pressure of a changing network environment. These changes are characterized by the shift of component subcontracting orders from Sangar to other factories in Lithuania and Ukraine that have more favourable cost levels. (Kallas, 2002)

Given the evidence in this section and some earlier sections it was shown that there is considerable evidence in support of the proposed influence of network developments on companies' advantages, although the network pressures are not always felt directly. They play an important role in directing companies like Baltika and Sangar towards strategic change that should help to retain a strong market position even in the case where their present competitive advantages are eroded.

The impact of environmental changes on the foreign market activities of case companies was explicitly asked during the interviews. The following discussion

is based on these responses and on additional aspects introduced by the interviewed persons under other subjects discussed during interviews.

For CV-Online, the economic recession in target markets is important in that respect, since subsequent cutbacks in local companies, concern consultation and recruitment budgets first. These services are often completely cut or at least postponed until economic conditions improve. This concerns especially traditional services, the online service is less costly and therefore the impact is milder. (Ärm, 2002)

In Poland there has been economic recession for last the two years and this is used as an excuse by our Polish affiliate, why their development has not been so rapid – and so on! Although, in order to develop further it should not play a big role. (a.t.)

Margus Ärm – Executive director of CV-Online Estonia

The foreign expansion of Hansabank Group has been during the nineties moderated mainly by the Russian crisis in 1997 and the crash on the Tallinn Stock Exchange that lead to the slight postponing of entry into Lithuania due to a contraction in funds available for expansion. In terms of competitive hardship, the bank confronted also certain resistance to its intention to privatize LTB in form of unfounded accusations of money laundering in Hansabanka. (Neivelt, 2002)

For the Mootorreisi Group the most adverse impact so far was felt in Latvia in 1995–1996 when situation of route permits issued by Latvian authorities was such that these times, scheduled in permits, were not in accordance with customer needs. Because retaining the market presence in Latvia was important, the company had to face cash-flow problems that at one point it started even to threaten the entire group (Osula, 2002). Later the situation in Latvia has improved considerably. In terms of competitive hostility some hesitation for Mootorreisi has been related in timing the entry into Scandinavia.

For the Estonian affiliate of Saint-Gobain Sekurit there have been several waves of adverse changes in terms of markets. Elvex company's business plan was initially built on the serving the entire Soviet market. In 1992, this market, due to political changes, closed and exports had to be redirected to other target markets. Fortunately, the company had already some export channels in these markets.

Second /.../ was in 93–94 when the US economy went into deep recession and we had our own channels to market products in US, but because of this crisis, which was later followed by huge growth, we had to abandon these markets, because we were unable to compete under these new conditions in the US market. So, we have also experienced the impact of downturn in the US market on our activities. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Estonia

The US market turbulence was followed by market problems in Russia and Poland, which have definitely made the company reconsider its marketing channels.

In Tarkon the impact of trends in its market environment are explained in following statement:

No matter how good your relations with customers are, sometimes it still happens that somebody else comes and offers a better price- and your customer is gone. It could be your problem or somebody else's problem and in the present global world it is a fact that the market where products are sold shifts away from us. For example mobile phones go now mostly to China. This is a growing market and all companies transfer their production to this market. It leads to the reduction of production quantities in Europe. (a.t.)

Toomas Noorem – General director of Tarkon Ltd.

These kind of development described in the quotation are not only dangerous for further expansion but might as well lead to cutbacks in present operations.

For Baltika the adverse changes have been also related to the Russian crisis because collections for this market were already produced when the financial situation changed and also during the period following 11 September, because it made the company withdraw from the US market. At the same time, the company has learned to handle sales in the very competitive Polish market as well as in Ukraine where the purchasing power of customers is much lower. (Milder, 2002)

In the textile industry the competitive environment is determined by special trade agreements under WTO which are to be abolished in the near future thus opening the market even more for competition from China and Middle East. The bilateral changes preceding this have already been reviewed in the context of the textile manufacturer Krenholm. In a global context the creation of North American Free Trade Agreement (NAFTA) has had an adverse impact on company exports, while similar agreements between Estonia and the EU has improved the access to European markets. (Virkebau, 2002)

In Sangar, the setback in 1997 was related to the loss of a big Norwegian customer, whose orders made up about 25 per cent of all subcontracting work. In a sense this was also related to changes in Sangar's position against other competitors, because cost advantage started eroding.

In conclusion, experience of case companies confirms that both influences of regional network as well as environmental dynamism have considerable impact on their advantages in the internationalization process and can force some companies, at least temporarily, to abandon certain markets, when conditions in the network or on the market become hostile.

P8: Due to the high environmental dynamism and hostility, we expect the internationalizing Estonian companies to place the stress on entrepreneurial orientation.

The role of the entrepreneurs in case companies was explicitly discussed during the interviews, although the stress was more on differentiating the roles of managers as lead-entrepreneurs and the organization as a whole. Nevertheless,

responses about the role for entrepreneurial orientation in companies gave several interesting results. During the following discussion these responses as well as other parts of interviews are analyzed.

In CV-Online, the contrast between personal entrepreneurship and team entrepreneurship is even more evident. The web service was initially developed by a single innovative person, who developed the idea over two years. Then he was joined by a small management team who started to expand the company. By now most of the people who established the company are not actively participating in everyday management any more. Now the new transformed management team continues the development in a manner where it is sometimes hard to identify the persons behind the ideas. (Ärm, 2002)

Also in the case CVO Group or CV-Online, the saturation of personal initiatives does not render the company less innovative or entrepreneurial than at the beginning of its development.

Hansabank Group has, during its development, considerably transformed the role of leading persons in company development. At the beginning personal motivation and enthusiasm was extremely important, but now the company tries to avoid the situations where crucial expansion projects are assigned to a few key persons. Instead the spirit of teamwork is cultivated in the company, because the bank can not afford the risk that if a person starts to have other interest in the middle of the important entry process, it jeopardizes the entire company.(Neivelt, 2002) This, however, does not mean that there is no entrepreneurial spirit, it is just more collectivistic in nature.

The entrepreneurship in the Mootorreisi Group is defined in the following statement:

My purpose is not to manage everything myself, but to maximally stimulate subordinates to think logically, to learn how to solve problems, and to see the operations as a whole, because the role of the one single leader will inevitably disperse and become more distant. Show the question is how to initiate innovative thinking and creativity among all the managers, and to motivate them so that they would also execute these ideas. (a.t.)

Hugo Osula – CEO of Mootorreisi Group

This is another good example how a company intends to build its entrepreneurial orientation on a more widespread base than just a couple of leading persons.

In Saint-Gobain Sekurit Estonia the manager Andi Kasak considers the role of leader as well as employee's initiative to be very important in companies of all sizes.

I am definitely one of these people who think that the company's face is similar to that of its leaders'. And the company's culture: does it develop or not, if yes in what direction, what are the principal values in company, these things depend to the great extent on top managers./.../ In case you have a lot of people, then definitely the number of different management situations will be so big that the unpredictability will be extensive. You start to have difficulties in foreseeing all possible behavioural

situations, in order to think in advance how they need to be handled. These situations emerge and the role of unexpectedness will be much more important. You should be able to react in the right way in the most unexpected situations. So in bigger companies the role of the leader changes considerably. (a.t.)

Andi Kasak – CEO of Saint-Gobain Sekurit Estonia

This quotation helps to identify the changing role of entrepreneurship in the case when corporate complexities increase.

In Tarkon, the role of leader or entrepreneur was especially important right after the privatization, when the company had to be temporarily satisfied with orders, which did not require the high qualifications that company's employees, who had very good mechanical engineering skills, had. It was the manager's task to convince these workers that the orders, which need less qualification, are essential for survival. At the same time, the pressure from the company's foreign owner plays equally significant role. (Noorem, 2002)

During the interview the role of emerging innovative teams was highlighted as well.

... The potential of teamwork in a company develops also, and teams are ready to fulfill sophisticated orders and to generate new things. On these occasions very powerful management can even disturb them, so you have to keep a healthy balance. Because when you start to pressure them too much, they tend to just sit and wait. But at the same time leadership is always needed because somebody has to give that first push and then the teams take over. (a.t.)

Toomas Noorem – General director of Tarkon Ltd.

The case of Tarkon shows clearly the presence of the entrepreneurial orientation not only at managerial level but also at the level of workers teams, who have enough qualifications to be able to generate new ideas. However, this last orientation is much more industry specific in nature than that at managerial level. The entrepreneurship at management level has been to a certain extent reinforced by environmental dynamism the company is facing.

The manager of Baltika Group described the intra-corporate entrepreneurship or 'intrapreneurship' in following manner:

We have changed a lot during the development of our company, and also these models (for innovations – authors comment) have changed. In some periods we work in-house on new developments and enhancements. Every such change is related to managers and people, who develop and execute these new things. The bigger the change the bigger is also the role for managers and leaders. (a.t.)

Meelis Milder – CEO of Baltika Group

In addition to this statement, it is evident from interview that the roles of different managers in the company have become more pronounced during the company's development.

The manager of Krenholm Group sees a need for a balanced combination between the organization as an entity and leading entrepreneurial persons.

I think it has to form certain combination or I am convinced that only a few persons could not enhance our interest in that business. If we take for example our sales organization, people have to be able to give very exact and correct responses to customers on a daily basis or designers, they have to know, what the fashionable colors are in 2002, what are the trends in the UK, Germany or France? Producers or our factories have to know that their task is to guarantee flexibility in the production process that would secure good service to customers. So it all depends on every link in the chain. (a.t.)

Meelis Virkebau – CEO of Krenholm Group

In this case, the entire organization seems to be a chain of functional teams from which certain entrepreneurship and innovativeness are expected.

In Sangar, the role of entrepreneurial personnel is very important in outward as well as inward aspects of the company's activities.

Yes, it is extremely important because customer relations with our partners, no matter in which direction, outward or inward, is based first of all on interpersonal relations and therefore the people's role is very important. (a.t.)

Jaan Kallas – former CEO of Sangar Group

At the same time, corporate management of Sangar is relatively dissatisfied with its organizational capabilities and is actively seeking solutions to remedy the situation (Kallas, 2002). The given comments show that entrepreneurship in Sangar is still more personalized than in some other companies.

We can conclude that in all eight companies some forms of entrepreneurial orientation were revealed, and although the connection with environmental dynamism remained in most cases somewhat indirect, we can say that proposition 8 was, to a great extent supported by case study evidence. It was also interesting to note that, in several companies, the orientation has become much more collectivized than it was during the initial stages of a companies' development. Further evidence about the nature of relationships between values and organizational culture in Krenholm and in the Baltman outlets of Baltika could be found in Vadi (2000).

The table 21 summarizes the most important aspects of Estonian companies' internationalization process. Similar tables about each case company are given in Tables A9–A16. These summaries should provide reader with a more holistic understanding of aspects that influence the foreign expansion on case company level or that are characteristic to the internationalization process of Estonian companies in general.

In addition to the information received during the detailed analysis of research propositions, this table 21 is based also on the background information about case companies, on the information that describes Estonia as the home country, and on other information sources, like survey data and public statistics. The information is presented in the form of a table, because it enables us to introduce several important characteristics on single page. Thus, the reader will be advised to refer back to figure 8 for connections between different aspects.

Table 21.The Relational framework of Estonian Companies' internationalization

MARKET RELATED AND GLOBAL ASPECTS		
Target markets location advantage	Home market	Global trends
<ul style="list-style-type: none"> • location advantages over home market in terms of bigger market size and better growth potential 	<ul style="list-style-type: none"> • relatively low costs and liberal economic policy • logistic advantages in serving European markets • developed IT services and market for innovative products • poor professional education system 	<ul style="list-style-type: none"> • increasing role of regional and global long-term business relationships • increase of competition from Western countries' companies (mainly services) and companies from Asia-Pacific region (manufacturing companies)
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of international commitment of Estonian companies is dependent on their competitive advantages and on synergies of these advantages with developments in regional networks and competitive environment</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • competitiveness is based on adaptiveness to changes in general market conditions and customer needs • the key competitive resource is human potential (skilled labour force) • usage of polycentric recruitment policies • intra-firm entrepreneurship is becoming more collectivistic • limited strategic autonomy of foreign owned companies or 'regional mandate' in neighboring post-Soviet countries 	<p>Based on Estonian clothing and textile industry:</p> <ul style="list-style-type: none"> • the cost advantages of Eastern European production sites are eroding • the life cycles of product collections are shortening • increasing importance of branding and own retail channels • demand of clothing and textile articles is relatively price sensitive and regional 	
KNOWLEDGE BASE ASPECT		
<p>The knowledge base of older companies builds partially on Soviet-time experience, while market and expansion knowledge has to be transferred or gradually accumulated.</p>		
RELATIONAL CHOICES OF CASE COMPANIES		
<p>Relational choice 1</p> <ul style="list-style-type: none"> • Baltika Group 	<p>Relational choice 2</p> <ul style="list-style-type: none"> • Mootorreisi Group • CV Online Group • Sangar Group 	<p>Relational choice 3</p> <ul style="list-style-type: none"> • Tarkon Ltd. • SG Sekurit Estonia Ltd. • Hansabank Group • Krenholm Group
<p>See Appendices 15–22 for the summaries of the case companies' relational choices</p>		

Source: Authors summary based on figure 8 and on analysis in this thesis.

CONCLUSIONS

The main focus of this thesis has been on the impact of the relational choices to the outward internationalization process of Estonian companies. This impact, however, is reduced and/or heightened by the several intra-firm and industry characteristics and determined also by market and global aspects.

This research constitutes an exploratory study, which has two equally important parts. The first part offers the theoretical explanation of the proposed relational framework by synthesis of several earlier internationalization concepts into a single more eclectic setting. The second part presents the empirical evidence about the particular nature of these relational choices and their interactions with the intra-firm, industry, market, and global aspects in Estonian companies. This empirical analysis is based on the exploratory case studies of eight case companies along with the verification of some results on the basis of official statistics and survey data. In this concluding section, we will first summarize the theoretical aspects and then proceed to the empirical results.

The theoretical concepts leading to the formulation of the relational choices

There are many different approaches to the internationalization process of the firm. Some of them describe it as a process that is related to a gradual increase in firm's foreign market commitment according to an increase in its experiential knowledge. These are called sequential approaches.

Earlier views in that category concentrated mostly on the development of exporting. They describe how management gradually places more and more value on export activities by moving from sporadic foreign sales to recognizing exports as an integral part of a company's strategic development.

More advanced gradual models, like the Uppsala model and the POM-approach, discuss the corporate dynamics related to sequential utilization of the entry modes along with the increase in a foreign market commitment. In other words, they try to explain the movement from entry modes, like exporting, which do not need very large investments, to contractual modes and eventually to foreign direct investments. At the same time, these views explain also the selection of target market, and factors that lead to an increase in the number of target markets. POM-approach describes also the nature of products sold abroad.

The second category of views is called the models based on economic theory. The concept explains why management might tend to prefer internalization to market transactions is called transaction cost theory. In addition to this explanation, which argues that transactions within the corporate structure are often less costly, for example because of reduced possibility for opportu-

nism, the internalization could also be initiated because the firm strives to increased market power.

The internalization is also incorporated into the eclectic or OLI paradigm, which includes two more components ownership advantages and location advantages. These three factors explain why a firm might prefer FDI. In the same way as internalization, the location advantage has been analyzed as a separate concept as well.

The next category of approaches relates to the relationship building between the companies. The most elaborate of them is the network approach that stresses the importance of international inter-firm or intra-corporate networks in facilitating the foreign expansion of the firm as a network actor. There are three main characteristics of network: actor bonds, shared resources, and integrated actions. The long-term relationships between firms, which could, in some respect, be also competitors, should be based on mutual trust. In general, the external network lies somewhere between market transactions and internalized transactions within organizational hierarchies, while internal or intra-corporate network is closely related to the concept of internalization.

On the basis of these three main categories of internationalization approaches author proposes three archetypical relational choices:

- The first relational choice would be to remain without the support from other agents (foreign firms or experienced persons) and, thus, follow the entire gradual market position establishment chain described in section 1.1.1.
- The second relational choice would be to use external inter-firm and/or interpersonal networks in order to import the market and internalization knowledge from network partners (see discussion of classic or external networks in section 1.1.3).
- The third relational choice concerns deep involvement with foreign companies within the framework of internal (intra-corporate) networks or vertical integration (internalization) (see discussion of the internalization in section 1.1.2 and Ghoshal and Bartlett's, 1990 notion of multinational or internal networks in section 1.1.3).

In addition to these choices, the sequential, economic theory based, and relational models introduce some important intra-firm and environmental aspects. For example, the discussion of OLI paradigm showed that firm-specific ownership advantages have an equally important role in explaining the internationalization process. Therefore, we investigated also modern approaches of internationalization that set their focus on intra-firm aspects, like resources and capabilities or market and entrepreneurial orientation. Thus, these views explain the role of the intra-firm and to the some extent industry and market aspects in influencing the firm's success during its foreign expansion.

Theoretical views stressing the intra-firm aspects of internationalization

There are three main approaches in this category of internationalization. The resource-based view highlights the major role of a firm's resources and capabilities in gaining a sustainable competitive advantage that could be viewed as a precondition for successful internationalization. The resources are in this context tangible in nature and depreciate over time and when shared. The capabilities are on the other hand more intangible in nature and partnerships can increase rather than decrease their value.

The market orientation view bears some similarities to the resource-based approach. According to one version of this concept, the firm has to focus its attention on external (clients) and internal (employees and stakeholders) customers, monitor competitors on regular basis, and support inter-functional integration of operations. The other viewpoints to the market orientation stress similar aspects from slightly different perspectives.

The entrepreneurial orientation, on the other hand, means that it is important to have leading persons, be they managers or highly qualified professionals, who would be constantly looking for new innovative solutions that could rejuvenate a firm's competitive advantages. These three approaches thus explain the firm's potential for becoming international by its intra-firm resources, capabilities, and orientations.

From the perspective of a firm's internationalization, it is equally important what kind of strategic responsibilities are granted to it, when we are dealing with a foreign owned business unit that is part of a larger international corporate structure. The parent can either support affiliates outward internationalization by granting it strategic responsibilities at a regional or global level, or hinder the firm's foreign expansion by turning it into an arms-length type affiliate meant to serve just its domestic market.

The theoretical framework based on the firm's relational choices

All these concepts that we have described can be synthesized into a single framework of firm's relational choices in connection with intra-firm, industry and market aspects. In that framework internationalizing firm faces three main relational choices: It can gain market and internationalization knowledge by gradual learning, while refraining from extensive relationships with others; it can import knowledge and relational resources by utilizing experienced domestic or foreign employees or non-equity partnerships; and it can import knowledge and variety of relational and material resources by belonging to international networks via ownership ties or by vertical integration with partners.

The first choice could potentially lead to the slowest internationalization because learning takes time, but the experience gathered at first-hand is thus potentially more valuable. The second choice should render the second fastest internationalization because the knowledge gap closes faster. At the same time, the potential for inter-cultural conflicts within the company increases. The option of ownership ties can potentially support the fastest outward internationalization unless parent's a corporate strategy does not foresee the international role for acquired affiliate. The knowledge transfers are in this third case coupled by transfers of funds and other resources. These three choices constitute the relational choices closely related to the learning aspect of the proposed framework.

On a basis of the choice made the firm's knowledge base will be accumulated, but before decisions about internationalization are made, intra-firm and industry aspects have also to be accounted for. These aspects include the explained intra-firm characteristics, like resources, capabilities, orientations, and strategic roles, along with the scale economies, competitive forces, nature of demand etc. in a particular industry where firm operates.

Decisions about the speed of internationalization and about the desired level of foreign commitment depend also on market and global aspects. These aspects include home market conditions, location advantages on different target markets and trends of global business environment. The managers deciding about internationalization should consider all these aspects, which range from relational choices and subsequent knowledge to the intra-firm and industry characteristics, and market as well as global situation. The entire relational framework was summarized in figure 8.

The market background for the internationalization of Estonian companies

Estonia as a home market is an example of a small open transition economy, which could be characterized by a very liberal economic policy, lack of corporate income tax on reinvested earnings, a developed banking system, successful privatization, fast development of information technology and telecommunication services, and a low level of corruption as positive features. At the same time, the country has a relatively unbalanced education system and a low level of domestic innovations. There is a need to continue institutional reforms and the harmonization of national legislation with *aquis communautaire*, because Estonia intends to join the EU.

This ongoing integration process has brought about considerable changes in Estonia's foreign trade pattern because exports have in 1990-s been diverted from former Soviet partners to Western EU members. The same has happened with imports. This transition from East to West was also facilitated by the

privatization process that facilitated the foreign direct investments into Estonia, while the Estonian companies have obtained a unique position as the gateways between Western and Eastern European business traditions.

The summary of the research methodology

Based on this background knowledge, the author conducted an empirical analysis describing the relational choices and other internationalization aspects which characterize Estonian companies. Because one of the focuses was to explain the intra-firm aspects and the relational choices made in this process along with managerial motives and perceptions, the exploratory case study analysis using multiple case studies was selected as primary research method. This method allows the researcher to investigate a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident, by using multiple sources of evidence. In this research interview data were combined with public information from several sources, including newspaper articles, corporate homepages, and annual reports of case companies. In order to increase the construct validity the interview transcripts as well as case descriptions in this dissertation were reviewed by interviewees. The external validity of the study should be facilitated by data triangulation, which means that the results based on case data were verified by survey data from several earlier surveys and using official statistics from the Statistical Office of Estonia and Bank of Estonia. The main survey used in this analysis as verification tool is The Survey of Outward FDI of Estonian Companies conducted in 2001 at the University of Tartu, where the author of this study participated in data collection and analysis as one of the researchers.

The case study involved eight companies of which five were manufacturing firms and three service firms. The manufacturers included the fine-mechanics company Tarkon Ltd., the car windscreen producer Saint-Gobain Sekurit Estonia, and three clothing and textile producers: Baltika Group, Sangar Group, and Krenholm Group. Service companies were from the transport sector (international bus company Mootorreisi Group), from e-commerce (internet recruitment company CVO Group), and the banking sector (Hansabank Group, which is one of largest banks in the Baltic region). Most of these companies are relatively small with the exception of Baltika, Hansabank and Krenholm. Hansabank, Mootorreisi, and CVO Group were established during the 1990s and Saint-Gobain Sekurit Estonia was founded in 1989 as an international joint venture, the other four companies are privatized firms that existed already during Soviet times (Sangar) or even before that (Baltika, Krenholm, Tarkon). This sample was selected on theoretical rather than for statistical considerations, whereas the diversification of sample was also an important selection criterion. Diversification was done along the lines of size, type of foreign connections, the

level of foreign commitment, and the type of industry. The introductory narratives about the case companies offered in section 2.1.4 should be viewed as an integral part of empirical analysis and thus the discussion provided in chapter 2.2 is to be approached in the light of the knowledge gained from these narratives.

The discussion of the research propositions

Based on the theoretical framework developed in the first part of this thesis and on the background knowledge of the Estonian economy, the author advanced eight research propositions about the relational choices as well as about the other aspects described in the theoretical framework (see figure 8).

The research propositions were discussed in four categories. The first of them concentrates on the aspect of gradual learning in internationalizing Estonian companies. The second category discusses these companies' choices about the relational support to be received either by their involvement in external or internal networks or by employing experienced employees. The third category of propositions explains Estonian companies' competitive strengths in this international relational context, while the final category analysis the impact of Estonian company's intra-firm characteristics and business environment, on their outward foreign activities. There are also some preliminary conclusions drawn about industry aspects based on the experience of three clothing and textile companies, although this aspect needs further investigation in the future.

In the framework of the first category, proposition 1 was discussed based on inter-case analysis and data triangulation. This gave following results:

1. Estonian companies' could be expected in their foreign activities to export directly or make sales-oriented investments in the nearby markets, while the diversification of their target markets and entry modes is gradual.

The entry mode aspect of this proposition was supported by the case study evidence and also by the secondary evidence gained from the surveys and balance of payment accounts. However, the ability to use direct exporting as an entry mode is, for service companies, inherently limited, therefore, this method of entry is more appropriate for manufacturing companies. This was revealed by the analysis of case companies' selection of the entry modes. Although manufacturers rely mostly on direct exports from Estonia, they use investments in order to build up their own marketing channels abroad.

The target markets proximity notion also found support on a basis of case companies' experience as well as based on country level statistics or survey responses. At the same time, there are identifiable changes towards a more diversified export structure, which means relations with more distant counterparts.

In terms of gradual learning, it emerged that a company's pattern of internationalization can be perceived in various different ways. For some managers stages were related to certain events, like privatization, for others the behavioural pattern was to the forefront. Thus, we should admit that although there are developmental stages they are often not in line with stages proposed by theory. At the same time the revealed development patterns described in 2.1.4 are somewhat more in accordance with theoretical views than managerial perceptions discussed in chapter 2.2.

To conclude, proposition 1 found considerable support, while as a result we can say that the the internationalization process of Estonian companies is still in the relatively early state, which is described by low resource commitments mostly on geographically and psychically approximate target countries. In addition to that there is no one unique development pattern towards higher foreign market commitment. Therefore, we can say that Estonian companies follow the principles of sequential approach more in the market selection dimension than in operational dimension where development stages that exist are not very clear-cut.

The relational choices of Estonian companies were more explicitly analyzed using the following propositions:

2. The outward internationalization of Estonian companies is likely to be influenced by their inward foreign connections that are, in several cases, related to ownership (relational choice 3) or subcontracting (relational choice 2) contacts in the framework of networks with target country companies.

Based on the chosen companies' foreign ownership relations and out-sourcing contacts we argue that the establishment of Estonian companies' outward foreign market position does depend on their inward international relations.

The eight case companies could be approached in the following manner: 1) Tarkon, Saint-Gobain Sekurit Estonia – deeply locked into the corporate network; 2) Krenholm, Hansabank – networked intra-corporately but with extensive autonomies; 3) Mootorreisi, CV-Online, Baltika – with their own corporate networks with a strong managerial position and some foreign ownership ties; and 4) Sangar – involved mainly in relational networks based on long term mutual benefits.

These categories show the networked nature of our Estonian case companies. The knowledge and resource transfers of these companies are in line with the extent of their network embeddedness. Given transfers are more considerable in companies, which have very intensive relations with their foreign owners or partners. In all eight cases, the impact of knowledge, technology and/or credibility transfers was shown to be important in facilitating case companies' outward internationalization process.

To conclude, the detailed analysis of inward-outward connections, including network ties, gave the results which offer support to our proposition 2. The

inward linkages have an important influence on the outward foreign expansion of Estonian companies, be they intra-concern relations of affiliate and parent or relationships within non-ownership networks.

3. Estonian companies tend to employ target country personnel to their foreign subsidiaries (relational choice 2), while initiating the transfer of firm specific knowledge by regular visits and information exchange.

We identified that most of the case companies used polycentric recruitment policies, while at the same time the transfer of unitary corporate vision was considered to be of great importance. The partial exception was the Krenholm Group which has some expatriate Estonians working as managers of its foreign sales affiliates. The discussion revealed the presence of extensive training programmes within the case companies in order to facilitate these integrative processes. Given this evidence, we can say that proposition three found considerable support.

This analysis indicated that network relationships between Estonian firms and target country firms are relatively complex, although intra-corporate or multinational arrangements dominate slightly. These relationships provide firms with transfers of knowledge, technology, and resources needed for outward internationalization. Inter-personal networks are in these companies used in the form of recruiting experienced target country personnel.

The issue of companies' competitive strengths was tested using two propositions, which rendered the results discussed below:

4. Estonian companies are likely to function for their Western partners-owners as psychic gateways to other post-Soviet economies, because they possess intra-organizational advantages over companies from these economies, which in turn have location advantages over Estonia.

The revealed behaviour of companies points towards their certain superiority over the business sectors of other Baltic Countries at least in business and financial services. The location advantage of target markets in terms of their market size was pointed out in several responses (Neivelt, 2002; Osula, 2002). While only two case companies clearly function as intermediators of their foreign owner's interests, some other companies had assumed that role in a more indirect way or indicated potential for doing so in the future.

Nevertheless, we must admit that proposition 4 found only partial support, because the strategic positions of Estonian companies are much more diversified than expected. Some of them form independent corporate units (Mootorreisi Group), while others have outward relations predominantly with the foreign owner's home market (Tarkon). The proposed gateway position was identified on the basis of survey data, but it did not prove to be overwhelming among the chosen case companies.

5. The competitiveness of Estonian companies abroad is based on inimitable dynamic capabilities (ability to be adaptive) and on their customer orientation, rather than on intra-firm material resources or breakthrough innovations.

The aspect of relying mostly on dynamic capabilities, like adaptiveness, was similarly to the last proposition supported partially because the advantages of Estonian companies were more related to the products than we predicted. The strong signs of customer orientation rather than well-developed intra-firm resource base were discovered in almost all the case companies, while the dynamic capabilities are especially characteristic of Krenholm. Nevertheless, the other companies possess at least some ability to adapt themselves in the light of a changing environment.

In general, proposition 5 was to a great extent supported by the evidence, because the product or service developments in Estonian companies follow more target market requirements and needs, than are solely based on new and very innovative ideas, which is an indication of their customer orientedness.

To summarize this category we should say that the analysis of the competitive strengths of Estonian companies gave somewhat mixed results. The Estonian companies are relatively more product-oriented in developing their advantages than expected. In all eight companies, the customer orientation was revealed as one of the most important aspects of their competitiveness.

In the last category of propositions, we scrutinized the impact of some intra-company characteristics and environmental aspects on the internationalization process of Estonian companies by proposing the following:

6. The key resource for success in the internationalization process of Estonian companies is their human potential.

Although most case companies stressed that their human potential was the main factor for the success on the international level, some serious limitations were revealed as well. In the cases of Tarkon and Krenholm the behavioural aspects of human resources were identified as problematic in their influence on the companies' foreign market expansion. Therefore, in larger and older manufacturing companies, the change in business habits seems to be much slower, than in the small service companies or in newly established companies. Thus, despite some discrepancy in inter-case evidence the general role of human potential was supported.

7. The competitive advantage of internationalizing Estonian companies is determined by the synergies of their resources or capabilities with the developments in their regional networks (relational choices 2 and 3 include network ties) and competitive environment (market and industry aspects).

The case study evidence offers support to proposition 7. Even in cases when the network pressures are not felt directly, they play an important role in directing companies, like for example Baltika and Sangar, towards strategic change. This change should help them to retain a strong market position even in a situation when their present competitive advantages will erode. In addition, the research of cases showed that market turbulences as well as competitive hostilities and other changes in environment can abolish intra-firm advantages for the internationalization process, or make some companies withdraw from certain target markets.

8. Due to the high environmental dynamism and hostility we expect the internationalizing Estonian companies to place the stress on entrepreneurial orientation.

The entrepreneurial orientation was revealed in all the case companies, and although its connection to the environmental dynamism remained indirect, we can say that proposition 8 was to a great extent supported by case study evidence. In several companies, the orientation has become much more collectivist than it was during the initial stages of companies' development.

This discussion pointed out that human potential was often considered as the crucial resource, while industry and business environment factors had also quite a dominating impact on entry or in some cases even withdrawal decisions. Although, many Estonian companies are entrepreneurial companies, their entrepreneurship has become more collectivist than it was a decade ago.

The generalizations and research suggestions

Granted the knowledge gained from the case narratives (2.1.4) and from the inter-case analysis (2.2), we can make following conclusions:

- The Estonian companies are in a relatively early stage of the gradual learning pattern (proposition 1).
- At the same time, the outward internationalization process of these companies is to a great extent supported by their relational choices towards deeper involvement in intra-corporate or relational networks (proposition 2), whereas the latter includes recruitment of foreign employees.
- The knowledge and resource transfers from network partners are in line with the level of mutual involvement, being more extensive in ownership based intra-corporate networks (proposition 2).
- The common method of the knowledge transfer (internalization) is the recruitment of target country employees to the companies' foreign subsidiaries (proposition 3).
- The main intra-firm characteristics in supporting the Estonian companies' internationalization process are **1)** their entrepreneurship (proposition 8); **2)** their human potential (proposition 6); **3)** their customer-driven product and service developments (proposition 5); and **4)** their intra-organizational regional advantages over companies in nearby Eastern European markets (proposition 4).
- The impact of these characteristics on the outward internationalization of Estonian companies depends on their synergies with developments in regional networks and in a competitive environment (proposition 7) that might render intra-firm advantages futile or outdated.

To generalize, it was shown that the impact of relational choices on the outward internationalization process does dependent on intra-firm characteristics, like

entrepreneurial orientation, human potential, and intra-organizational advantages, while the final impact is determined also by market and global aspects. It was shown as well that the extent of relational support received is in accordance with the level of partners' mutual involvement and goals.

The future research of a firm's internationalization should concentrate on a more detailed analysis of the role played by competitive pressures and environmental dynamism on a firm's foreign expansion. The paramount aspect impacting on the internationalization of firms from transition countries is the growing importance of network relationships with Western manufacturing and service companies. In this respect both the nature of these ties and the role for a transition country firm in a particular network setting need to be addressed.

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 Newspaper ‘Äripäev’ – Online archive – <http://www.aripaev.ee>
 HEX Tallinn Online information – <http://www.hex.ee>

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APPENDICES

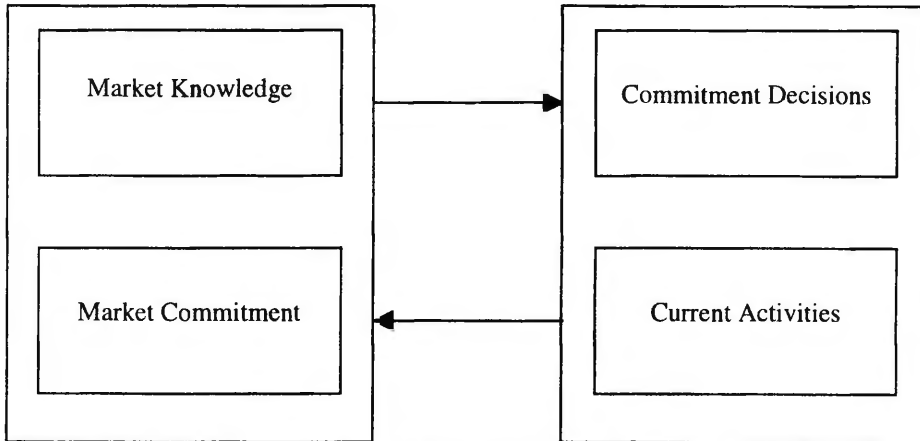


Figure A1 The basic mechanism of internationalization – state and change aspects (Source: Johanson and Vahlne 1977).

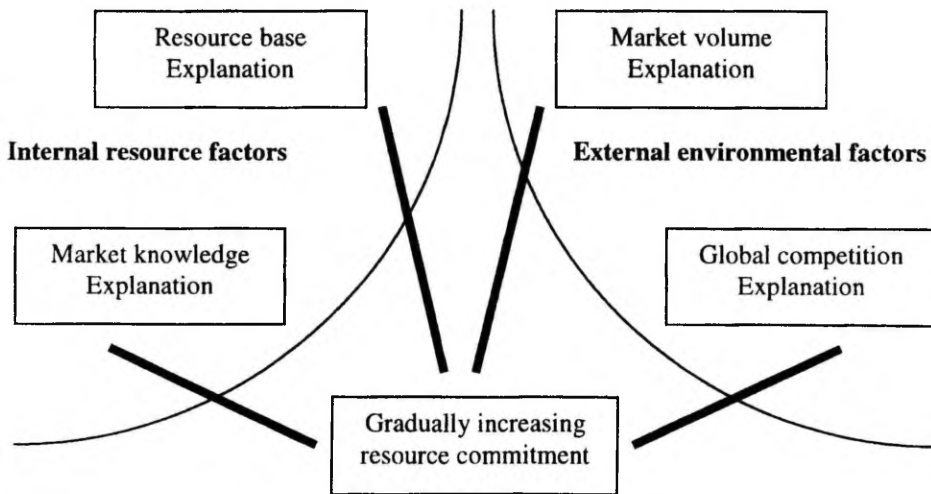


Figure A2 A conceptual model of gradually increasing resource commitment to a foreign market (Source: Pedersen and Petersen, 1998 with slight modifications)

Table A1. Classification of international inward and outward operations

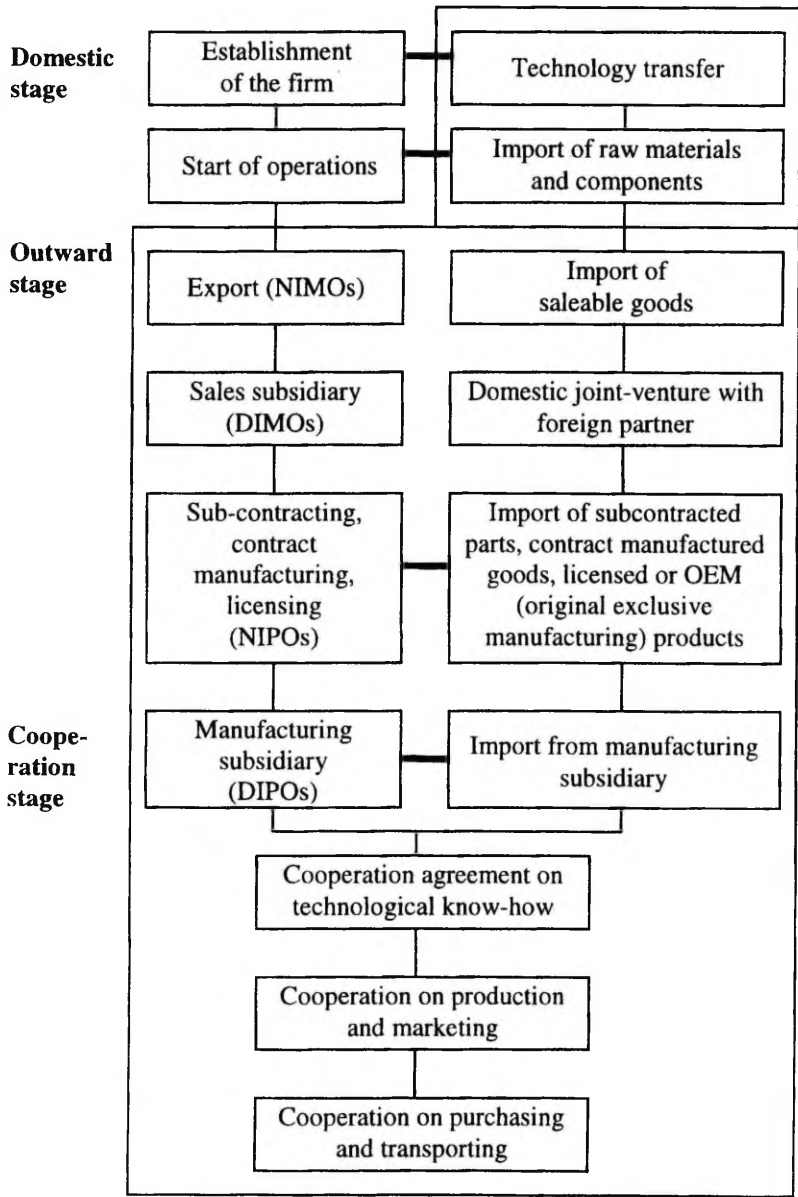
	Non investment operations (NI)	Direct investment operations (DI)
	NIMOs	DIMOs
Marketing (MO) Operations	<ul style="list-style-type: none"> • Export operations for goods • Service export operations • Know-how export operations • Partial project export operations 	<ul style="list-style-type: none"> • Sales promotion subsidiaries • Warehousing units • Service units • Sales subsidiaries
	NIPOs	DIPOs
Inward/Outward Production (PO) Operations	<ul style="list-style-type: none"> • Licensing operations • Franchising operations • Contract manufacturing operations • Turnkey operations/Project operations • Co-production operations 	<ul style="list-style-type: none"> • Assembling units • (Joint) Manufacturing units
	NIBOs	DIBOs
Buying (BO) Operations	<ul style="list-style-type: none"> • Import operations for goods • Service Import operations • Know-how import operations 	<ul style="list-style-type: none"> • Purchasing units • Warehousing units • Service units • Joint sales units in home country

Source: Korhonen, 1999 with modification

Table A2. Direct and indirect inward-outward connections

	Direct connections	Indirect connections
Examples	<ul style="list-style-type: none"> • Counter trade • Cooperation deals • Cross licensing • Intracorporate transfers • International subcontracting 	<ul style="list-style-type: none"> • Company uses experience as importer of technology in outward foreign licencing • Foreign supplier leads to foreign contact and outward orders
Nature	Often contractual in nature, or subject to centralized decision-making by MNE	Typically there is a time separation; learning process and type of international contacts are important.

Source: Welch and Luostarinen 1993, p. 46



———— Inward-outward connections

Figure A3 Stages of holistic internationalization process (Source: Luostarinen and Hellman, 1994)

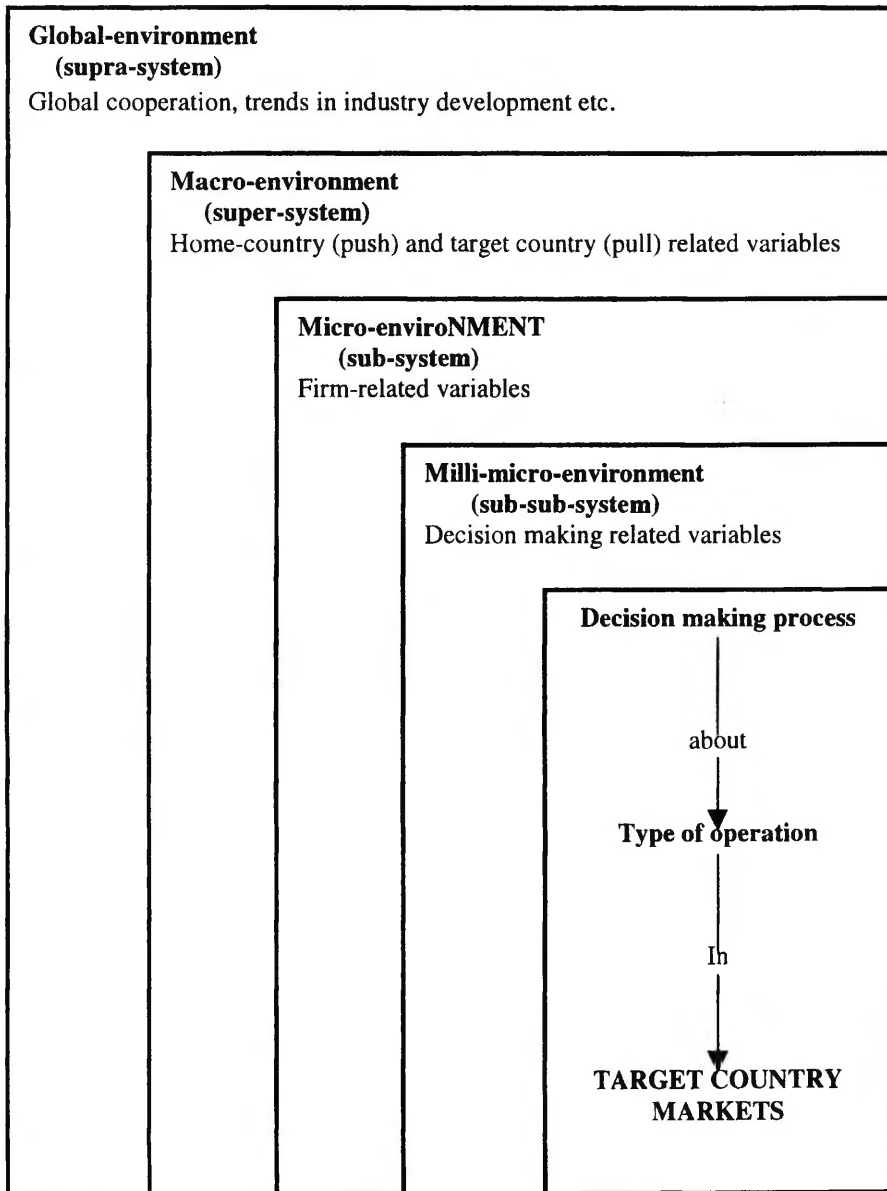


Figure A4 Environmental impact on a choice of target country operation type
(Source: Combined from Luostarinen, 1970, 1982 and Ghauri and Holstius, 1996)

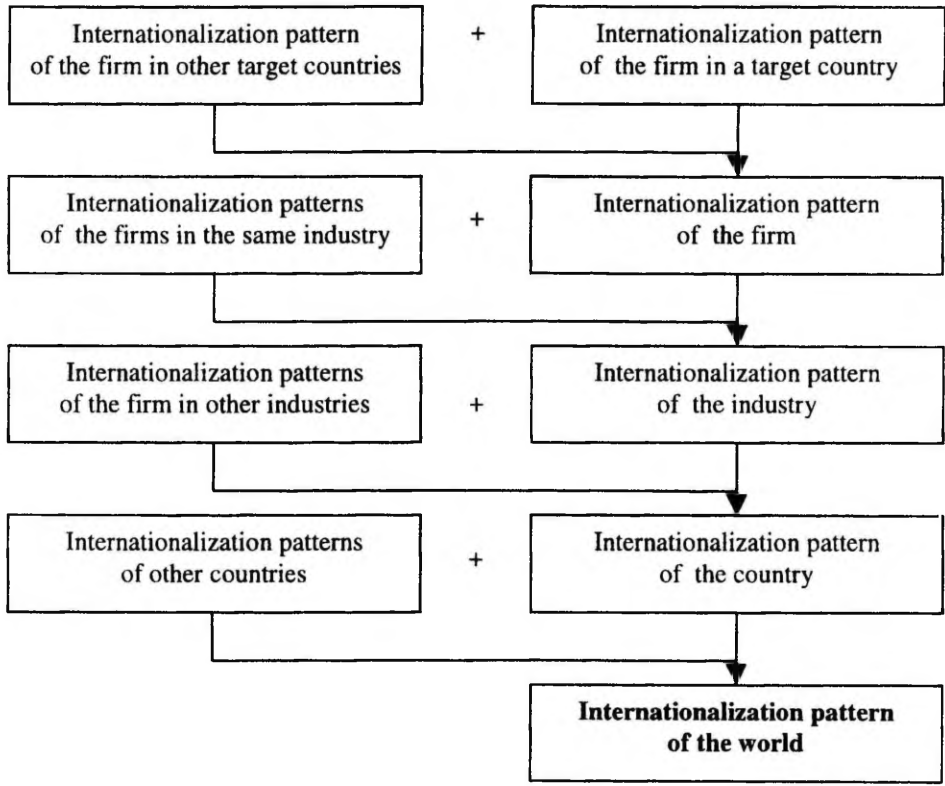


Figure A5 Internationalization patterns at different levels (source: Luostarinen, 1970; Luostarinen and Welch 1990, p. 258 with slight modifications)

Table A3. Dimensions, levels, and fields of cooperative operations

Dimensions of cooperation	Fields of cooperation
<p>Bilateral cooperative operations</p> <ul style="list-style-type: none"> - in situ cooperation (in one of the partner's premises) - exchange cooperation (exchange of goods or resources) - external cooperation (in one of the partner's countries) - third country cooperation (joint activities in third country) <p>Multilateral (triangle) cooperation (three or more partners joint efforts in one partner's country or in a third country)</p>	<p>Research and Development cooperation</p> <ul style="list-style-type: none"> - joint product development - joint process and technology development - exchange of product and process know-how - mixed equity venture in R&D <p>Commercial cooperation</p> <ul style="list-style-type: none"> - sales and marketing cooperation - product exchange cooperation - purchasing cooperation - logistic cooperation <p>Industrial (production) cooperation</p> <ul style="list-style-type: none"> - co-production - production specialization - cross-licencing - joint project operation - joint mixed equity ventures <p>Managerial cooperation</p> <ul style="list-style-type: none"> - management training cooperation - joint development of managerial systems and know-how - exchange of managerial tools, systems and knowledge - joint projects abroad
<p>Levels of cooperation</p>	
<ul style="list-style-type: none"> - Elementary (one element (product etc.), nature close to market exchange, for example countertrade) - Advanced (many elements of cooperation, for example turnkey project) - Complex, sophisticated (exp. co-production, turnkey plus, joint and mixed equity ventures) 	

Source: Based on Luostarinen and Welch (1997) pp. 194-203

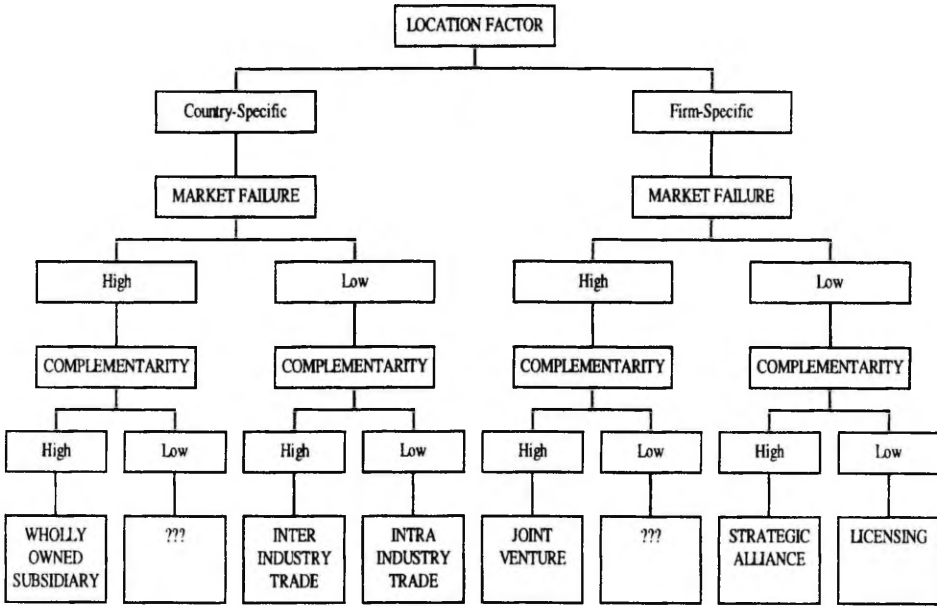


Figure A6 Location factor impact in the choice of entry mode (source: Moon 1997, p.60)

Table A4. From hierarchies to markets

Key features	Hierarchy	Virtual Corporation	Network	Market
Normative bases	Employment relationship	Complementary strengths	Complementary strengths	Contract property rights
Means of communication	Routines	Electronic	Relational	Prices
Conflict resolution	Supervision	Leadership of Brand	Reciprocity and reputation	Haggling and resort to law
Flexibility	Low	High	Medium	High
Commitment	High	Medium	Medium	Nil
Tone	Formal, Bureaucratic	High-tech Modern	Open-ended Mutual benefit	Precision Suspicion
Actor Preference	Dependent	Independent	Independent	Independent

Source: Powell (1990)

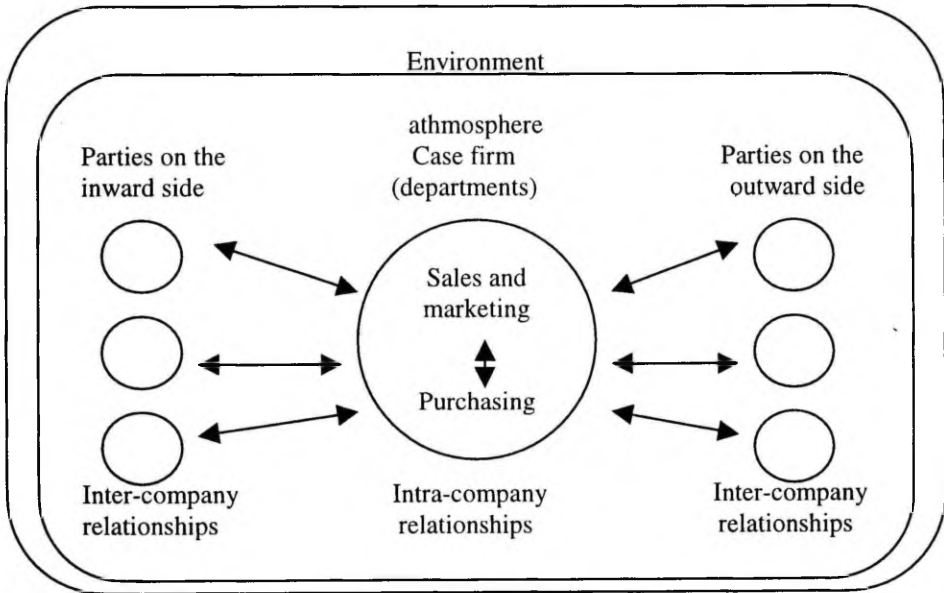


Figure A7 Network based inward-outward connection model (source: Håkansson 1982, p. 15)

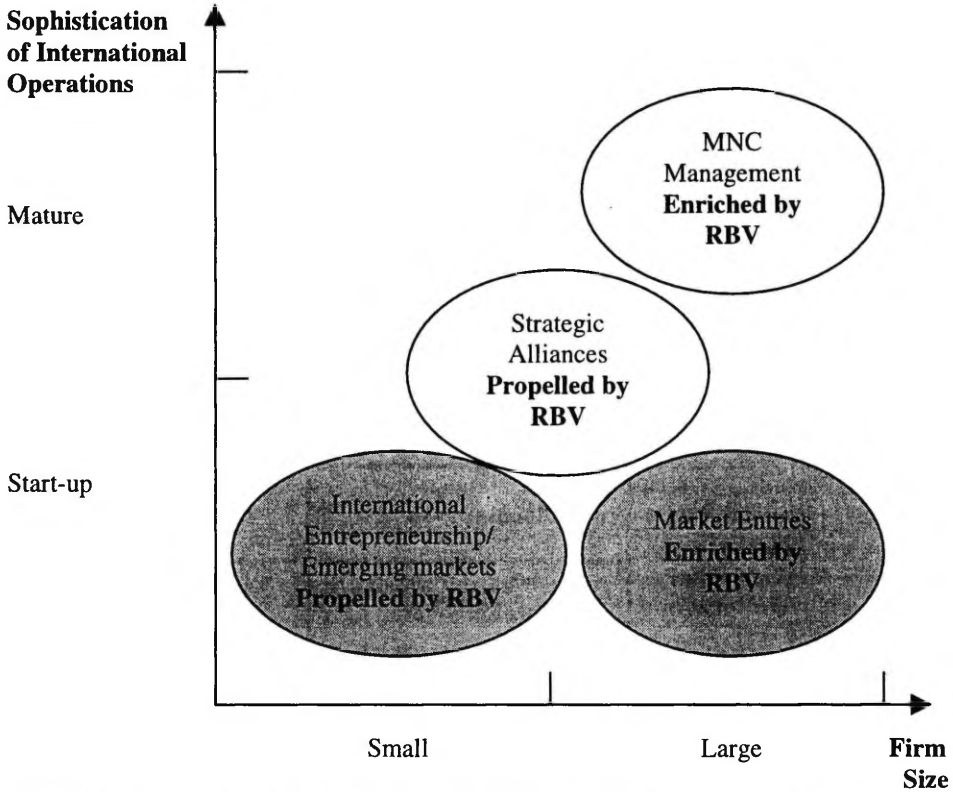


Figure A8 International business research fields enriched or propelled by resource-based view (RBV) (Source: Based on Peng, 2001 with modifications by author)

The gray fields are most important influences in the context of internationalization!

		Strategic importance of local environment (market)	
		high	low
Competence of local organization	high	Strategic leader	Contributor
	low	Black hole	Implementer

Figure A9 Subsidiary roles by competence and importance of environment (source: Bartlett and Ghoshal 1986, p. 4)

		Inflow of knowledge from the rest of the corporation to the focal subsidiary	
		Low	high
Outflow of knowledge from the focal subsidiary to the rest of corporation	high	Global innovator	Integrated player
	low	Local innovator	Implementer

Figure A10 Variations in subsidiary strategic contexts: knowledge flows-based framework (source: Gupta and Govindarajan 1991, p. 775)

		Procedural justice (perceived fairness of treatment)	
		low	high
Autonomy of the subsidiary (perceived independence)	high	Militant	Partner
	low	Vassal	Collabourator

Figure A11 Subsidiary positions by autonomy and perceived procedural justice (source: Based on Taggart, 1997 with modifications)

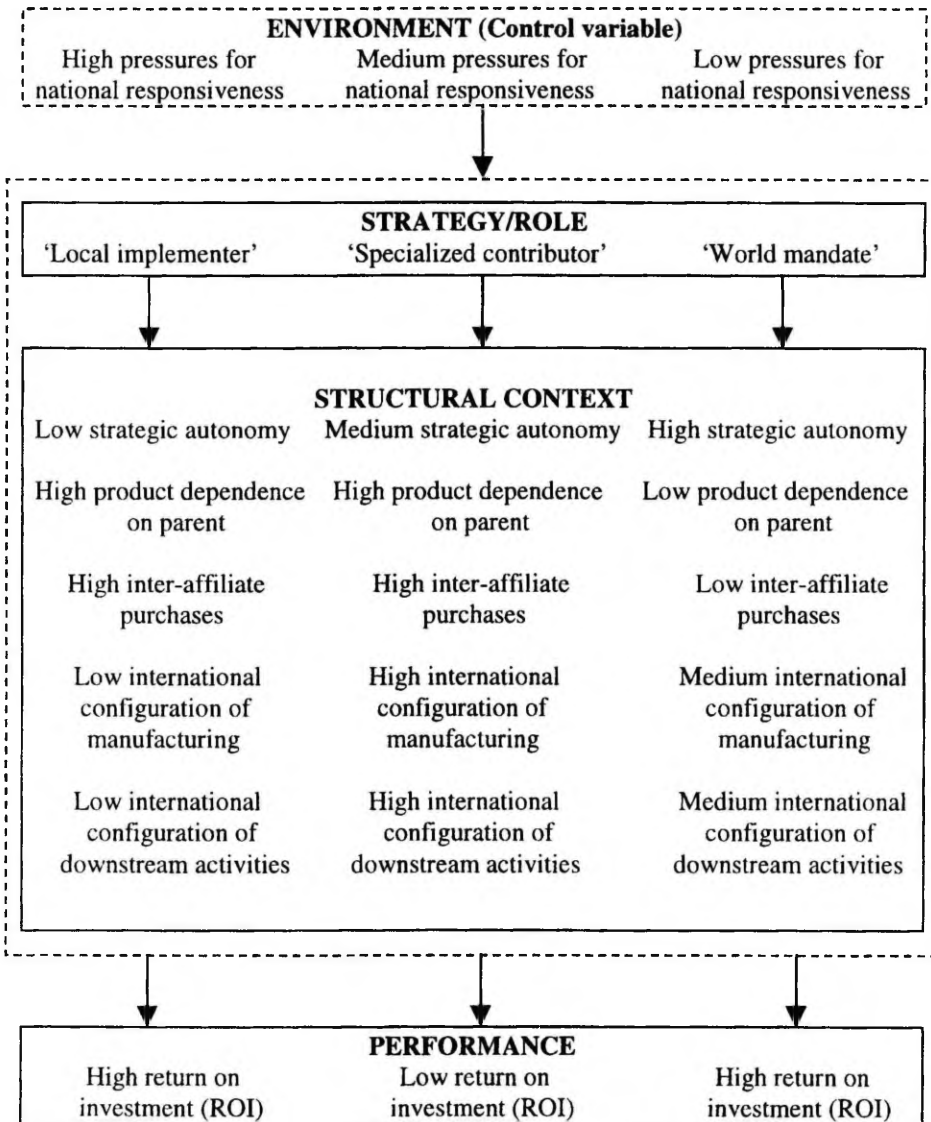


Figure A12 Performance impact of subsidiary roles in an environmental and structural context (source: Birkinshaw and Morrison 1995)

Table A5. Factors inhibiting the export performance of Estonian firms
(per cent of respondents)

Intra-firm Barriers	2001	2000
Lack of qualified labour	43	38
Lack of funds and working capital	42	50
Small production capacity and workforce	35	27
High costs per product	31	34
Outdated production equipment	28	24
Firm is not very well known	28	28
Lack of knowledge about foreign markets	24	27
Lack of raw materials	22	23
Weakness of management systems and quality systems	21	-
Lack of renewed products	21	17
Lack of contacts with foreign firms	20	17
Lack of export training	20	13
Low authority over the development of products and processes	12	-
Low quality of the products	9	8
Lack in product design functionality or unique features	9	-
Lack of modern means of communication	4	4
The activities of trade unions within the firm	2	2
Domestic Barriers	2001	2000
Bureaucratic customs and tax policy	56	56
Weakness of public general and professional education system	37	36
Scarce governmental resources for export aid	36	46
Weakness of regional policy	30	24
Lack of the clearly defined governmental export policy	28	30
Lack of information about support services offered	26	35
Unsatisfactory governmental support to the introduction of new products	23	29
Underdeveloped infrastructure	18	22
Not enough information about the Estonian foreign trade legislation	18	24
Difficulties in obtaining export information	16	22
Unsatisfactory governmental support to the introduction of knowledge intensive products	16	20
Lack of the export schooling programs	14	8
Bad state of transport, expedition, and storing services	14	19

Source: Study of Estonian Exporters 2001, pages. 11, 13

Table A5 (cont.). Factors inhibiting the export performance of Estonian firms
(per cent of respondents)

Foreign Market Barriers	2001	2000
Intensive competition on foreign markets	56	63
Insufficient information about rules and regulations of foreign customs	35	35
Insufficient information about foreign markets and product prices	30	39
Insufficient information about the foreign countries' trade legislation	25	33
Insufficient information about the foreign product standards and quality requirements	22	28
High requirements of European standards	20	33
Too few free trade agreements	20	27
High requirements of quality certification	19	35
Insufficient information about the possibilities for the creation of affiliates abroad	13	21
Insufficient information about the modern management and quality systems	12	-

Source: Study of Estonian Exporters 2001, pages. 14

Table A6. Patents and trademarks registered in Estonian Patent Office 1992-2000

Indicator	1992-1996	1997	1998	1999	2000	2001	Total
Number of patent applications	777	375	463	619	805	717	3756
- including from domestic applicants	44	15	20	13	12	19	123
Percent of domestic applications from all applications	5.66	4	4.32	2.1	1.49	2.65	3.28
Number of patents registered	22	108	82	103	84	257	656
Number of trademark applications	21519	3101	2963	2123	2004	1969	33679
- including from domestic applicants	3550	666	637	723	884	910	7370
Percent of domestic applications from all applications	16.50	21.48	21.50	34.06	44.11	46.22	21.88
Number of trademarks registered	15270	3179	2848	2064	3105	2447	28913

Source: Estonian Patent Office performance results 1992-2001, authors amendments

Table A7. The descriptive figures of Estonian case companies

	CVO Group	Hansabank Group	Mootorrei Group	Saint-Gobain Sekurit Estonia
Activity	online and traditional HRM services	financial intermediation	international bus services	windcreens for cars
Establishment (Privatization)	1996	1991	1993	1989
Main target markets	Latvia, Lithuania, Poland, Hungary, Czech Republic	Latvia, Lithuania	Lithuania, Latvia, Russia, Byelorussia, Germany	Netherlands, Germany, Belgium, Sweden, Poland, Austria
Foreign units	Yes	Yes	Yes	Yes
Main location	Tallinn	Tallinn	Tallinn	Elva
Interviewed person	Exec. Director of CVO Estonia Margus Ärm	CEO Indrek Neivelt	CEO Hugo Osula	CEO Andi Kasak
Number of Employees	110	6815 (31.12.2001)	113 (2000)	118 (2002)
	Tarkon Ltd.	Baltika Group	Krenholm Group	Sangar Group
Activity	Fine-mechanics	clothing retail with own production	production and sales of textiles and clothing	clothing production and retail
Establishment (Privatization)	1907 (1996)	1928 (1991)	1857 (1994)	1944 (1993)
Main target markets	Sweden, Germany	Latvia, Lithuania, Scandinavia, UK, Germany, Poland, Russia, Ukraine	Scandinavia, USA, Germany, UK, Benelux	Scandinavia, Lithuania, Latvia
Foreign units	No	Yes	Yes	Yes
Main location	Tartu	Tallinn	Narva	Tartu
Interviewed person	General director Toomas Noorem	CEO Meelis Milder	CEO Meelis Virkebau	Former CEO Jaan Kallas
Number of Employees	570 (2002)	1585 (31.12.2001)	4789 (01.07.2001)	751 (1.07.2001)

Sources: Homepage of Tarkon; Annual Report of Saint-Gobain Sekurit Estonia 2001; Annual Report of Hansabank Group 2001; Käos, 2002; Homepage of CV- Online Estonia; Annual Report of Baltika Group 2001; Annual Report of Sangar 2001; Homepage of Krenholm Group

Table A8. Interview guide - sent to the managers via e-mail:

- 1) What do you consider to be the strength of your company in comparison with competitors?
- 2) In which aspects of activity do you see the biggest possibilities for developments in the future, also in the context of foreign activities?
- 3) What stages could you identify in course of the establishment and development of company's foreign activities¹?
- 4) What has propelled the changes in your foreign activities that have taken place so far?
- 5) How has the gathered foreign market experience influenced your attitude towards the threats and opportunities of foreign activities?
- 6) Please describe your vision about the impact of changes in foreign countries' economic and business environment on international activities of your company?
- 7) Approximately with how many foreign companies, and on the other hand with domestic companies, you have had or still have in internationalization long term strategic cooperation?
- 8) Please describe the role of foreign partners and/or foreign owners in supplying your company with information, people, and technology; in creation of market opportunities, or in some other field?
- 9) Please describe the organization of company's relationships with partners domestically and abroad? (Are they more contractual in nature or more informal?)
- 10) Does the company's location here in Estonia give it certain advantages in its foreign activities?
- 11) To what extent has the big (small) size of your company proved to be an obstacle or advantage in internationalization?
- 12) Do you believe that foreign partners have something to learn from you, if so in which field?
- 13) Please describe the role of the company's customers, employees, owners, and competitors in its foreign activities?
- 14) Please explain the importance of personalities (entrepreneurial persons) and the organization as a whole in the development of foreign activities?
- 15) How do you derive (get) new ideas for foreign activities?
- 16) To what extent have the cooperative relations with other affiliates of your owner or with other foreign companies facilitated or hampered your foreign activities?
- 17) What is the positive and/or negative impact of foreign activities on development of your company?

¹ Under foreign activities we mean the increase in connections with foreign markets. In addition to exporting, the company's foreign investments and contractual relations, these activities could include the import of equipment (technologies), materials and knowledge from foreign companies.

Table A9. The Internationalization framework of CVO Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • target markets are bigger and offer more diversified growth possibilities than domestic market • these markets are more difficult to penetrate successfully because of higher international competition • physical proximity to client is often important 	<ul style="list-style-type: none"> • domestic conditions support internet based operations and export of internet based solutions • the domestic market is small compared to target market but more open to innovative ideas • governmental policy supports development of IT services 	<ul style="list-style-type: none"> • The EU enlargement might support the development of cross boarder recruitment activities • growing internet penetration in CEE countries • increase in demand for human resources by western multinationals
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The internationalization CVO Group's has been considerably based on risk tolerant decisions, which followed the general expansion goals, while the market presence has often been more important than the depth of commitment or prior experience</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the company's international expansion has been to fast in terms of financial visibility • the unique capability of company lies in internet based recruitment solutions • The company offers locally customized HRM services • the company is strategically independent group that is partially managed by representatives of venture partners 	<ul style="list-style-type: none"> • the classical recruitment and consultation services have higher value added than internet based services • the industry of HRM services is predominantly national rather than global • In Eastern Europe these services are far less developed than in Western economies • the demand for human resource management services is very sensitive to general economic cycles 	
KNOWLEDGE BASE ASPECT		
<p>The knowledge base of CVO Group relies on technological background and experience of its initial management team, which is amended by experience gathered in foreign markets or transferred from company's current foreign management.</p>		
RELATIONAL CHOICE OF CVO GROUP		
<p>CHOICE 2 - Import of knowledge and relational resources</p> <p>Although CVO Group has been an Estonian born international company, since 2000, it utilizes possibilities and know how of domestic and global venture capital partners</p>		

Sources: Interview with Executive director of CV Online Estonia Margus Ärm 2002; Homepage of CV Online Estonia, 2002; Annual Report of CV Online Estonia 2001,2002

Table A10. The Internationalization framework of Hansabank Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • new target market (Lithuania) is likely to become the main engine for future growth • on target markets Swedish imago of foreign owner is beneficial • lower level of banking sector development makes market entry slower 	<ul style="list-style-type: none"> • domestic growth potential in terms of clients is almost absorbed, bank is market leader with more than 50 per cent share • the development level of domestic banking offers good possibilities for introduction of new innovative services 	<ul style="list-style-type: none"> • increase in interrelations of national financial markets • emergence of new internet based or mobile products or services • expansion of activities of large regional or global banks into CEE countries
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of Hansabank Group's foreign market commitment is driven by decisions of home country corporate management based on experience gathered on target markets</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the size of group is increasing via takeovers and mergers • well-established internet based services and scale of modern financial services offered • localized customer relations and synergies on technological or organizational matters • focus on Baltic banking market • high strategic autonomy in Baltic region ('regional mandate') 	<ul style="list-style-type: none"> • this kind of services are internationally best offered by founding affiliates abroad • continuing concentration on international level (mergers and takeovers) • this industry in home country relatively more developed than in surrounding Eastern European countries • demand on some modern services is unpredictable, while demand on classic banking services depends on situation of economy 	
KNOWLEDGE BASE ASPECT		
<p>The knowledge obtained by Hansabank Group is predominantly based on sequential learning during past decade, but bank uses also target market employees as sources of market specific knowledge.</p>		
RELATIONAL CHOICE OF HANSABANK GROUP		
<p>CHOICE 3 - Import of knowledge and relational plus material resources</p> <p>Up to 1998 Hansabank Group utilized step-by-step learning without considerable external support, but since that year it is part of Swedbank Group and thus has now resource transfer along with some knowledge transfers</p>		

Sources: Interview with CEO of Hansabank Group Indrek Neivelt 2002; Homepage of Hansabank Group, 2002; Annual Report of Hansabank 2001,2002

Table A11. The Internationalization framework of Mootorreisi Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • combined market size creates possibilities for company development • increased possibilities for rerouting customers in selected logistics centers • more intensive competition on target markets for serving international routes 	<ul style="list-style-type: none"> • small domestic market for international bus services • low domestic competition in international services • so far the main know how and technological developments have concentrated on home market 	<ul style="list-style-type: none"> • more extensive governmental support for other means of transport • abolishment of customs barriers and visa requirements
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of group's international commitment is driven by need for additional markets in order to realize growth aspirations and also by management's vision about future position of company in Europe</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the limitations of market size restricts company growth size • well-established route network and intra-firm booking services • cross-boarder facilitation of unitary organizational culture • experience in operating on Russian and Byelorussian markets • gateway between Eastern and Western Europe with coordination and control from Estonian born headquarters 	<ul style="list-style-type: none"> • increasing international cooperation and competition of bus service companies (increasing importance of alliances in bus services) • rejuvenated services and product life cycle • diversified regulation of industry in different EU and other European countries and subsequent cost differences • growing interregional demand 	
KNOWLEDGE BASE ASPECT		
<p>Mootorreisi Group had considerable pre-establishment knowledge of internationalization because company's present leader was a general director of state owned bus company that had certain foreign activities as well. After the establishment group learns mostly via step-by-step learning and partnership relations</p>		
RELATIONAL CHOICE OF MOOTORREISI GROUP		
<p>CHOICE 2 - Import of knowledge and relational resources</p> <p>Although Mootorreisi Group has a German minority owner the relational choice resembles more external than intra-corporate network relations, which do not involve extensive transfers of material resources</p>		

Sources: Interview with CEO of Mootorreisi Group Hugo Osula 2002; Käos, 2002

Table A12. The Internationalization framework of Saint-Gobain Sekurit Estonia Ltd.

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • support by other affiliates belonging to the same corporation • recessions in some target countries (Russia, Poland, USA) • Intra-concern division of activities might prevent entry into some target markets 	<ul style="list-style-type: none"> • low production costs • highly qualified and educated employees • the lack of corporate income tax on reinvested earnings 	<ul style="list-style-type: none"> • dissolution of Soviet market • further integration with global production network
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of company's international commitment is the result of companies strive to diversification in order to reduce client or market related risks in combination with support and limitations related to intra-concern coordination</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • small size as an advantage because of better ability to flexibly adapt to changes • internalization advantages in the framework of global concern • orientation towards diversification of markets and clients served • expertise in Eastern European markets • intermediary between corporate headquarters and other units in post-Soviet region 	<ul style="list-style-type: none"> • economies of scale • relatively longer product life cycles • the industry is served in two layers, primary market (car factories) and aftermarket (repair shops), including official replacement • industry is sensitive to general economic slowdown, which leads to reduced demand 	
KNOWLEDGE BASE ASPECT		
<p>Saint-Gobain Sekurit Estonia was established as Swedish-Estonian joint venture Elvex in 1989, while knowledge was transferred from the foreign partner. At present intra-corporate learning has become even more extensive because of its full involvement in a global concern which has several production locations in different geographic areas.</p>		
RELATIONAL CHOICE OF SAINT-GOBAIN SEKURIT ESTONIA		
<p>CHOICE 3 - <i>Import of knowledge and relational plus material resources</i> Company belongs to an international concern Saint-Gobain which is of French origin but an Estonian affiliate is subordinated to regional affiliate in Sweden.</p>		

Sources: Interview with CEO of Saint-Gobain Sekurit Estonia Ltd. Andi Kasak, 2002; Annual Report of Saint-Gobain Sekurit Estonia Ltd.2001, 2002; Kasak, 1999

Table A13. The Internationalization framework of Tarkon Ltd.

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • foreign owner functions as a gateway to contacts in its home market • diversified range of client industries in Sweden • Exports might be too concentrated on single foreign target market 	<ul style="list-style-type: none"> • relatively low labour costs • logistic advantages because of technological village concept • deficiencies of professional education system in providing company with skilled workers 	<ul style="list-style-type: none"> • recession in Nordic telecommunications industry • increase of competition from Asia-Pacific region
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of Tarkon's international commitment is dependent mainly on global developments in client industries and on discretion of its Swedish owner</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • occasional capacity limitations in times of extensive growth • wide range of value adding operations in one place (transactional advantages) • marketing link managed by foreign owner • good potential for intra-firm entrepreneurship in product and process development • highly skilled experienced labour force • limited strategic autonomy 	<ul style="list-style-type: none"> • economies of scale and scope • very short product life cycles • intensive global competition • logistics related cost advantages in Eastern European production sites • demand growth has slowed down 	
KNOWLEDGE BASE ASPECT		
<p>Tarkon's knowledge base builds on former experience in building on-board flight controllers that is mixed with new technological knowledge transferred from foreign majority owner or learned from contacts with clients</p>		
RELATIONAL CHOICE OF TARKON LTD.		
<p>CHOICE 3 - <i>Import of knowledge and relational plus material resources</i> Tarkon Ltd. belongs to an international intra-corporate network that serves mainly the Swedish telecommunication industries and other Swedish clients in fine mechanics</p>		

Sources: Homepage of Tarkon Ltd., 2002; Interview with General Director Toomas Noorem, 2002; Annual Report of Tarkon Ltd. 2001, 2002

Table A14. The Internationalization framework of Baltika Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • diversified development levels and competitive condition on target markets • utilization of regional rather than nation brands • the size of foreign target markets helps to increase production efficiency and capacity utilization 	<ul style="list-style-type: none"> • good location from logistics perspective • strongest brand recognition • capacity extension via domestic takeovers • production of final products is concentrated on home market 	<ul style="list-style-type: none"> • increasing importance of regional and global retail brands • the changes in global economy after 9/11 • impact of regional economic slowdowns on company's foreign sales
THE OUTWARD INTERNATIONALIZATION PROCESS		
The level of Baltika Group's foreign market commitment is determined by gradually developing foreign market knowledge and subsequent changes in corporate strategy		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the size of group has been rather an advantage than weakness in internationalization • very qualified in-house designers and continuous brand building • localized foreign sales workers along with unitary cross-boarder organizational culture • growing importance of own retail network • fully autonomous Estonian company 	<ul style="list-style-type: none"> • profit margins are higher in clothing retail than in production aspect of value chain • the life cycle of product collections is shortening • the cost advantages of East European production sites are eroding • demand for new fashionable collections is to some extent always unpredictable • demand of clothing articles is price sensitive 	
KNOWLEDGE BASE ASPECT		
The knowledge base of Baltika Group is the result of company's 80 year long experience in apparel industries combined with modern management style and continuous improvements of production and especially sales introduced in 1990s		
RELATIONAL CHOICE OF BALTIKA GROUP		
CHOICE 1 <i>Knowledge gathering by gradual learning</i>		
Baltika Group is a company which is controlled by its domestic management team, whose vision and gradually growing experience are also the main drivers of expansion		

Sources: Interview with CEO of Baltika Group Meelis Milder, 2002; Homepage of Baltika Group, 2002; Annual Report of Baltika Group 2001, 2002

Table A15. The Internationalization framework of Krenholm Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • the sales volumes of European markets and US market • different strategies in entering European markets (own sales units) and US market (partnership with retail chains) • The access of Russia into WTO will be taken as precondition for market access 	<ul style="list-style-type: none"> • domestic demand on final products is marginal compared to production volumes • availability of local qualified workforce • logistic flexibility and advantage in exporting to EU 	<ul style="list-style-type: none"> • impact of regional trade agreements on sales • increasing competition from Asia-Pacific, Middle East-Caribbean region
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of Krenholm's foreign market commitment is determined by sequential entry into new target markets with own sales network and by changes in global conditions</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the production possibilities of company do not support customized production in very small patches • introduction of own brands tailored to different customers • abolishment of former image of company as capacity provider • diversification of production (clothing) and markets • semi-autonomous company within corporate network 	<ul style="list-style-type: none"> • considerable cost advantages in East-Europe compared to Western European economies • changes in trade regulations of textile and clothing industry • great importance of long-term partnership relations • global demand of textiles tends to be very price sensitive 	
KNOWLEDGE BASE ASPECT		
<p>The knowledge base of Krenholm Group combines close to 150 year experience in producing cotton textiles with modern management of product lines, technology, capacity, and marketing channels</p>		
RELATIONAL CHOICE OF KRENHOLM GROUP		
<p>CHOICE 3 - <i>Import of knowledge and relational plus material resources</i> Krenholm Group belongs to a Swedish textile corporation, but it has gradually gained the position of a foreign owner's main production affiliate</p>		

Sources: Interview with CEO of Krenholm Group Meelis Virkebau, 2002; Homepage of Krenholm Group, 2002

Table A16. The Internationalization framework of Sangar Group

MARKET RELATED AND GLOBAL ASPECTS		
Target markets loc. adv.	Home market	Global trends
<ul style="list-style-type: none"> • foreign partners' and contractors' support to foreign market access • increasing customization to target market requirements • establishment of own retail network in nearby markets 	<ul style="list-style-type: none"> • relatively low quality of domestic raw materials • possibilities for retail cooperation with Baltika • capacity extension and production diversification via domestic takeovers • long tradition of domestic clothing industry 	<ul style="list-style-type: none"> • increasing importance of regional and global retail brands • increasing competition from Asia-Pacific region • impact of regional economic slowdowns on company's foreign sales
THE OUTWARD INTERNATIONALIZATION PROCESS		
<p>The level of Sangar's foreign market commitment is determined by growth in partnership relations, its own sales network, but also by the company's ability and willingness to invest into foreign expansion</p>		
INTRA-FIRM AND INDUSTRY ASPECTS		
Intra-firm characteristics	Industry characteristics	
<ul style="list-style-type: none"> • the size of group does not play considerable role in inhibiting company's internationalization • introduction of 'made to measure' shirts and single brand concept • growing importance of sales under own brand along with product development • well-developed learning procedures • introduction of flexible production systems • fully autonomous company that is solely owned by domestic capital 	<ul style="list-style-type: none"> • the cost advantages of Eastern European production sites are eroding • the branding of shirts has growing importance • development of new more expensive textiles • access to final consumer is becoming a critical success factor • growing importance of partnership relations • demand of clothing articles, especially accumulated demand of collections, is regional rather than national 	
KNOWLEDGE BASE ASPECT		
<p>The knowledge base of Sangar Group is the mix of company's Soviet-time production experience and foreign market experiences gathered mainly after privatization</p>		
RELATIONAL CHOICE OF SANGAR GROUP		
<p>CHOICE 2 - <i>Import of knowledge and relational resources</i></p> <p>Although, Sangar Group is a fully domestically owned company it extensively utilizes subcontracting partnerships and production contracts for inbound knowledge transfers</p>		

Sources: Interview with former CEO of Sangar Group Jaan Kallas, 2002; Homepage of Sangar Group, 2002; Annual Report of Sangar Group 2001, 2002

SUMMARY IN ESTONIAN – KOKKUVÕTE

EESTI ETTEVÕTETE RAHVUSVAHELISTUMINE: SUHETEASPEKTIDE OTSINGULINE UURIMUS

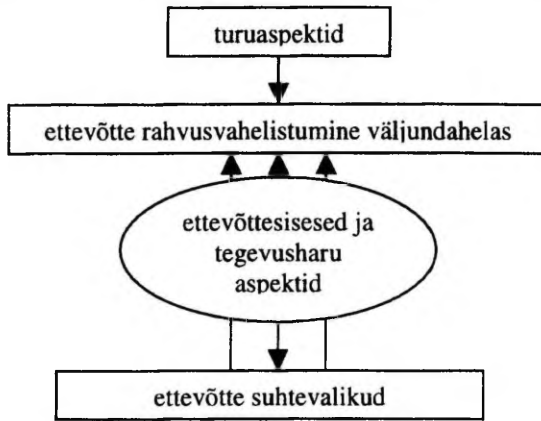
Uurimistöö ajendid ja ülesehituslikud põhijooned

Ettevõtte rahvusvahelistumise protsess on mitmete teadlaste huvikeskmes olnud juba enam kui nelja aastakümne vältel. Selle aja jooksul on arusaamad rahvusvahelisele turule laienemise peamistest tõukejõududest ning selle protsessi sisemist arenguloogikat selgitavatest teguritest oluliselt muutunud. Kui 1960ndatest kuni 1980ndate aastateni domineerisid antud uurimisvaldkonnas peamiselt astmelised lähenemised ja üksnes ekspordile või otsestele välisinvesteeringutele keskendunud kontseptsioonid, siis alates 1980ndate aastate lõpust on järjest enam tähelepanu võitnud käitumuslikud lähenemised, nagu seda on võrgustikuhete kontseptsioon. Samas on uuringute raskuskese nihkunud ka ettevõttesiseste teadmiste ja oskuste (*capabilities*), ressursside ning juhtimisorientatsioonide rolli selgitamisele. Vaatamata sedavõrd suurele mitmekesisusele rahvusvahelistumise protsessi selgituste osas, või võib-olla mõningal määral just selle tõttu, ei ole senini välja kujunenud laialdaselt aktsepteeritavat rahvusvahelistumise teooriat.

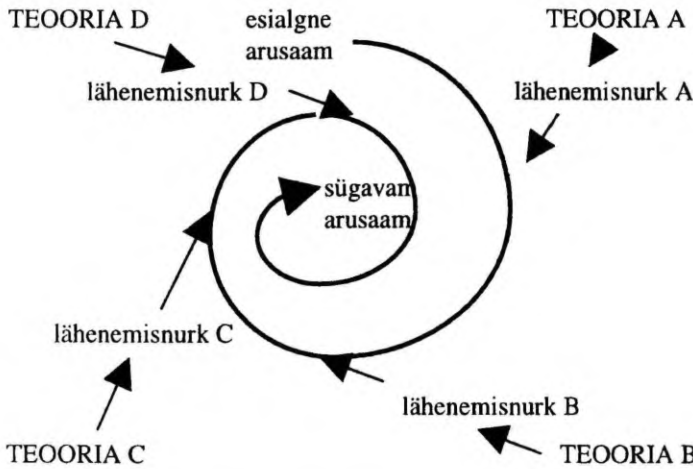
Teoreetilises plaanis ajendaski käesolevat dissertatsiooni kirjutama eeskätt tunnetatav vajadus jätkata püüdemist ettevõtte rahvusvahelistumise üldistava selgituse suunas, tuues samas käsitlusse sisse väikesele avatud üleminekuriigile eripärased jooned. Samas ei tule eelöeldut siiski mõista antud riikidegruppi puudutava eklektilise teooria väljapakkumise püüdena. Pigem tuleks seda vaadelda kui uudse käsitlusraamistiku tutvustamist, mis aitab paremini mõista ettevõtte relatsioonilisi ehk suhtevalikuid kui tegureid, mis mõjutavad rahvusvahelistumise protsessi. Samas püütakse käesolevas töös vaadelda neid valikuid ka laiemas mõjuaspektide kontekstis, mille hulgas on olulisel kohal ettevõtte teadmispagas, ettevõttesisised ja majandusharu aspektid ning turgudega seotud aspektid. Teel selle raamkonteksti loomisele kasutab autor erinevaid varasemaid teoreetilisi käsitlusi justkui ehituskividena, mis asetuvad üldistavas käsitluses lõpuks oma kohale. Esialgne nägemus uurimistöös analüüsitavatest seoseahelatest on toodud joonisel 1.

Toodud raamistikus vaadeldakse erinevaid rahvusvahelistumise käitlusi otsingulise uurimuse (*exploratory study*) vormis, et jõuda nii suhtevalikute kui ka ettevõttesiseste, tegevusharu ja turuaspektide põhjaliku mõistmiseni. Ajendi nende teoreetiliste käitluste vaatlemiseks kirjeldatud viisil annab tõdemus, et mitmed uuemad vaatenurgad on välja kujunenud kriitikana vanemate rahvusvahelistumise kontseptsioonide, nagu näiteks astmelise lähenemise, suhtes. Seega käesoleva analüüsiga tutvudes peaks lugeja olema teadlik, et varasemate

seisukohtade kriitika on enamasti välja toodud alternatiivsete selgituste esitamise kaudu. Otsingulise uurimuse ülesehituslik loogika on kajastatud joonisel 2.



Joonis 1. Esialgne üldnägemus suhetekontseptsioonist



Joonis 2. otsingulise uurimuse ülesehitus (allikas: Routio, 2002)

Astmeliste, käitumuslike ja ettevõtte ressursidel põhinevate lähenemiste ühtsesse raamistikku asetamise peamine oht seisneb asjaolus, et vähemalt mõningatel juhtudel tuginevad nad erinevatele uurimistraditsioonidele. Selle probleemi lahendamiseks on vaja olla teadlik iga kontseptsiooni kujunemisel aluseks võetud põhieeldustest. Need eeldused pole samas sugugi nii vastuolulised kui tihti arvama kiputakse. Ainult jätkates püüdeid tuua need eripalgelised lähenemised kokku ühtsesse laialdasemasse raamistikku on võimalik järkjärgult liikuda rahvusvahelistumise protsessi üldteooria suunas.

Erinevate rahvusvahelistumise kontseptsioonide suhteliselt põhjalikud selgitused peaksid seega aitama paremini mõista töös väljaarendatavat suhtevalikute raamkontseptsiooni, mida võib pidada käesoleva uurimuse keskseks teoreetiliseks panuseks ettevõtete rahvusvahelistumise valdkonnas. Kuigi see kontseptsioon ei tarvitse olla unikaalne kõigis oma detailides, peaks tema tervikülesehitis siiski avardama meie arusaama antud valdkonnast.

Lisaks teooria arendamise vajadusele, on rahvusvahelistumise uurimine vajalik ka seetõttu, et antud protsessil on samas ülisuur tähtsus nii riigi kui ettevõtte tasandil toimuva majandusliku arengu seisukohalt. See kehtib eriti väikeste majanduste kontekstis, kus ettevõtete arenguväljavaateid kipuvad kahjustama nii turu väike maht kui ka samas järjest tihenev konkurents. Selleks, et ettevõtte suudaks kasvu jätkata, osutub tema laienemine välisturule sageli peaaegu vältimatuks valikuks. Samas võivad peamised ettevõttesisesed põhjused välislaienemiseks olla mitmesugused, sõltudes nii ettevõtte tehnoloogiast, väliskeskonnast, juhtide kogemustest ja paljust muust. Nende ning samuti suhetest tulenevate põhjuste parem mõistmine võimaldab teha tõsiseltvõetavaid üldistusi kas konkreetse majandusharu või riigi kui terviku rahvusvahelistumise protsessi tunnusjoonte kohta.

Selles plaanis annab üleminekuriikide keskkonna uurimine unikaalse võimaluse koguda praktilisest majanduselust pärinevat tõendusmaterjali suhteliselt varajases faasis oleva rahvusvahelistumise protsessi kohta, sest Lääneriikides on need protsessid üldjuhul juba märksa kaugemale arenenud. See suhteliselt algsaasis olek võimaldab teatud piirini empiirilisel testida ka varasemaid käsitlusi, mille väljaarendamise aegu olid ka uurijate koduriikide ettevõtted oma rahvusvahelistumise tee alguses. Samas tuleb aga tunnistada, et globaalne integratsioon on tänaste üleminekuriikidest pärit ettevõtete jaoks loonud mõnevõrra tolleaegseist erinevad välistingimused ja rahvusvahelised tugistruktuurid, mille olemasoluga tuleb kindlasti arvestada.

Parem arusaam kohalike ettevõtete rahvusvahelistumise protsessist aitab samuti kaasa rahvusvahelise ettevõttemajanduse õpetamise parandamisele, mis omakorda peaks aitama kaasa sellealase teadmise levikule ühiskonnas. Seega aitab käesolev uurimus loodetavasti kaasa ka rahvusvahelise ettevõtlusega seonduva hariduse arengule.

Uuristöö eesmärk ja ülesanded

Käesolevas töös pakub autor välja suhtevalikute kontspetsiooni ehk lühidalt suhetekontseptsiooni ettevõtte rahvusvahelistumise protsessi selgitamiseks. Suhtevalikutena mõistetakse antud kontekstis ettevõtte valikuotsustusi teadmisi omavate ja kogenud välistöötajate värbamise osas või ettevõtte seotuse üle suhetel põhinevate ehk ettevõtteväliste ning omandiseostel baseeruvate ehk korporatsioonisiseste võrgustikega. Seejuures on sihiks importida nende suhete kaudu teadmisi rahvusvahelistumise protsessi ja sihtturgude kohta. Suhte-

valikud on sageli tihedasti seotud vajadusega suurendada välismaiste siht-turgude kohta teadmiste omandamise kiirust üle selle taseme, mida võimaldab vahetule turukogemusele baseeruv järk-järguline õppimine.

Nende valikute mõju ettevõtte rahvusvahelistumisele väljundahelas on suure tõenäosusega mitmete erinevate aspektide vahendusel avaldub mõju, sealhulgas erinevates lähenemistes kajastatud ettevõttesisesed ja tegevusharu tunnused ning turuaspektid. Samas mõjutab kasvav rahvusvaheline tegevuskogemus neid aspekte ja samuti suhtevalikuid. Eeltoodud mõttekäigud võimaldasid sõnastada järgneva eesmärgi.

Käesoleva doktoritöö eesmärgiks on näidata, et ettevõtte suhtevalikute mõju tema rahvusvahelistumisele väljundahelas määratlevad ära nende valikute keerukad koostoimed ettevõttesiseste, tegevusharu ja turuaspektidega. Eesmärgi saavutamiseks püstitati järgmised uurimisülesanded:

- Analüüsida peamisi teoreetilisi rahvusvahelistumise kontseptsioone ning ettevõttele korporatsioonis omistatud strateegilise rolli mõju ettevõtte välistegevusele;
- Sünteesida suhtevalikute teoreetiline raamkontseptsioon, mis hõlmab vastastikkuseid seoseid teiste rahvusvahelistumise aspektidega;
- Tuua esile Eesti kui rahvusvahelistuva ettevõtte koduriigi keskkonna tunnusojooned;
- Sõnastada uurimisväited Eesti ettevõtete rahvusvahelistumise protsessis ilmnevate suhtevalikute tunnusoonte kohta;
- Testida neid uurimisväiteid kasutades kaasusanalüüsi kombinatsioonis küsitlusandmete ja avaliku informatsiooniga, sealhulgas statistikaga.

Kuigi rahvusvahelistumise uurimine üleminekuriikide kontekstis sai alguse juba enam kui kümme aastat tagasi, on seni vähemalt kodumaine uurimistöo keskendunud kirjalike küsitluste vormis uurimuste läbiviimisele, kus kasutatakse enamjaolt valikvastustega ankeete. Selliseid uurimusi on teostatud regulaarselt ning nad on kahtlemata osutunud väärtuslikuks infoallikaks rahvusvaheliste ettevõtete turule sisenemise meetodite, laienemismotiivide, probleemide jms. kohta. Samas ei võimalda nad kahjuks sügavuti mõiste ettevõttespetsiifilisi juhtimisaspekte, millel aga on rahvusvahelistumise protsessis suure tõenäosusega vägagi oluline roll. See ongi esmane põhjus miks käesolevas töös kasutatakse peamise uurimismeetodina kaasusanalüüsi (*case study analysis*) kontrollides tulemusi teiste andmeallikate ehk küsitluste ja avaliku informatsiooni baasil.

Seda uurimismeetodit ei ole autorile teadaolevalt seni veel kodumaiste kolleegide poolt ettevõtete rahvusvahelistumise uuringutes ulatuslikult kasutatud. Seega aitab käesolev uurimistöo loodetavasti kaasa ka küllaltki olulise uurimislünga sulgemisele rakendatud metodoloogia plaanis. Seni on ülemineku-maadest pärit ettevõtete rahvusvahelistumist kaasusanalüüsiga uurinud eeskätt Lääneriikide teadlased, kes aga tihtipeale ei oma piisavalt põhjalikke teadmisi kohaliku majandus- ja ärikeskkonna eripärade kohta. Üldiselt peaks kohalik

uurimus seega aitama kaasa peamiselt Lääneriikide kogemuse baasil loodud teoreetiliste lähenemiste senisest põhjalikumale kohandamisele siirdekeskkonna tingimustega.

Suhtevalikute avaldumise empiiriliseks uurimiseks rahvusvahelistuvates Eesti ettevõtetes püstitab autor töös kaheksa uurimisväidet ehk teesi ning teostab neist lähtuva analüüsi. Selle käigus vaadeldakse küllaltki detailselt kaheksa Eesti näiteettevõtte rahvusvahelistumise protsesse mitmete erinevate mõjuaspektide valguses. Uurimisteesid puudutavad nii järk-järgulise õppimise protsessi kui ka ettevõttesiseseid ja asukohaeliseid, samuti ettevõttesisest võimekust ning suhteid partneritega. Samas on antud uurimistöö puhul tegemist otsingulise uurimisega, mille sihiks on üldistavas mõtmes kaardistada ettevõtete rahvusvahelistumist. Seetõttu peitub suur osa väärtuslikust informatsioonist juba konkreetseid kaasi ja taustinformatsiooni puudutavates analüütilistes arutlustes, mitte üksnes teese puudutavates lõppjäreldestes.

Näiteettevõtte kaasuste analüüs hõlmab töös kahesugust lähenemist kombineerides ettevõtteid tutvustavaid kirjeldusi (alapeatükk 2.1.4) ja kaasustevahelise võrdluse teel saadud tulemusi (peatükk 2.2). Näiteettevõtete kohta nende ettevõtete tippjuhte intervjuerides ja avalikku informatsiooni (sh. ajaleheartikleid, ettevõtete veebilehti ja aruandlusandmeid) läbi töötades kogutud andmetele tuginedes teastatakse kaasusanalüüs. Saadud tulemusi kontrollitakse, kus võimalik, varasemate küsitluste andmete ja Eesti statistikaametist ning Eesti Pangast pärinevate statistiliste andmete baasil. Varasemate, Tartu Ülikooli majandusteaduskonna ja Eesti Investeeringute Agentuuri koostöös 1997-2001 läbi viidud küsitluste seast on töös enim kasutatud 2001. aastal Eesti ettevõtete poolt tehtud otseste välisinvesteeringute küsitlust, mille andmete kogumise ja hilisema analüüsiga käesoleva töö autor vahetult seotud oli. Mitmetele erinevatele andmeallikatele tuginemine näiteettevõtete kohta info kogumisel ning samuti intervjuutekstide ja ettevõtteid puudutavate tekstilõikude hilisem ülevaatamine intervjueritud isikute poolt peaks aitama tagada antud kaasusuuringu ülesehitusliku valiidsuse ning küsitluste ja statistika kasutamine suurendama välist valiidsust.

Ettevõtte rahvusvahelistumisena mõistetakse käesolevas töös ettevõtte tegevuse laiendamist välismaises tegevuskeskkonnas. Lisaks ettevõtte ekspordile, välisinvesteeringutele ja lepingulistele välissuhetele võib see hõlmata ka sisseseadet (tehnoloogia), materjalide ja teadmiste impordi välisettevõtetelt ning muid tegevusi, mis loovad ettevõttele rahvusvahelisi sidemeid.

Rahvusvahelistumise protsess moodustab käesoleva uurimistöö üldkonteksti, mistõttu kõiki ettevõttesiseseid tunnusoone ja juhtimisorientatsioone vaadeldakse rahvusvahelise tegevuse aspektist, seda juhul kui otsesõnu ei ole mainitud teisiti. Seega soovib autor lugejal, juhtudel kus konteksti eraldi ei mainita, vaikimisi eeldada, et tegu on riigipiire ületavate tegevuste kirjeldusega. Sellise lähenemise põhjuseks on asjaolu, et teatud arenguastmel muutub välistegevuste juhtimine rahvusvahelises ettevõttes üldjuhtimise lahutamatuks osaks. See kehtib eriti väikestest avatud majandustest pärinevate ettevõtete kohta, mille puhul siseturu

tegevuste osakaal võib välistegevuste osakaaluga võrreldes jääda ajapikku üsna tagasihoidlikuks.

Suhtevalikute formuleerimise aluseks olevad teoreetilised kontseptsioonid

Käesoleva doktoritöö esimese osa avapeatükis vaadeldakse kolme suuremat ettevõtte rahvusvahelistumise käsitluste kategooriat. Nende käsitluste teatud aspektidele tuginedes formuleeritakse aga peatüki lõpus välisturul tegevust laiendava ettevõtte kolm põhilist suhtevalikut.

Esimese kategooria eelnimetatud kolmest moodustavad nn. **astmelised ehk protsessuaalsed rahvusvahelistumise käsitlused**. Need käsitlused kirjeldavad rahvusvahelistumist kui protsessi, mis on seotud ettevõtte välisturule pühendumise (nende turgudega seotud ajakulu ja ressursid/varad neil turgudel) järk-järgulise kasvuga kooskõlas välisturgete ning rahvusvahelistumise protsessi puudutavate kogemuste ja teadmiste suurenemisega ettevõttes.

Antud kategooria varasemad kontseptsioonid keskendusid peamiselt eksport-tegevuse arengule, kirjeldades kuidas juhtkond järk-järgult väärtustab ekspordi liikudes juhuslikelt välismüükidelt ekspordi tunnustamiseni ettevõtte strateegilise arengu lahutamatu osana.

Hilisemad mõnevõrra täiuslikumad astmelised mudelid, nagu Uppsala mudel ning toode-tegevusmeetod-turg lähenemine, vaatlevad aga ettevõttesisest dünaamikat erinevate välisturule sisenemise meetodite etapiiviisilise kasutuselevõtu näol seostatuna välisturgudele pühendumise kasvuga. Teisisõnu, need käsitlused püüavad selgitada, miks ettevõtted liiguvad väheseid investeeringuid nõudva ekspordimeetodi kasutamisel, lepinguliste sisenemismetodite ja lõpuks välisturgudele investeerimise suunas. Samaaegselt selgitavad need kontseptsioonid siht-turgude valikuga seonduvat ning tegureid mis toovad kaasa nende turgude arvu kasvu. Lisaks eelnevale toob toode-tegevusmeetod-turg lähenemine esile ka välisturgudel müüdavate hüviste tüübid, mis jagunevad füüsilisteks kaupadeks, teenusteks, oskusteabeks ning eelnevat kolme tüüpi seostavaks terviklahenduseks.

Teise suurema kategooria lähenemisi moodustavad **majandusteooriale tuginevad rahvusvahelistumise mudelid**. Sealhulgas kontseptsiooni, mis selgitab miks ettevõtte juhtkond võib kalduda eelistama turutehingutele erinevate tegevuste haaramist ettevõtte sisekäibesse nimetatakse transaktsioonikulude teooriaks. Lisaks sellele selgitusele, mis väidab, et ettevõttesiseste tehingute ehk transaktsioonide kulud on sageli analoogiliste turutehingute omast madalamad näiteks väiksema ootumismiohu tõttu, on sisekäibe loomist selgitatud ka ettevõtte püüdega suurema turujõu saavutamise suunas. Mõlemad selgitused kajastavad seda, miks ettevõttesisene tegevus laieneb muuhulgas üle riigipiiride. Ettevõtted soovivad nimelt rahvusvahelisi turustransaktsioone, näiteks sõltumatute turuosaliste vahelist ekspordi-importi, samuti asendada ettevõtte sisekäibega.

Internaliseerimise ehk sisekäibe loomise idee on hõlmatud ka välisinvesteeringute põhjendamist puudutavasse eklektilisse paradigmasse, mis lisaks sisekäibe loomisele toob esile veel omandieelised ja asukohaeelised. Samalaadselt sisekäibe loomise ideestikule on eraldiseisvalt põhjalikumalt vaatlemist leidnud ka

asukohaeliste aspekt. Need teatud tegevuskoha eelised võivad olla omased sihtriigile kui sellisele, või siis realiseeritavad üksnes kohalike ettevõtete ga koostööd tehes, olles seega ettevõttespetsiifilised asukohaelistes.

Järgmine kategooria rahvusvahelistumise lähenemisi puudutab koostöösuhete loomist ettevõtete vahel. Neis kõige laiemalt on käsitletud **võrgustike lähenemine**, mis rõhutab rahvusvaheliste suhtevõrgustike (klassikaline käsitlus) või ka ettevõttesiseste võrgustike olulist rolli võrgustikku kuuluva ettevõtte rahvusvahelisele laienemisele kaasaaitamisel. Võrgustike puhul tuuakse esile kolme põhitunnust: osaliste vahelised pikaajalised sidemed, omavahel jagatavad ressursid ning integreeritud tegevused. Pikaajalised suhted ettevõtete vahel, kes teatud aspektis võivad olla ka konkurendid, peaksid tuginema vastastikusele usaldusele. Üldjoontes on ettevõtteväline ehk üksnes suhtel põhinev võrgustik teatud vahevariandiks teljel, mille ühes otsas oleks turutehingud ning teises organisatsioonilise hierarhia piires toimuvat sisekäibehingud. Samas ettevõttesisesed ehk omandisuhutel põhinevad võrgustikud on pigem sisekäibe loomise ideega mõtteliselt väga tihedalt seotud või isegi kattuvad.

Tuginedes antud kolmes kategoorias välja toodud rahvusvahelistumise käsitluste elementidele pakub autor välja kolm arhetüüpset suhtevalikut:

- **Esimene suhtevalik** oleks jääda rahvusvahelistumise protsessis teiste majandusagentide (välisettevõtete või väliskogemusega töötajate poolse) toetuseta ja seega teha läbi kogu astmeline turupositsioonide loomise ahel mida kirjeldavad esimesse kategooriasse kuuluvad astmelised käsitlused.
- **Teine suhtevalik** oleks kasutada rahvusvahelistumisel ettevõtteväliseid võrgustikke, sealhulgas rahvusvahelisi töösuhteid ja hankekoostööd, sihtturge ja rahvusvahelistumise protsessi puudutvate teadmiste ülekandeks ehk impordiks võrgustikpartneritelt. See valik haakub eeskätt ettevõtteväliseid koostöövõrgustikke puudutava lähenemisega.
- **Kolmas suhtevalik** oleks siduda ennast välisettevõtete ga omandisuhete ehk korporatsioonisisese võrgustiku vormis või ühise sisekäibe loomisega ettevõtete vertikaalse integratsiooni näol. Esimene aspekt viitab seega võrgustiklähenemise ettevõttesiseste võrgustike suunale ja teine sisekäibe loomise teooriale. Seejuures on ettevõtte aga reeglina sisekäibesse kaasatava mitte kaasaja rollis, kuigi hankijate suhtes on võimalik ka initsiaatori roll.

Lisaks neile suhtevalikutele käsitlevad astmelised, majandusteooriatele tuginevad ja võrgustikkontseptsioonid mitmeid olulisi ettevõttesisesi ja tegevuskeskkonda puudutavaid aspekte. Nii näiteks selgub eklektilisest paradigmat, et ettevõttespetsiifilistel omandieelistel on rahvusvahelistumise protsessi selgitamisel samuti väga oluline roll. Seetõttu vaadeldakse antud doktoritöö esimese osa teises peatükis kaasaegsemaid rahvusvahelistumise käsitlusi, mille huvikeskmes on ettevõttesisesed aspektid, nagu ettevõtte ressursid ja võimekused (*capabilities*), tema turuorientatsioon ja ettevõtlikkust toetav nägemus. Seega, need käsitlused aitavad põhjalikumalt selgitada ettevõttesiseste tunnusoonte ning veidi kaudsemalt

ka tegevusharu ja turuaspektide rolli ettevõtte välislaienemise protsessis edu saavutamisel, olles hiljem abiks suhtevalikute ja rahvusvahelistumise seostamisel nende mõjuaspektide kontekstis.

Rahvusvahelistumise ettevõttesisete aspektide teoreetilised käsitlused

Selles rahvusvahelistumise käsitluste kategoorias võib eristada kolme kontseptsiooni. Esimene neist, ettevõtte **ressurssidel baseeruv lähenemine** toob esile ettevõtte ressursside ja võimekuste keskse rolli püsivalt säilitatava konkurentsieelise, mida võib pidada eduka rahvusvahelistumise eeltingimuseks, saavutamisel. Ressursid on selle käsitluse kontekstis olemuselt materiaalsed ning nende väärtus ajas ja teiste ettevõtetega jagamise korral väheneb. Võimekused seevastu on pigem mittemateriaalse iseloomuga ning nende jagamine partnerluse vormis võib pigem suurendada kui vähendada nende väärtust.

Turuorientatsiooni lähenemine omab eelneva lähenemisega küllaltki sarnaseid jooni. Vastavalt selle lähenemise ühele versioonile, peaks ettevõtte keskendama oma tähelepanu nii ettevõttevälistele (tarbijad) kui –sisemistele (töötajad ja muud huvigrupid) klientidele, tegelema konkurentide regulaarse monitooringuga ning aitama kaasa erinevate osategevuste interfunktsionaalse integreerituse kasvule. Teised turuorientatsiooni puudutavad käsitlused on juhtimisaspektide mõttes pisut erineva rõhuasetusega, kuid siiski suuresti samalaadsed.

Ettevõtlik orientatsioon tähendab aga seda, et ettevõttes on oluline omada teatud juhtisikuid, olgu selleks siis tippjuhid või kõrgelt kvalifitseeritud spetsialistid, kes tegeleks pidevalt uute innovaatiliste lahendite otsimisega, mis võimaldaksid pideva uuendamise kaudu alal hoida ettevõtte konkurentsieeliseid. Eeltoodud kolm lähenemist selgitavad seega ettevõtte rahvusvaheliseks muutumise potentsiaali eeskätt tema sisemiste ressursside, võimekuste ja orientatsioonidega.

Lisaks eeltoodud kolmele käsitlusele on ettevõtte rahvusvahelistumise vaatenurgast väga oluline ka see, milliseid strateegilisi kohustusi ja õigusi sellele ettevõttele antakse. Seda juhul kui me vaatleme välisomanduses olevat äriühingut, mis on saanud osaks suuremast rahvusvahelisest korporatiivsest struktuurist. Niisuguses olukorras võib välismaine emattevõtte oma kontrolli all oleva ettevõtte rahvusvahelistumist väljundahelas nii soosida kui takistada. Esimeses olukorras antakse talle ulatuslikke strateegilisi volitusi kas regionaalsel või isegi globaalsel tasandil. Teisel puhul muudetakse see allüksus aga oma niioeldaks käepikenduseks, mis peab tegelema ainult oma kohaliku turu teenindamisega, löömata kaasa regiooni või korporatsiooni üldist arengut puudutavate strateegiliste otsuste langetamises.

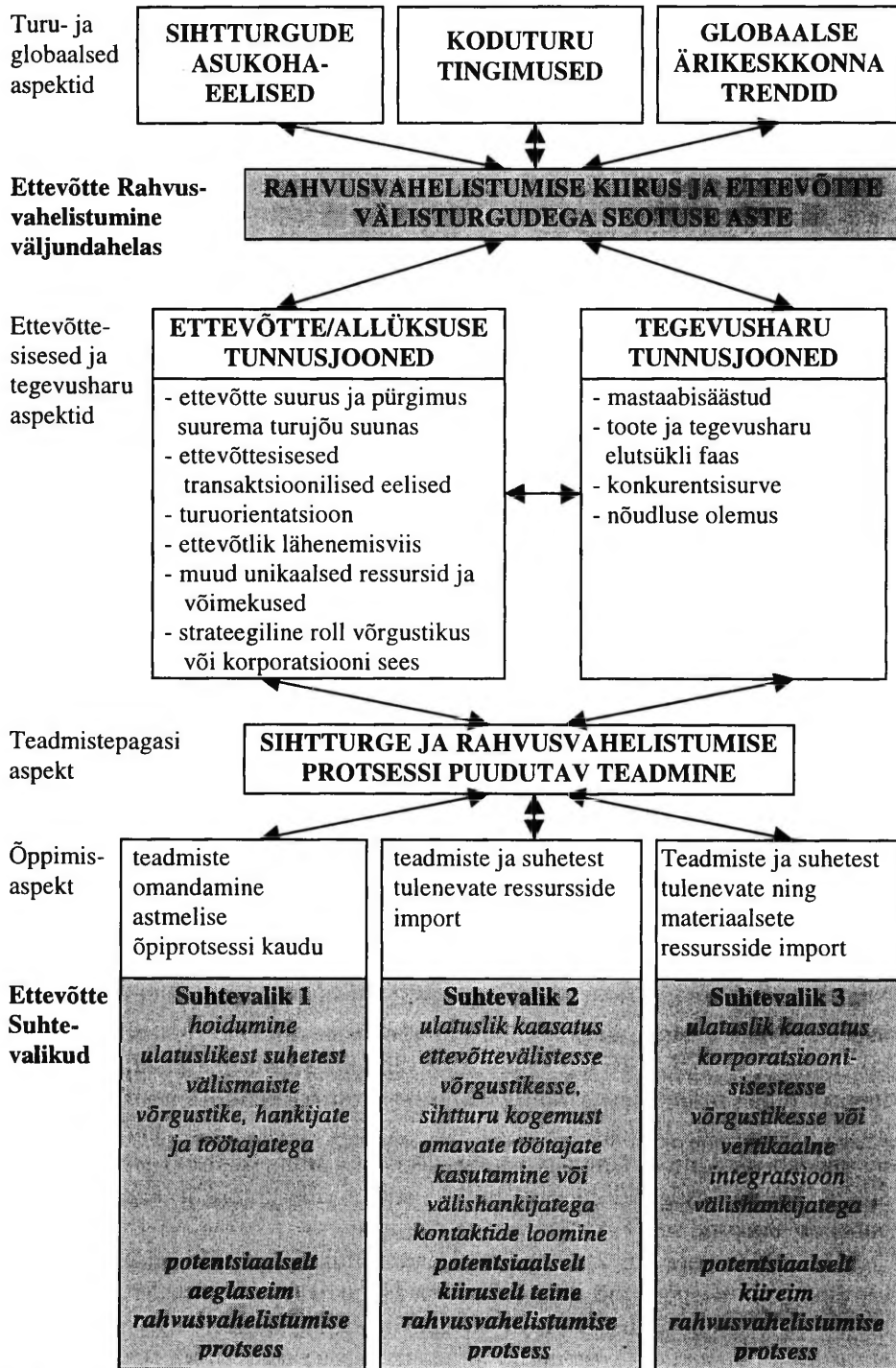
Ettevõtte suhtevalikutel baseeruv teoreetiline raamkontseptsioon

Kõik kirjeldatud kontseptsioonid on võimalik sünteesida ühtsesse raamistikku, mis vaatleb ettevõtte suhtevalikuid koostoimes ettevõttesiseste, tegevusharu ja turuaspektidega. Selles raamistikus seisab rahvusvahelistuv ettevõtte vastamisi kolme peamise suhtevalikuga: ta võib omandada sihtturgude ja väliturule laienemise protsessi ennast puudutavaid teadmisi järk-järgult õppides, hoidudes erinevatest suhetest ; ta võib teadmisi ja suhteid kui ressursse importida palgates kogenud kodumaiseid või välismaiseid töötajaid või luues omandisuhetega mitteseotud partnerlussuhteid; ja ta võib importida vastavaid teadmisi ning mitmesuguseid suhte- ja materiaalseid ressursse kuuludes rahvusvahelistesse võrgustikesse omandisuhete kaudu või partneritega vertikaalselt integreerudes.

Esimene suhtevalik võib viia potentsiaalselt kõige aeganõudvama rahvusvahelistumiseni, sest õpiprotsess on antud juhul aeganõudev, kuid samas on sihtturul omandatud kogemused vahetud ja seetõttu tõenäoliselt väärtuslikumad. Teine valik peaks viima kiiruselt teise rahvusvahelistumise protsessini, sest teadmistelünga sulgemine toimub tänu teadmiste ülekandele kiiremini, samas suureneb aga ettevõttesiseste kultuurikonfliktide oht. Omandisuhete kaudu toetuse saamine peaks viima ettevõtte kõige kiirema rahvusvahelistumiseni, seda välja arvatud juhul kui välismaise ematööstuse strateegia kohaselt ei pea omandatud ettevõtte kui allüksus üldse omama rahvusvahelist rolli. Teadmiste ülekandele võivad selle kolmanda valiku positiivsete joonte ilmnemise korral lisanduda nii rahalised kui mitmesugused muud ressursiülekanded. Need kolm valikut kujutavad endast väljapakutavas raamkontseptsioonis õppimisaspektiga tihedalt seotud suhtevalikuid.

Lähtuvalt nendest valikutest kujuneb ettevõtte välisurgudele laienemiseks vajalik teadmistepagas, aga enne kui jõutakse vastavat laienemist puudutavate otsusteni, tuleb arvesse võtta ettevõttesiseseid ja tegevusharu aspekte. Need aspektid hõlmavad vaadeldud ettevõttesiseseid tunnusoone, nagu ressursid, võimekused, orientatsioonid ja strateegilised rollid, aga samuti mastaabisääste, konkurentsitingimusi, nõudluse olemust, toote elutsükleid jms. ettevõtte tegevusharu iseloomustavaid tunnuseid.

Ettevõtte rahvusvahelistumise kiirust ja välisurgudega seotuse soovitatavat astet puudutavad otsused sõltuvad aga veel ka turu- ning globaalsetest aspektidest. Nendeks aspektideks on näiteks koduturu tingimused, erinevate sihtturgude asukohaeelised ja globaalse ärikeskkonna arengutrendid. Ettevõtte rahvusvahelistumise üle otsustavad juhid peaks oma otsustustes kõigi nende aspektidega, alates suhtevalikutest ja neist tulenevast teadmiste tasemest kuni ettevõttesiseste ja tegevusharu tunnusteni ning turgude ja globaalse majandus-situatsiooni aspektideni, arvesse võtma. Alles suhtevalikute ning muude aspektide keerukas koostoime määratleb seega ära ettevõtte välisurgudele pühendumise kiiruse ja ulatuse. Samas on antud raamistikus mitmeid kõrval ja vastasmõjusid, näiteks mõjutab ettevõtte vajadus teadmiste järele tema suhtevalikuid. Raamkontseptsioon on tervikuna toodud joonisel 3.



Joonis 3. Ettevõtte rahvusvahelistumise suhetekontseptsioon

Koduturg Eesti ettevõtete rahvusvahelistumise taustsüsteemina

Eesti on kodumaise turukeskkonnana näide väikesest avatud majandusega siirderiigist, mida iseloomustavad positiivsete külgedena väga liberaalne majanduspoliitika, ettevõtete tulumaksu puudumine reinvesteeringut tuludelt, hästiarenenud pangandussüsteem, edukas erastamisprotsess, infotehnoloogia ja telekommunikatsiooniteenuste kiire areng ning suhteliselt madal korrupsiooni tase võrreldes teiste Kesk- ja Ida-Euroopa riikidega. Samas iseloomustab Eestit haridussüsteemi suhteline tasakaalustamatus, millega kaasnevaks nähtuseks on suureneva tähtsusega välistegevuse arengutõkendina kutsehariduse puudujääkide tõttu tekkinud kvalifitseeritud tööjõu puudus ning kodumaiste (patendivääriliste) innovatsioonide vähesus. Tunnetatav on ka jätkuv vajadus institutsionaalse struktuuri tõhustamise järele ning teoksil on rahvusliku seadusandluse ühtlustamine Euroopa Liidu seadustikega, sest Eesti soovib teadaolevalt liituda Euroopa Liiduga.

Käimasolev integratsiooniprotsess on toonud kaasa ulatuslikud muudatused ka Eesti välikaubandusvoogudes, sest 1990ndatel aastatel toimus ekspordi ümberorienteerimine endise NSV Liidu kaubanduspartneritelt peamiselt Euroopa Liidu liikmetest Lääneriikidesse. Samalaadsed suundumused on toimunud impordi valdkonnas. Seda pöördumist Idast Läände toetas oluliselt ka erastamine, mis soodustas välisinvesteeringute sissevoolu Eestisse. Nende arengute tõttu omandasid mitmed välisomandusse läinud või väliskoostööd tegevad Eesti ettevõtted unikaalse nn. juurdepääsukanali positsiooni, aidates maandada Lääneriikide ja Ida-Euroopa riikide erinevatest äritraditsioonidest tulenevat negatiivset mõju oma partnerite tegevuse laienemisele siirderiikidesse.

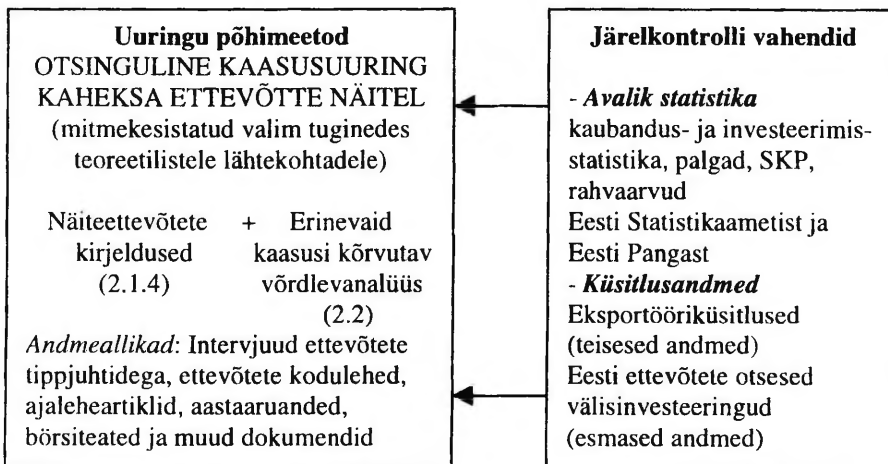
Kokkuvõte empiirilise uuringu metodoloogiast

Tuginedes sellele üldmajanduslikule taustateadmisele ning teoreetilisele osa põhitulemustele viis autor läbi iseseisva empiirilise uuringu selgitamiseks välja Eesti ettevõtteid iseloomustavaid suhtevalikuid ning teisi rahvusvahelistumise aspekte. Kuna uuringu keskne huvi oli analüüsida ettevõttesiseseid aspekte ja rahvusvahelistuvate Eesti ettevõtete suhtevalikuid, käsitledes sealhulgas juhtide motiive ning arusaamu, siis valiti peamiseks uurimismeetodiks mitme näiteettevõtte analüüsile tuginev otsinguline kaasusanalüüs. See uurimismeetod võimaldab, praktilises kontekstis ning kasutades mitmesuguseid andmeallikaid analüüsida kaasaegseid nähtusi, mille puhul piirid nähtuse ja tema konteksti vahel on ähmased.

Käesolevas uuringus kasutatavatest andmeallikatest ja valiidsuse tagamisest oli juba juttu eespool töö empiirilise osa üldtutvustuse juures. Suurendamiseks uuringu ülesehituslikku valiidsust saadeti intervjuu üleskirjutused ning näiteettevõtteid puudutavad kirjeldused ja analüüs antud doktoritöös intervjuueeritud juhtidele ülevaatamiseks. Välise valiidsuse suurendamiseks kontrolliti aga

saadud tulemusi võimaluse korral 1997-2001 teostatud küsitluste andmete ning Eesti Statistikaametist ja Eesti Pangast pärineva avaliku statistika abil.

Kaasusuuring hõlmas kaheksat ettevõtet, millest viis olid tootmisettevõtted ja kolm teenindusettevõtet. Tootmisettevõtete seas kuulusid valimisse peenmehaanikaettevõtte Tarkon, autoklaase tootev Saint-Gobain Sekurit Eesti ning kolm rõiva- ja tekstiilitööstusettevõtet: Baltika, Sangar ja Kreenholm. Teenindusettevõtted pärinesid transpordisektorist (rahvusvaheline bussiettevõtte Mootorreisi), internetiärist (veebipõhine tööpõhine pakkuv CV-Online) ja pangandussektorist (Baltikum üs suurimaid panku Hansapank). Enamik neist ettevõtetest on rahaliste näitajate ja töötajate arvu järgi vaadeldes suhteliselt väikesed, välja arvatud Baltika, Hansapank ja Kreenholm. CV-Online, Hansapank ja Mootorreisi asutati 1990ndatel aastatel ning Saint-Gobain Sekurit Eesti asutati Eesti-Rootsi ühissettevõtteks 1989. aastal. Ülejäänud nelja ettevõtte puhul on tegu erastatud ettevõtetega, mis tegelesid tootmisega juba nõukogude ajal (Sangar) või isegi enne seda (Baltika, Kreenholm, Tarkon). Selline valim moodustati tuginedes pigem teoreetilistele seisukohtadele kui statistilistele põhimõtetele, kusjuures ettevõtete valimisel peeti silmas ka mitmekesisust nii ettevõtete suuruse, tegevusalade, kui ka välissuhete iseloomu ning ulatuse mõttes. Valiku tegemisel tuli arvestada ka ettevõtet puudutava avaliku informatsiooni olemasolu ja kättesaadavusega. Rõiva- ja tekstiilitööstuse ettevõtete suurem osakaal on aga tingitud soovist teha mõningaid üldistusi ka tegevusharu aspektide mõju kohta nimetatud tegevusharu näitel. Osas 2.1.4. toodud näiteettevõtteid puudutavaid kirjeldusi tuleks seejuures vaadelda empiirilise analüüsi lahutamatu osana. Seega peatükis 2.2 toodud analüüsiga tutvumisel tuleks lähtuda neist kirjeldustest saadud teadmistest ettevõtete tegevuskonteksti kohta. Kokkuvõtte uurimuse metodoloogiast on toodud joonisel 4.



Joonis 4. Empiirilise uuringu metodoloogia

Töös püstitatud uurimisväited ja nende analüüsi tulemused

Tuginedes töö teoreetilises osas väljaarendatud raamkontseptsioonile ja Eesti majanduskeskkonda puudutavale taustinformatsioonile, püstitas autor kaheksa uurimisväidet. Need puudutavad Eesti ettevõtete suhtevalikuid ja muid teoreetilises raamkontseptsioonis käsitletud aspekte (vt. joonis 3).

Uurimisväiteid ehk teese analüüsiti neljas kategoorias. Esimene neist keskendub rahvusvahelistuvates Eesti ettevõtetes toimuva astmelise õppimise aspektile. Teine kategooria puudutab nende ettevõtete valikuid suhetest tuleneva abi kasutamise osas kas ettevõttevälisesse või ettevõttesisestesse võrgustikesse kuulumise kaudu või kogenud töötajate palkamise teel. Kolmas kategooria uurimise ees selgitab Eesti ettevõtete tugevaid külgi tehtud suhtevalikute rahvusvahelises kontekstis ning viimane kategooria puudutab ettevõttesiseste ning tegevuskeskkonna aspektide mõju ettevõtete rahvusvahelistumisele väljundahelas. Rõiva- ja testiilutööstuse ettevõtete kogemuse baasil tehakse mõningaid esialgseid järeldusi ka tegevusharu aspekti mõju kohta, kuid see aspekt nõuab kahtlemata tulevikus veel täiendavat uurimist.

Esimesse kategooriasse kuulub tees 1, millega seotud analüüsil tugines autor kaasustevahelistele võrdlusele ning küsitlusandmetele ja statistikale. See andis järgnevaid tulemusi:

1. Arvatavalt tegelevad Eesti ettevõtted oma välistegevuses otsese ekspordi või müügile orienteeritud investeeringutega lähiturgudele, kusjuures nende sihturgude ja sisenemismeetodite puhul ilmneb astmeline mitmekesisus.

Sisenemismeetodeid puudutav aspekt selles väites leidis kinnitust nii kaasusanalüüsi kui ka küsitlusandmete ja maksebilantsi puudutavate andmete baasil. Samas on aga otsese ekspordi kui sisenemismeetodi kasutatavus teenindussektori ettevõtete jaoks suuresti piiratud. See ilmnis ka valimisse kuulunud teenindusettevõtete juhtide vastuste ning taustinformatsiooni analüüsil. Kuigi tootmisettevõtted kasutavad põhimeetodina oma toodete otseseks ekspordiks Eestis asuvatest tootmisbaasidest, on mitmed neist teinud samas välisinvesteeringuid, et ehitada üles oma turustuskanaleid välismaal.

Sihturgude läheduse argument leidis samuti kinnitust nii näiteettevõtete kogemuse baasil kui ka küsitluste ja riigi tasandi andmeid kajastava statistika baasil. Samas on toimunud märgatavad muutused mitmekesisema ekspordi struktuuri suunas, mis tähendab eksportsuhete kasvu kaugemalasuvate riikidega.

Astmelise õppimise ja arengu mõttes selgus, et arusaam ettevõtete rahvusvahelistumise protsessist võib olla väga mitmesugune. Mõnede juhtide jaoks olid arengu astmed seotud teatud sündmusega, nagu näiteks erastamine, samas kui teiste jaoks olid käitumuslikud muutused esiplaanil. Seega tuleb tunnistada, et kuigi astmelisus ilmneb, ei ole kirjeldatud astmed tihtipeale kooskõlas teoorias tuntuks saanud kujunemispõhimõtetega. Samas on näiteettevõtete tegevuskirjelduste (2.1.4) juures välja toodud välistegevuse kujune-

mise astmed mõnevõrra enam kooskõlas teoreetiliste seisukohtadega, kui seda juhtide poolt intervjuude käigus kirjeldatud astmed.

Kokkuvõtteks võib öelda, et esimene uurimisväide tervikuna leidis olulisel määral kinnitust, kusjuures selgus, et Eesti ettevõtete rahvusvahelistumise protsess on teooria perspektiivist vaadates alles varajases faasis, mida iseloomustab suhteliselt tagasihoidlik ressursside paigutamine välisurgudele, seejuures keskendutakse eeskätt geograafiliselt ja sotsiaalkultuuriliselt lähedastele sihtriikidele. Lisaks sellele selgus, et turupositsioonide loomise ahelad järjest suureneva välisurgudega seotuse suunas on palju mitmekesisema ülesehitusega kui teooria baasil eeldatud ning kõigile ettevõtetele kohalduvat ühist sisenemis-meetodite kasutamise järjekorda pole. Seega võib öelda, et Eesti ettevõtted järgivad astmelise lähenemist enam turudimensiooni kontekstis kui sisenemis-meetodite arengut puudutavas kontekstis. Viimases dimensioonis on arenguastmete osas täheldada küllaltki suurt varieeruvust.

Eesti ettevõtete suhtevalikuid analüüsiti otsesemalt järgnevat teeside baasil:

2. Eesti ettevõtete rahvusvahelistumine väljundahelas on suure tõepärana mõjutatud neisse ettevõtetesse suunatud välissuhetest, mis on mitmel juhtudel seotud omandi (suhtevalik 3) või allhankesuhetega (suhtevalik 2) sihtriigi ettevõtetega loodud võrgustike kontekstis.

Tuginedes valimi ettevõtete välisomandiga seotud ja hankesuhetele võime väita, et Eesti ettevõtete positsioonide loomine välisurgudel sõltub neisse ettevõtetesse suunatud ja hankeahelaga seotud rahvusvahelistest suhetest.

Kaheksa näiteetevõtet võime nende seoste põhjal jaotada järgmiselt: 1) Tarkon ja Saint-Gobain Sekurit Eesti – ulatuslikult kaasatud rahvusvahelisse korporatsioonisisesse võrgustikku; 2) Kreenholm ja Hansapank – seotud korporatsioonisisese võrgustikuga, kuid omavad ulatuslikku autonoomiat; 3) Mootorrei, CV-Online, Baltika – omavad tugevat juhtimispositsiooni enda poolt juhitud korporatiivsetes võrgustikes ning mõningaid välisomanikega seotud suhteid; 4) Sangar – seotud peamiselt ettevõtteväliste suhte võrgustikega, kus ühendavaks jõuks on pikaajaline vastastikune kasu.

Need jaotused kajastavad näiteetevõtete võrgustikesse kaasatud olemust. Nimetatud ettevõtete teadmiskand ja ressursiülekanded välispartneritelt on kooskõlas nende välisvõrgustikesse kaasatuse ulatusega. Ülekanded on suuremahulisemad neis ettevõtetes, kelle suhted välisomanike või välispartneritega on väga intensiivsed. Samas kõigil kaheksal juhul ilmnes, et niisugustel teadmiste, tehnoloogia ja usaldusväärse ülekannetel oli soodustav mõju näiteetevõtte välistegevuse arengule väljundahelas.

Seega kokkuvõtlikult, näiteetevõtete sisend-väljund seoste, sealhulgas võrgustikeoste detailne analüüs andis tulemuse, mis toetab uurimisväidet 2. Sisendsuhetel on tõepoolest oluline roll Eesti ettevõtete välislaienemise toetamisel väljundahelas, olgu need siis kontsernisisesed suhted ehk allüksuse suhted oma välismaise emaetevõttega või omandisuhetega mitteseotud võrgustikusuhted.

3. Eesti ettevõtted eelistavad oma välismaistes allüksustes kasutada sihtriigi töötajaid (suhtevalik 2), kusjuures ettevõttespetsiifilise teadmise ülekanne on korraldatud regulaarsete visiitide ja infovahetuse vormis.

Analüüsi käigus selgus, et näiteetevõtete valdav enamik kasutab nn. polütsentrilist värbamispoliitikat, mille puhul välisallüksused mehitatakse kohalike töötajatega, kusjuures ettevõtte ühtse nägemuse ülekandmist neisse üksustesse peeti samuti väga oluliseks. Osaliseks erandiks võib pidada Kreenholmi, kes teatud välismaistes üksustes, näiteks Saksamaal, kasutab juhtidena Eesti päritolu töötajaid. Analüüsi käigus ilmnis, et näiteetevõtetes eksisteerivad sageli treeningprogrammid, mille sihiks on välisallüksuse töötajate integreerimine ettevõttesse. Lähtudes toodud tulemustest võib väita, et uurimistes 3 leidis samuti kinnitust.

Teise ja kolmanda uurimisväite analüüs näitas, et Eesti ettevõtete suhted sihtriikide ettevõtetega on küllaltki keerukad, kuigi korporatsiooniseseid ehk välisomandusega seotud suhteid võib pidada dominantseteks. Need suhted võimaldavad ettevõtetele juurdepääsu teadmistele, tehnoloogiale ja ressurssidele mida Eesti ettevõtted vajavad rahvusvahelistumiseks väljundahelas. Inimestevahelisi suhtevõrgustikke kasutatakse näiteetevõtetes eeskätt kogenud sihtriigi töötajate palkamise näol nende koduriigis paiknevasse välisüksusesse.

Ettevõtte konkurentsivõimet tagavaid tugevaid külgi testiti kahe uurimisväite najal ning alljärgnevalt on esitatud saadud tulemused:

4. Eesti ettevõtted toimivad tõenäoliselt oma Lääneriikide partnerite või omanike jaoks sotsiaalkultuurilise juurdepääsukanalina teistesse endise NSVLi majandustesse, omades teatud organisatsiooniseseid eeliseid sealsete ettevõtete ees, kelle majandusruum pakub samas asukohaheeliseid Eesti ees.

Eesti ettevõtete turukäitumine viitab nende teatavale eelisseisundile teiste Balti riikide äri- ja finantsteenuste valdkonnas. Välismaiste sihturgude suurusega seotud asukohaheeliseid toodi esile mitmetes vastustes (Neivelt, 2002; Osula, 2002). Samas kui ainult kaks näiteetevõtet toimisid selgelt oma välisomanike huvide vahendajatena, olid mõned teised ettevõtted võtnud endale samalaadse rolli veidi kaudsemal moel või ilmutasid kavatsust seda tulevikus teha.

Sellele vaatamata tuleb tunnustada, et neljas uurimisväide leidis kahjuks ainult osaliselt kinnitust, sest Eesti ettevõtete strateegilised positsioonid osutusid palju mitmelaadsemaks kui arvatud. Mõned neist kujutavad endast suuresti sõltumatuid korporatiivseid struktuure (Mootorreisi), samas kui teiste rahvusvahelised seosed väljundahelas on seotud peamiselt Lääneriikidest pärineva välisomaniku koduturu teenindamisega (Tarkon). Seega, kui küsitlusandmed viitasid teesis toodud juurdepääsukanali positsiooni küllaltki laialdasele levikule, siis kaasusanalüüsi kaasatud ettevõtete seas ei olnud säärane positsioon kuigi sageli esinev.

5. Eesti ettevõtete välismaine konkurentsivõime toetub pigem nende jälgendamatulitele ja dünaamilistele võimekustele (kohanemisvõimele) ning nende kliendikesksusele kui ettevõttesisestele materiaalsetele ressurssidele või läbimurdelistele uuendustele.

Uurimisväite see aspekt, mis puudutab ettevõtete tuginemist peamiselt oma dünaamilistele võimekustele, nagu kohanemisvõime, leidis vaid osaliselt kinnitust, sest Eesti ettevõtete eelised olid oodatust enam seotud toodete ja tootearendusega. Samas osutus pigem kliendikesksusele rõhumine, kui tuginemine hästi välja arendatud sisemisele ressursibaasile, omaseks peaaegu kõigile näite-ettevõtetele. Dünaamilised võimekused, sh. kohanemisvõime, on aga eriti omased Kreenholmile. Siiski omavad ka ülejäänud näiteettevõtted vähemalt osalist võimet kohandada ennast tegevuskeskkonna muutuvate tingimustega.

Eeltoodud kahe aspekti, see tähendab kohanemisvõime ning kliendikesksuse, kokkuvõttes võib siiski tõdeda, et viies uurimisväide osutus suures osas tõeseks, sest Eesti ettevõtete toodete või teenuste alane arendustegevus on enamast samuti seotud pigem turu nõudmiste ja vajaduste järgimisega, kui üksnes uutele ja väga innovaatilistele ideedele rajanevad, see tõsiasi aga näitab nende klientidele orienteeritust.

Võttes kokku kogu seda teesida kategooriat tuleb öelda, et Eesti ettevõtete tugevate külgede analüüs andis mõnevõrra vastakaid tulemusi. Oma eeliste väljaarendamisel osutusid ettevõtted eeldatust enam orienteerituks toodete või teenuste arendamisele. Kliendikesksust peeti konkurentsivõime saavutamisel üheks kõige olulisemaks aspektiks aga suuresti kõigis ettevõtetes.

Viimases teesidekategorias vaadeldi lähemalt mõningate ettevõttesiseste tunnusjoonte ja tegevuskeskkonna aspektide mõju Eesti ettevõtete välistegevuse laienemisele jargnevale kolmele teesile:

6. Rahvusvahelistumise protsessis edu saavutamise võtmeteguriks on Eesti ettevõtete puhul nende inimpotentsiaal.

Kuigi valdav enamik näiteettevõtteid rõhutas oma inimpotentsiaali kui keskseimat rahvusvahelise tegevuse edutegurit, ilmsesid intervjuudes ka mõningad tõsised piirangud. Nii näiteks, töid Tarkoni ja Kreenholmi juhud esile asjaolu, et töötajate käitumise või arusaamade mõningad aspektid on oma mõju poolest ettevõtte välislaienemisele pigem probleeme loovad. Seega suurtes ja kauem eksisteerinud tootmisettevõtetes toimuvad muutused äritavades oluliselt aeglasemalt kui väiksemates teenindusettevõtetes või alles äsja loodud ettevõtetes. Siiski, vaatamata neile kaasustevahelise võrdluse käigus ilmnunud eripäradele, leidis inimpotentsiaali keskne roll kinnitust.

7. Rahvusvahelistuvate Eesti ettevõtete konkurentsieelise määratlevad ära nende sisemiste ressursside ja võimekuste sünergiad arengutega regionaalsetes võrgustikes (suhtevalikud 2 ja 3) ja konkurentsikeskkonnas (turu- ja tegevusharu aspektid).

Kaasusuuringu abil saadud tulemused on seitsmenda uurimisväitega kooskõlas. Isegi neil juhtudel kui ettevõtte ei tunneta otsest võrgustikepoolset survet oma tegevusele, nii on see näiteks Sangari ja Baltika puhul, on võrgustikel siiski

oluline roll ka selliste ettevõtete tõukamisel strateegiliste muutuste suunas. Strateegilised muutused peaks aitama neil säilitada tugeva turupositsiooni ka situatsioonis, kus ettevõtete praegused konkurentsieelised kaovad. Lisaks näitas ettevõtete tegevuskogemuse analüüs ka seda, et nii turgudel toimuvad kõikumised, tihenev konkurents kui ka muud muutused ettevõtete üldises tegevuskeskkonnas võivad ettevõttesisesed välistegevuse laiendamise eelised olematuks muuta ning sundida mõningaid ettevõtteid isegi teatud sihtturgudel tagasi tõmbuma.

8. Keskkonna kiire muutlikkuse ja konkurentsipurve tõttu võime eeldada, et rahvusvahelistuvad Eesti ettevõtted panevad oma tegevuses põhirõhu ettevõtlikule mõttelaadile.

Ettevõtliku mõttelaadi tähtsus ilmses kõigi näiteetevõtete puhul ja kuigi selle mõttelaadi seos tegevuskeskkonna muutlikkusega jäi mõnevõrra kaudseks, võib siiski väita, et ka viimane uurimistees leidis kaasusuuringu puhul suuresti kinnitust. Olulise kõrvaltulemusena selgus aga asjaolu, et näiteetevõtetes on, võrreldes nende firmade varajasemate arengustaadiumitega, ettevõtlikkus muutunud kollektiivsemaks ideede ja uuenduste genereerimiseks.

Viimase kategooria teeside analüüs näitas, et töötajate oskusi ja omadusi ehk inimpotentsiaali peetakse tööpoolest väga tähtsaks eduteguriks, samas kui ettevõtte tegevusharu või –keskkonda iseloomustavatel aspektidel on samuti üsnagi dominantne mõju näiteetevõtete välisturgudele sisenemise või sealt väljatõmbumise otsustele. Kuigi mitmed vaadeldud ettevõtetest osutusid nn. ettevõtjakeskseteks ettevõteteks, on tänaseks ettevõtlik meelelaad neis ettevõtetes seostatav märksa enam kollektiivsusega kui üksikute juhtisikute uuendusmeelsusele tuginev, nagu seda kümne aasta eest.

Tulemuste üldistused ja soovitud tulevateks uuringuteks

Tuginedes näiteetevõtete tegevuse kirjeldustele ja kaasuste võrdlevanalüüsile, võime järeldada alljärgnevat:

- Eesti ettevõtted on üldjuhul oma välistegevuses astmelise õpirotsess suhteliselt varajases faasis (esimene uurimisväide).
- Olulisel määral toetavad nende ettevõtete rahvusvahelistumist väljundahelas korporatsioonisiseste või –väliste võrgustikega suurema seotuse suunas tehtud suhtevalikud (teine uurimisväide), mille seast viimased ehk omandisuhetega mitteseotud võrgustikud hõlmavad ka välistöötajate värbamist.
- Seejuures on võrgustikupartneritelt toimuvate teadmiste ning ressursside ülekannete ulatus kooskõlas ettevõtete või isikute vastastikkuse seotuse tasemega, olles ulatuslikumad omandisuhetel põhinevates korporatsioonisisestes võrgustikes (teine uurimisväide)
- Laialdaselt kasutatavaks teadmiste impordi või ettevõttesse toomise meetodiks on Eesti ettevõtete puhul välisallüksuste mehitamine sihtriigi töötajatega (kolmas uurimisväide)

- Eesti ettevõtete rahvusvahelistumise protsessi soodustamise seisukohalt on keskseteks ettevõttesisesteks tunnusoonteks nende ettevõtete: **1)** ettevõtlik mõttelaad (kaheksas uurimisväide); **2)** inimpotentsiaal (kuues uurimisväide); **3)** kliendikeskne lähenemine (ka tootearenduste vallas) (viies uurimisväide); ja **4)** organisatsioonisisised eelised Ida-Euroopas asuvate naaberriikide ettevõtete ees (neljas uurimisväide).
- Nimetatud ettevõttesiseste tunnuste mõju Eesti ettevõtete väljundahelas toimuvale rahvusvahelistumisele sõltub antud tunnuste ning regionaalsetes võrgustikes ja konkurentsikeskkonnas asetleidvate arengute vahelistest sünergiatest (seitsmes uurimisväide). Negatiivsuse korral võivad need sünergiad muuta ettevõttesisesed eelised aegunuteks ja seega kasututeks.

Eeltoodut üldistades saamegi väita, et ettevõtte suhtevalikute mõju tema rahvusvahelistumisele väljundahelas sõltub tõepoolest mitmesugustest ettevõttesisestest aspektidest, nagu ettevõtlikkuse tase, inimpotentsiaal ja eelised mõningate teiste Ida-Euroopa riikide analoogiliste ettevõtete ees, kusjuures suhtevalikute lõplik mõju sõltub veel ka tegevusvaru, turu- ja globaalsetest aspektidest. Lisaks sellele näidati töös ka seda, et suhtevalikutest tuleneva toetuse ulatus on kooskõlas partnerite vastastikkuse seotuse tasemega ning eesmärkide sarnasusega.

Näiteetevõtete kogemuse analüüsiga saadud põhitulemused on, teoreetilises osas väljapakutud raamkontseptsiooniga (vt. joonis 3) seonduvalt, kajastatud tabelis 1. Seekord on kontseptsiooni aspektid esitatud tabeli kujul, sest sellisel juhul on ülevaatlikkus ühe leheküljelises vormis võimalik esitada rohkem aspekte ning teha seda täpsemas sõnastuses. Joonisel 3 kajastatud vastastikkused seoseahelad on seega endiselt olulised ka tabelis 1 toodud informatsiooni kontekstis, seetõttu soovib autor lugejal vaadata antud tabeliga tutvudes ka joonist. See kokkuvõttev tabel aitab paremini mõista Eesti ettevõtete suhtevalikute ja teiste analüüsitud aspektide mõju nende ettevõtete rahvusvahelistumisele. Suhtevalikute puhul on tabelis 1 ära toodud analüüsitud ettevõtete mõnevõrra tinglik jagunemine kolme varem väljatoodud valiku osas. Tinglik seetõttu, et ka Baltika puhul on teatud suhted olemas, kuid juhtimises keskendub ettevõtte siiski oma tegevuse järk-järgulisele arendamisele kooskõlas ettevõtte sees toimuva õpiprotsessiga.

Ettevõtete rahvusvahelistumise uuringud peaksid tulevikus keskenduma konkurentsisure ja tegevuskeskkonna dünaamika rollide detailsemale analüüsile ettevõtete välislaienemise kontekstis. Siirderiikide ettevõtete rahvusvahelistumise üheks olulisemaks mõjuaspektiks on kahtlemata Lääneriikide tootmis- ja teenindustevõtetega arendatavate võrgustikusuhete järjest kasvav tähtsus. Sellest vaatenurgast on oluline pöörata edasist tähelepanu nii nende suhete olemuse veelgi põhjalikumale analüüsile kui ka siirderiikide ettevõtete positsiooni määratlemisele niisugustes ettevõtetevahelistes ja korporatsioonisisestes võrgustikes.

Tabel 1. Eesti ettevõtete rahvusvahelistumine suhetekontseptsiooni kohaselt

TURUGA SEOTUD JA GLOBAALSED ASPEKTID		
Sihtturgude asukohaerialised	Koduturu tunnused	Globaalsed majandustrendid
<ul style="list-style-type: none"> • asukohaerialised koduturu ees arvestades turu mahtu ja kasvupotentsiaali 	<ul style="list-style-type: none"> • suhteliselt madal kulude tase ja liberaalne majanduspoliitika • logistilised eelised Euroopa turgude teenindamisel • arenenud IT- teenused ja turg innovatiivsetele toodetele • kutseharidussüsteemi halb korraldus 	<ul style="list-style-type: none"> • pikaajaliste regionaalsete ja globaalsete ärisuhete kasvav roll • Lääneriikide (peamiselt teeninduses) ja Aasia-Vaikse Ookeani regiooni (tootmisettevõtete puhul) poolse konkurentsivõime kasv
ETTEVÕTETE RAHVUSVAHELISTUMINE VÄLJUNDAHELAS		
Eesti ettevõtete välisostudega seotuse tase on ära määratud nende konkurentsivõimega ja antud eeliste sünergiatega regionaalsetes võrgustikes ning konkurentsikeskkonnas toimuvate arengutega.		
ETTEVÕTTESISESED JA TEGEVUSHARU ASPEKTID		
Ettevõttesisesed aspektid	Tegevusharu aspektid	
<ul style="list-style-type: none"> • Konkurentsivõime baseerub peamiselt võimele kohaneda muutustega üldistes turutingimustes ja tarbijate vajadustes • konkurentsivõime võtmeressursiks on inimvõime (hea oskuste ja teadmiste tasemega töötajad) • polütsentriliste värbamislihenemiste kasutamine • ettevõttesisene ettevõtlikkus on omandamas kollektiivsemat iseloomu • välisostudes olevate ettevõtete piiratud strateegiline autonoomia või nn 'regionaalne otsustusmandaat' naabruses asuvates endise NSVLi riikides 	Eesti rõiva- ja tekstiilitööstuse baasil: <ul style="list-style-type: none"> • Ida-Euroopa tootmiskohtade kulueelised vähenevad • tootekollektsioonide elutsükli lühenevad • Toodete brändingu ehk margistamise ja oma jaemüügikanalite omamise kasvav tähtsus • rõiva- ja tekstiilitoodete nõudlust võib pidada suhteliselt hinnatundlikuks ja regionaalseks 	
TEADMISTEPAGASI ASPEKT		
Vanemate ettevõtete teadmistepagas tugineb osaliselt nõukogudeaegsetele kogemustele, samas kui turu- ja laienemise teadmine tuleb importida või järk-järgult omandada		
NÄITEETTEVÕTETE SUHTEVALIKUD		
Esimene suhtevalik	Teine suhtevalik	Kolmas suhtevalik
<ul style="list-style-type: none"> • Baltika 	<ul style="list-style-type: none"> • Mootorreiisi • CV Online • Sangar 	<ul style="list-style-type: none"> • Tarkon • SG Sekurit Estonia • Hansapank • Kreenholm

Allikas: Autori kokkuvõtte tuginedes joonisel 3 toodud teoreetilisele kontseptsioonile ja Näiteettevõtete analüüsile doktoritöö teises osas

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- 1. First name and family name:** Tõnu Roolaht
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7. Education:

- 1998 University of Tartu, Master of Arts in Economics (MA)
 1995 University of Tartu , Bachelor of Arts in Money and Banking International Economics (BA)

8. Language skills:

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5- Excellent 1- Poor	Estonian	5	5	5
	English	4	5	4
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	Russian	3	5	3

9. Professional experience record:

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 09.1996 – 11.1999 Contractual lecturer, University of Tartu (FEBA)
 09.1998 – to date Ph.D. Student at FEBA, University of Tartu

10. Studies, research abroad:

- 08.2000 Ph.D. Course – Research in International Business at FIGSIB (Finland)
 08.1999 Research in Swedish School of Economics and Business Administration in Helsinki
 02.1997 – 03.1997 Research at Queen Mary and Westfieldi College, University of London.
 07.1996 – 08.1996 Summer School in Olsztyn, Poland
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Since 2000 Member of the editorial board of FEBA Working Paper Series

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09.2002 – to date Export and Logistics Management

09.2002 – to date Business Simulation for Master Students

09.1998 – to date International Economy II (course for students from other faculties)

09.1996 – to date Introductory Course in International Business

13. Membership of professional bodies:

Member of European International Business Academy (EIBA)

14. Main research interest:

- The internationalization process of companies
- 'Born globals' and pre-establishment experience
- The influence of EU enlargement on the internationalization process of companies from Transition economies
- Inter- and intra-corporate networks

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1995 Tartu Ülikool, raha ja pangandus/välismajandus bakalaureus (BA)

8. Keelteoskus:

	keel	kõne	lugemine	kirjakeel
5- väga hea	eesti	5	5	5
1- väga kasin	inglise	4	5	4
	saksa	3	4	3
	vene	3	5	3

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10. Erialane enesetäiendamine

- 08.2000 doktorikursus “Uurimistöö rahvusvahelise ettevõtluse valdkonnas” FIGSIB (Soome)
08.1999 uurimistöö Helsingi rootsikeelse kaubanduskõrgkooli raamatukogus
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06.1996 – 07.1996 uurimistöö Varssavi majanduskooli raamatukogus
06.1994 – 07.1994 praktika Deutsche Ausgleichsbank’is, Saksamaal Bonn

11. Administratiivtöö

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09.2002 – tänaseni Ärisimulatsioon magistriõppele

09.1998 – tänaseni Majandus kõrvalainena – Rahvusvaheline majandus II

09.1996 – tänaseni Rahvusvaheline ettevõtetmajandus (II)

13. Muu teaduslik organisatsiooniline tegevus:

Euroopa Rahvusvahelise Ettevõtluse Akadeemia (EIBA) liige

14. Peamised uurimisvaldkonnad:

- ettevõtete rahvusvahelistumine kui tervikprotsess
- 'loomishetkest rahvusvahelised ettevõtted' ja asutamiseelne kogemus
- Euroopa Liidu laienemise mõju siirderiikide ettevõtete rahvusvahelistumisele
- ettevõttesisesed ja ettevõtetevahelised võrgustiksuhted

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