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**INTERNATIONAL BUSINESS OPERATIONS
OF COMPANIES WITH RUSSIAN
INVOLVEMENT IN SOUTHWESTERN
FINLAND**

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TABLE OF CONTENTS

<u>1</u>	<u>INTRODUCTION</u>	<u>5</u>
1.1	RUSSIAN BUSINESS IN FINLAND	5
1.2	A STATISTICAL REVIEW ON COMPANIES WITH RUSSIAN INVOLVEMENT IN FINLAND	9
1.3	PREVIOUS STUDIES ON RUSSIAN BUSINESS OPERATIONS OUTSIDE OF RUSSIA	12
1.4	THE AIMS OF THE STUDY AND RESEARCH PROBLEM	13
<u>2</u>	<u>THEORETICAL BACKGROUND: IMMIGRANT ENTREPRENEURSHIP AND ETHNIC COMPANIES' INTERNATIONAL OPERATIONS</u>	<u>16</u>
2.1	IMMIGRANT ENTREPRENEURSHIP	16
2.1.1	GENERAL DESCRIPTION OF IMMIGRANT ENTREPRENEURSHIP	17
2.1.2	THE MOTIVATION BEHIND IMMIGRANT ENTREPRENEURSHIP	18
2.1.3	DESCRIBING AN ETHNIC ENTREPRENEUR	20
2.2	INTERNATIONAL ACTIVITIES OF IMMIGRANT ENTREPRENEURS	23
2.2.1	INTERNATIONALISATION OF COMPANIES	23
2.2.2	IMMIGRANTS' EFFECT ON BILATERAL TRADE BETWEEN HOST AND HOME COUNTRY	26
<u>3</u>	<u>EMPIRICAL RESEARCH DESIGN</u>	<u>30</u>
3.1	RESEARCH APPROACH	30
3.2	DATA COLLECTION	31
3.2.1	STATISTICAL REVIEW	31
3.2.2	THE CASE STUDIES	33
3.3	DATA ANALYSIS	34
3.4	EVALUATION OF THE STUDY	37
<u>4</u>	<u>INTERNATIONAL OPERATIONS OF RUSSIAN COMPANIES IN SOUTHWESTERN FINLAND</u>	<u>40</u>
4.1	COMPANIES WITH RUSSIAN INVOLVEMENT IN SOUTHWESTERN FINLAND	40
4.1.1	ALL COMPANIES	40
4.1.2	A MORE DETAILED DESCRIPTION OF ACTIVE COMPANIES	41
4.1.3	A CLASSIFICATION OF THE ACTIVE COMPANIES	46
4.2	HYTEST	48
4.2.1	A GENERAL DESCRIPTION OF HYTEST	48
4.2.2	HYTEST'S INTERNATIONAL OPERATION AND LINKS TO RUSSIA	50
4.2.3	HYTEST'S ECONOMIC SITUATION	51

4.2.4	THE RUSSIAN CITIZENS IN THE MANAGEMENT	52
4.2.5	HYTEST'S PLANS FOR THE FUTURE	53
4.3	MEDICAL TRADING & CONSULTING METKINEN	53
4.3.1	A GENERAL DESCRIPTION OF METKINEN	54
4.3.2	METKINEN'S INTERNATIONAL OPERATIONS AND LINKS TO RUSSIA	55
4.3.3	METKINEN'S ECONOMIC SITUATION	55
4.3.4	THE RUSSIAN CITIZENS IN THE MANAGEMENT	56
4.3.5	METKINEN'S PLANS FOR THE FUTURE	56
4.4	ENERGOSERVICE INTERNATIONAL	57
4.4.1	GENERAL INFORMATION ON ENERGOSERVICE INTERNATIONAL	57
4.4.2	ENERGOSERVICE INTERNATIONAL'S ECONOMIC SITUATION	58
4.4.3	A PROFILE OF THE ENTREPRENEUR	59
4.5	SUMMARY OF MAIN EMPIRICAL FINDINGS	60
<u>5</u>	<u>CONCLUSIONS</u>	<u>62</u>

<u>REFERENCES</u>	<u>67</u>
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APPENDICES

APPENDIX 1 A LITERATURE REVIEW ON PREVIOUS STUDIES

APPENDIX 2 INTERVIEW THEMES

APPENDIX 3 COMPANIES WITH RUSSIAN MANAGEMENT PARTICIPATION
IN SOUTHWESTERN FINLAND

LIST OF FIGURES

FIGURE 1 YEAR OF ESTABLISHMENT	10
FIGURE 2 THE EQUITY LEVELS	11
FIGURE 3 PRIMARY FIELD OF INDUSTRY	12
FIGURE 4 AN OVERVIEW ON THE CLASSIFICATION PROCESS	36
FIGURE 5 AN ORGANISATIONAL CLASSIFICATION OF THE COMPANIES WITH RUSSIAN MANAGEMENT PARTICIPATION	47

LIST OF TABLES

TABLE 1 THE OPERATIONAL CHART	15
TABLE 2 ACTIVE COMPANIES' YEAR OF ESTABLISHMENT, LOCATION AND EQUITY	41
TABLE 3 ACTIVE COMPANIES' FIELD OF BUSINESS AND NUMBER OF STAFF	42
TABLE 4 ACTIVE COMPANIES' TURNOVER IN 2001–2003	42
TABLE 5 ECONOMIC PERFORMANCE OF THE COMPANIES IN 2003	43
TABLE 6 THE RUSSIAN NATIONALS IN THE COMPANIES.	45
TABLE 7 HyTEST'S KEY ECONOMIC PARAMETERS	51
TABLE 8 METKINEN'S KEY ECONOMIC PARAMETERS	56
TABLE 9 ENERGOSERVICE INTERNATIONAL'S KEY ECONOMIC PARAMETERS	59
TABLE 10 MAIN EMPIRICAL FINDINGS	60

1 INTRODUCTION

1.1 Russian business in Finland

This thesis is a research about companies with Russian involvement¹ in Southwestern Finland. This thesis investigates the companies in Southwestern Finland that have a Russian citizen either in the board of directors, top management or as a holder of procuration.

Trade with Russia has been a hot topic in Finland in the past few years. Russia has become the most important trade partner of Finland and there has been much discussion about the role of Finnish companies in Russia and the Finnish knowledge about the Russian market. Russian economy is growing at a good speed, mostly because of the high oil prices, and the growing wealth of Russians gives business opportunities for Finnish companies. There is real need for Russia-experts in Finnish companies (see e.g. Liuhto 2005; Heiskari 2005).

The Finnish-Russian bilateral trade and trade relations have grown more and more significant in the 1990's and 2000's. In the 1980's, Russia was clearly the most important trade partner of Finland with its 25% share of Finland's foreign trade. Later, the share decreased and by the collapse of Soviet union, Russia's share of Finland's foreign trade was only 7%. In the first half of the 1990's, the trade started to grow again, but the financial crisis in Russia in 1997 dropped off Finland's exports to Russia. However, the imports from Russia grew significantly. In the 2000's the trade with Russia has grown steadily. Until recently, Russia was among the three most significant trade partners of Finland, but in summer 2005, Russia became the single most important trade partner for Finland. Finland, on the other hand, is the ninth most important trade partner for Russia.

Finland imports mainly raw material and energy from Russia. The share of energy in Finnish imports from Russia is as high as 60%. The exports of Finland to Russia have changed a lot after the collapse of Soviet Union. Earlier, Finland's most important export products were common industrial machines, paper and transport devices (e.g. ships). Nowadays Finland exports mainly technology and consumer products. Finland is concentrated in exporting electrical machines, especially phones. Industrial machines are still an important export product group, but nowadays the machines are specialised.

¹ From now on, the author will use the terms "a company with Russian involvement", "a company with Russian management participation" and "Russian company" as synonyms.

The share of paper in export has diminished a lot, but the share of medical products in exports has grown (Ollus & Pyykkö 2005, 78).

Small and medium-sized companies in Finland are most active actors in Russian trade. From all Finnish companies trading with Russia, 82% were SMEs and their share of the value of exports was 29% in 2004. In 2004, an average SME's value of exports to Russia was 410 000-€ whereas the average large enterprise's value of exports to Russia was 4.6 MEUR. In the end of 1980's there were 1700 Finnish companies doing business with the Soviet Union. In 2004, this number has more than doubled to 3700 companies. The Russian exports to Finland, in their turn, are much more focused. In 2004, 1165 Russian companies exported products to Finland. The share of ten biggest companies was more than 75% of the whole export to Finland. The concentration of imports from Russia is connected with the one-sided structure of the trade. The large energy enterprises dominate the trade (Ollus & Pyykkö 2005, 10-11).

Considering the growth of Finland's foreign trade with Russia, the foreign direct investments (FDI) of Finnish companies in Russia have been relatively small. The Finnish companies seem to have concentrated in exports. However, the statistics are not reliable and are based on companies' own announcings and thus, the real amount of FDI to Russia is probably much bigger. Finland's Bank has estimated that in 2003, the Finnish investments to Russia were 400 MEUR. In the same year, Russian investments to Finland were 330 MEUR (Ollus & Pyykkö 2005, 16-17).

Russians are the biggest immigrant group in Finland followed by the Estonians and Swedish. There were almost 25 000 Russian citizens in Finland in the end of year 2004 (Statistics Finland 2005). In Southwestern Finland there were nearly 3000 Russian citizens in 2004 (Koivisto 2004). These numbers do not include the Russian immigrants who have obtained Finnish citizenship.

Most of the immigrants live in the big cities, especially in the capital Helsinki and its neighbourhoods. The Finnish citizens of bigger towns tend to have a more positive attitude towards immigrants and thus the immigrants find it easier to get a job from bigger cities. The large group of people of same origin also creates demand for ethnic products and services and promotes immigrant entrepreneurship. The Russian immigrants are not as concentrated to the capital area as the Estonians and Somalians, but tend to be scattered more across Finland. Only one third of Russians in Finland live in the capital area (Joronen 2005, 59).

The Russians living in Helsinki are doing better in employment issues than the ones living in Tampere or Turku². From the Russians living in Turku, only 25% had a good and stable situation in the labour market. 12% were in a fairly good situation and up to

² According to a Research on Immigrants' Living Conditions in Finland in 2002 (in Finnish Maahanmuuttajien elinolotutkimus)

43% were currently unemployed and trying to get a job. Nine percent of the sample was students and 7% were outside of the labour force that is they had not been working at all in Finland. The size of the sample in Turku was 122. In Helsinki almost 40% of the sample was in a good position in the labour market and only 26% were currently unemployed and trying to get a job (Joronen 2005, 62).

Education and ethnic background are the most important factors explaining the employment of immigrants in Finland. Finns appreciate a Finnish education, young age (under 38) and an Asian or Western ethnic background. The gender, educational level and the duration of living in Finland had not a big influence. Those immigrants who came to Finland for a job or to study seem to have become employed best. The Russian immigrants have usually a higher education than many other nationalities and they typically have a long working experience from their country of origin. However, often they have found it difficult to find a job that corresponds to their education and have to settle for a worse job (Joronen 2005, 64–71). Up to 85% of the Russian wage earners have either a vocational qualification or a university degree³. Every third of them have a degree from a Finnish educational institute. Only less than one percent of them have no education at all (Sutela 2005, 86). The unemployment of highly educated Russians can be partly explained by the fact that they have not considered equal their Russian education to the Finnish education. Doing this helps to get a job in Finland (Joronen 2005, 78). Knowing the Finnish language naturally makes it easier to find a job. Part of the Russian immigrants already knows Finnish (especially a group called Ingrian Finnish) and many have learned the language in Finland (Joronen 2005, 71). Still, according to an article in *Turun Sanomat* (Koivisto 2004), the poor knowledge of Finnish language is an important reason to unemployment of Russians in Finland.

A little more than half of the Russian wage earners feel that they are in a job that meets their education. From the ones that have a Finnish education, up to 78% are working in a position that meets their education, whereas only 40% of those who have a foreign education are in the same position. From the ones that are not working in a position that meets their education, 19% states that their foreign education is the reason for it. 19% of the respondents do not even want a job that meets their education, 17% finds their Finnish language skills inadequate, 13% think that there is not sufficient work for them in Finland and 11% thinks that employers' prejudices hinders their getting a good job. (Sutela 2005, 86–87).

Russian outward foreign direct investments (OFDI) have not been studied a lot. Most of the studies concerning FDI and transition countries relate to inward FDI. It is a relatively new phenomenon to study the flow of FDI coming out of transition countries. One reason for this is the magnitude of the OFDI from transition countries, which repre-

³ According to Research on Immigrants' Living Conditions in Finland in 2002

sents only 1% of the world stock. Developed countries dominate both inward and outward FDI. In transitional countries, like Russia, inward FDI usually largely exceeds the outward FDI. This indicates that the transition countries are in an early phase in their investment development path. Russia is the largest investor among the transition countries and it stands alone for almost half of the OFDI from transition countries (Kalotay 2003, 6-10).

Reading the statistics about the magnitude of the OFDI from transition countries, one has to keep in mind that, especially in Russia the official statistics do not reflect the real size of OFDI. It has been estimated that the real size of the Russian OFDI is significantly larger than the official statistics reveal. Among other things, this means that the foreign investments of Russian companies should not be underestimated and deserve further studies. Russian firms have significant investments in Central and Eastern Europe, especially Poland, but they have invested in more developed countries, like USA, too (Kalotay 2003, 13).

OFDI from Russia has increased significantly in the recent times. Russia is among the top five largest emerging market investors, although the government does not promote OFDI with specific policies. The majority of Russian investments abroad are carried out by large conglomerates. OFDI from Russian SMEs is small, partly because of financial constraints, fear of operating in unfamiliar territory and state exchange controls in the past. The future looks bright for OFDI from both large enterprises and SMEs, because the Russian Government has recently relaxed exchange controls (Vahtra & Liuhto 2005)

According to Liuhto and Vahtra (2004, 5), the most effective and rapid way to increase the global competitiveness of the Russian firms is to expand their operations abroad. Natural resource-based companies have traditionally been the most active players in international business. However, manufacturing and telecommunication enterprises are also investing increasingly abroad. The most common modes of internationalisation seem to be exports and foreign sales, but many of the Russian firms are already getting engaged in more demanding foreign operational modes.

According to studies, there are 1000–2000 joint-stock companies in Finland with Russian involvement. Here, Russian involvement means management participation, i.e. there are Russian citizens in the board of directors or operational management. This involvement refers that there is Russian capital in the company. Some of the companies are subsidiaries of Russian companies. The most well known companies in Finland with Russian involvement are Teboil, Suomen Petrooli Oy and Gasum. There are also speculations that the Russian energy companies would be interested in acquiring a significant part of Fortum Oil. Russian investors abroad have traditionally been most interested in energy sector (Vahtra & Lorentz 2004).

According to a recent article (Jouslehto 2005, 10–11), nearly three hundred Russian companies have appeared in Finland during the last two years. The relative quantity of recently founded Russian companies exceeds the quantity of recently founded Finnish companies, so one can draw a conclusion that the quantity of Russian companies in Finland is clearly increasing a lot. The writer of the article defines a Russian company to be a company with a Russian manager or member of the board, since currently; there are no statistics about the ownership structures of companies. Half of the Russian managers actually live in Finland. Most of the new companies are active in consulting, construction, forwarding and transport businesses. Presumably, many of the consulting companies focus on consulting other companies how to operate in Russia. Some of the new companies, especially the ones in restaurant and hairdressing business, are probably owned and managed by Russian immigrants. The companies are small; they employ 3.6 people in average. There are only nine companies that employ more than a hundred people. Altogether, these companies employ about 5000 people. The labour force in Finland is in total about 2, 6 million people, so 5000 is not a lot compared to that. However, the Russian companies may have a significant role in employing Russian immigrants in Finland, who may face difficulties when trying to find a job from main stream workplaces. The companies that shared their economic information seemed to have a clearly weaker return on net assets than the Finnish companies did in general and their solvency was also weaker

1.2 A statistical review on companies with Russian involvement in Finland

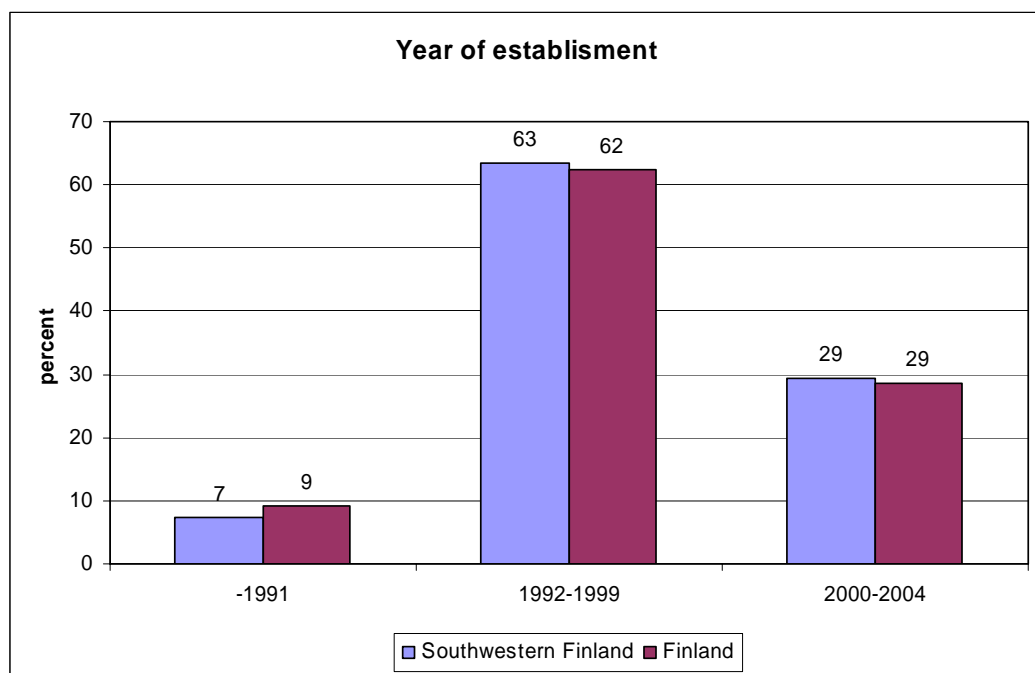
According to Vahtra & Lorentz⁴, there are 1915 joint-stock companies in Finland with Russian involvement. They are not evenly scattered around Finland, but 80 % are situated in the county of Southern Finland, near Helsinki and the capital area. Nine percent of the companies are situated in Eastern Finland, especially Southeastern Finland, which is natural because of the closeness of Russian border. The county of Western Finland has eight percent of the companies. The target area in this research,

⁴ Chapter 4.1 is based on the report of researchers Vahtra & Lorentz (2004) and the researcher's own findings and calculations.

Southwestern Finland⁵, belongs to the county of Western Finland. There are altogether 157 Russian companies in Western Finland, of which 41 are situated in Southwestern Finland. The rest of the companies, 3%, are situated in Northern Finland. There are no Russian companies in Åland.

Most of the companies were established after the collapse of the Soviet Union, but there are some exceptions, such as Suomen Petrooli, which was established in 1932. Figure 1 shows the year of establishment for all Russian companies in Finland and the companies in Southwestern Finland. Most of the companies, over 60% in both cases, were established during 1992–1999. Then again, the number of companies established during the 2000's is also worth noticing. The companies in Southwestern Finland do not seem to differ much from all Russian companies in Finland: the numbers are much alike.

Figure 1 Year of establishment

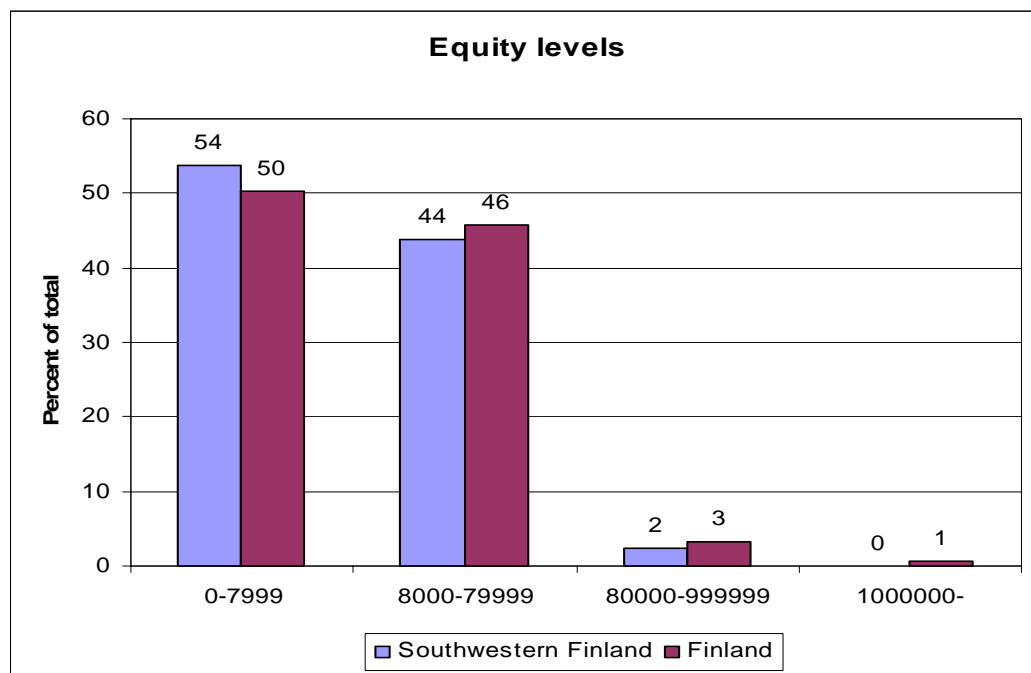


The equity levels in the Russian companies vary a lot. The Limited-liability Companies Act 13:4 § defines that a joint-stock company needs to have a minimum

⁵ According to the Statistics Finland (Tilastokeskus), the following 56 communes are included in Southwestern Finland (in Finnish Varsinais-Suomi): Alastaro, Askainen, Aura, Dragsfjärd, Halikko, Houtskari, Iniö, Kaarina, Karinainen, Kemiö, Kiikala, Kisko, Korppoo, Koski TI, Kustavi, Kuusjoki, Laitila, Lemu, Lieto, Loimaa, Loimaan kunta, Marttila, Masku, Mellilä, Merimasku, Mietoinen, Muurla, Mynämäki, Naantali, Nauvo, Nousiainen, Oripää, Parainen, Paimio, Perniö, Pertteli, Piikkiö, Pyhäranta, Pöytyä, Raisio, Rusko, Rymättylä, Salo, Sauvo, Somero, Suomensjärvi, Särkisalo, Taivassalo, Tarvasjoki, Turku, Uusikaupunki, Vahto, Vehmaa, Velkua, Västansfjärd and Yläne.

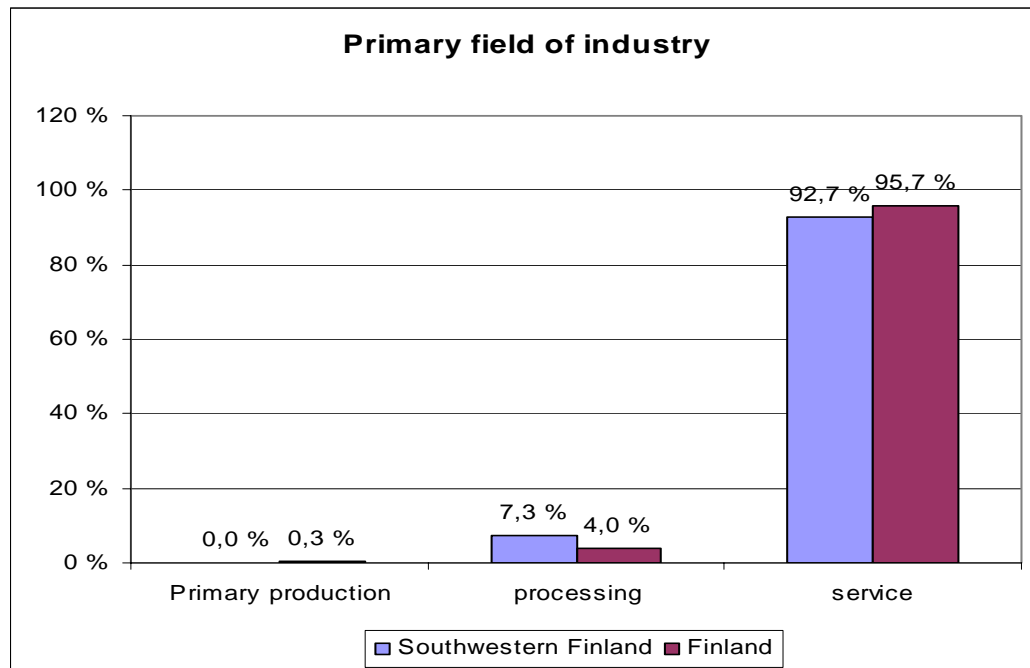
8000 EUR equity. However, it seems that there is no effective monitoring of this law. The statistics on the Russian companies in Finland show that this requirement is not met in many of the companies. Figure 2 shows the equity levels of the companies. More than half of the Russian companies in Southwestern Finland fail to raise the equity to the demanded level of 8000 EUR. There is only one company in Southwestern Finland that has a bigger equity than 80 000 EUR and no companies with equity over 1 million EUR. This indicates that all companies with Russian involvement in Southwestern Finland are SMEs.

Figure 2 The equity levels



The primary field of industry of these companies is introduced in Figure 3. Most of the companies in both Finland and Southwestern Finland seem to be in service business. This is not surprising, since the majority of main-stream companies in Finland are also engaged in services. It is worth noticing that the companies active in primary production are very few in numbers.

Figure 3 Primary field of industry



1.3 Previous studies on Russian business operations outside of Russia

There are not many studies on the broad subject areas of “post-socialist immigrant entrepreneurship” or “Russian business operations outside of Russia”. In the following, the studies the researcher found are presented. The full table of the previous studies is presented in Appendix 1 The literature review on previous studies.

Russian outward foreign direct investments (OFDI) have been studied only little thus far. Researchers Liuhto, Jumpponen and Vahtra have made several studies on this subject matter. According to their studies, the Russian companies are becoming more international in their operations. The most active international players are the natural resource-based companies, for example oil, gas and metal companies. These companies are largest companies in Russia, as well as largest exporters. The Russian OFDI goes mainly to enlarged EU, USA and the CIS-countries. One part of the investments goes still to taxation havens. The Russian international companies have different kind of motives for investments abroad, depending on the company and target area. Most of the investments to Western countries are presumably business-driven, while the investments to CIS-countries may have political motives (See e.g. Liuhto & Jumpponen 2002; Liuhto & Jumpponen 2003; Vahtra & Liuhto 2004).

The post-Soviet or Russian immigrant entrepreneurship abroad has been studied very little. The studies the researcher found were all dealing with Russian/ex-Soviet Jews, who have emigrated to Israel. Their quantity in Israel is very significant; according to the studies they comprise 20 % of the Israeli population. The ex-Soviet Jews in Israel are in general well-educated, but do not turn into entrepreneurship as much as the other Israelis. One of the reasons decreasing entrepreneurship rates is the fact that the immigrants coming from a socialist country lack knowledge of market economy and capitalist system (See e.g. Lerner & Handeles 1996; Lerner & Menahem & Hisrich 2005; Mesch & Czamanski 1997; Sagie & Weisberg 2001)

Bush (2004, 58–59) writes about the young Russian science graduates, who move abroad to get better salaries and living conditions. This phenomenon is problematic for Russia, because the country loses bright graduates. Russian universities and companies can offer a very small pay compared with Japan or USA. The young graduates abroad are a group, who may later in life become entrepreneurs in their new host-country.

The researcher found two previous studies on companies in Finland with Russian management participation. Jumpponen (2001) conducted a preliminary empirical study on companies with Russian involvement. Vahtra and Lorentz (2004) updated and complemented that study, focusing on the companies with Russian involvement in the Finnish energy sector. Vahtra and Lorentz (2005) also studied the investment of a single company, Gazprom, into a Finnish gas company Gasum.

1.4 The aims of the study and research problem

Before formulating the aims and research problem in this study, it is useful to define the phenomenon this research is studying. The researcher decided to study the Russian companies in Southwestern Finland, their international operations and connections to Russia. First it was necessary to find out, what kind of Russian companies are there in Southwestern Finland. In order to define the nature of the companies with Russian management participation, it is useful to consider, what these companies are like. Why is there a Russian citizen in the company's management?

In the beginning, the researcher had an assumption that most of the companies with Russian involvement in Southwestern Finland are subsidiaries of larger companies in Russia and that the phenomenon in question would be Russian outward foreign direct investments (OFDI) to Finland. Soon it became obvious that most of the companies are not subsidiaries of Russian companies and probably have no operation in Russia. The companies are relatively small and thus can be categorized as SME's. Since most of the companies are not active and even the active ones employ only few people, the researcher had to find a new way to define the problem.

Certainly there are several possibilities for the Russian to end up in the management of a company in Finland, but the most common explanations are dealt in the following. Given the fact that all companies are SME's, the most obvious explanation is that the Russian citizen has founded the company and is its (partial) owner. The second possibility is that he/she is normal employee hired by the Finnish company. This applies only if the position of the Russian is in the operational management, meaning that the Russian is the chief executive officer or executive vice president. The third possibility is that the Russian sits in the board of a Finnish company because he/she has invested in the company and thus deserved a place in the board. Fourth explanation is that he/she is a relative of some key persons in the company, and the fifth is that he sits in the board as an outside expert without any further connections to the company. The researcher reasoned that since the companies were small (many with only one employee), it is reasonable to assume that many of companies are actually founded and/or owned by the Russian person. If the Russian person in the company's management is not the founder, it seems reasonable to assume that he has some kind of ownership in the company or he is related to the owners.

To conclude, the phenomenon that this study is investigating is not "Outward FDI of Russian companies" but rather "Finnish companies with Russian management participation" or "Entrepreneurship of Russian citizens in Finland" or "Investments of Russian citizens to SME's in Finland". Due to the exploratory nature of the study, the research process in this master's thesis has been changing. The course of the work has changed during the process, as new information has been gained.

The Russian immigrant entrepreneurship has been studied only little, and the few studies have concentrated on the Russian/ex-Soviet Jews in Israel. To the author's knowledge, there are no previous studies concentrating on Russian immigrant entrepreneurship in Finland, let alone in a specific area such as Southwestern Finland.

The aim of this study is to explore the Russian companies in Southwestern Finland, to create an overview of them and their operation (especially abroad) and find out, if the case companies have business connections to Russia. The research problem of this study could be defined, as *"Does the fact that companies in Finland have Russian management participation mean that the companies are international in their operations, especially in Russia?"*. The sub problems are the following:

- How many Russian companies are there in Southwestern Finland and what are they like?
- Why is there a Russian citizen in a Finnish company's management?
- Which theories explain the internationalization decisions and patterns of companies in Finland with Russian management participation?
- Do the case companies operate outside of Finland?
- Do the case companies have business contacts with Russia?

These research questions are answered in this study through an overview of the Russian companies in Southwestern Finland and case studies on several companies. The operational chart of the study is presented in Table 1.

Table 1 The operational chart

Research problem	Sub problems	Source of information
<i>Does the fact that companies in Finland have Russian management participation mean that the companies are international in their operations, especially in Russia?</i>	How many Russian companies are there in Southwestern Finland and what are they like?	Previous research and statistical review
	Why is there a Russian citizen in a Finnish company's management?	Theory on immigrant entrepreneurship and interviews
	Which theories explain the internationalization decisions and patterns of companies in Finland with Russian management participation?	Theories on immigrant entrepreneurship, internationalization patterns of companies and the effect of immigrants to the bilateral trade between home and host country
	Do the case companies operate outside of Finland?	Theory on internationalization patterns of companies and interviews
	Do the case companies have business contacts with Russia?	Theory on internationalization patterns of companies, the effect of immigrants to the bilateral trade between home and host country, and interviews

2 THEORETICAL BACKGROUND: IMMIGRANT ENTREPRENEURSHIP AND ETHNIC COMPANIES' INTERNATIONAL OPERATIONS

The choice of theories to form the theoretical background for the study was difficult. There was no single theory that could serve as a theoretical background, so the author decided to combine a set of theories.

From the results of the statistical review (part of its results are presented in Chapter 4.1) it can be concluded that most of the Russian companies are owned and/or run by a Russian immigrant entrepreneur, so the first part of the theory focuses on explaining the phenomenon of immigrant entrepreneurship. In the empirical part of the study, the author tries to find out if the case companies are truly run by an ethnic entrepreneur, what is the motivation for their entrepreneurship and what kind entrepreneurs are they.

The second part of the theory focuses on explaining the possible international operations of Russian immigrant entrepreneurs and especially their geographical direction. Since the author aims to find out, if the case companies have international operations, especially in Russia, it is natural to investigate the matter through Uppsala model and psychic distance, which both suggest that companies internationalise to countries culturally close to them. Although the companies are situated in Finland, the Russian management indicates that Russia might be culturally close to the company. The last part of the theory, immigrant links to their country of origin, backs up the assumption that the Russian companies would have trade with Russia. In the empirical part of the study, the author tries to find out if the case companies have international operations, in which country and why there, and to define if the company has business connections to Russia.

2.1 Immigrant entrepreneurship

Chapter 2.1 with its sub chapters describes the main elements, relevant to this study, on immigrant entrepreneurship. Many aspects are not dealt with, but the researcher decided to focus on the points that help to understand the phenomenon in this thesis, that is the Russian entrepreneurs and managers in small companies.

The first chapter, 2.1.1, gives a general description on immigrant entrepreneurship and gives definitions to some concepts. The next chapter describes the basic rationale behind immigrant entrepreneurship, which usually differs from mainstream entrepreneurship. The third chapter in this entity deals with entrepreneurs themselves and what they are like.

2.1.1 General description of immigrant entrepreneurship

Immigrant entrepreneurship needs to be defined before it can be described in detail. Ethnic entrepreneurship has been defined as “a set of connections and regular patterns of interaction among people sharing common national background or migration experiences”. Immigrant entrepreneurship has been defined as “Individuals who, as recent arrivals in country, start a business as a means of economic survival. This group may involve a migration network linking migrants, former migrants and non-migrants with a common origin and destination” (Chaganti & Greene 2002, 127–128). The terms “ethnic entrepreneurship” and “immigrant entrepreneurship” are often used as synonyms in the literature and thus, they are used as synonyms also in this study.

It is important to notice the difference between a refugee and an immigrant. According to UN (United Nations Statistics Division 2005), a *long-term immigrant* is “A person who moves to a country other than that of his or her usual residence for a period of at least a year (12 months), so that the country of destination effectively becomes his or her new country of usual residence. From the perspective of the country of departure, the person will be a long-term emigrant and from that of the country of arrival the person will be a long-term immigrant”. In this study, it is assumed that immigrants who start a business are long-term immigrants. A *refugee* is defined to be “a person outside of his or her country of nationality who is unable or unwilling to return because of persecution or a well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion”. Thus, not all immigrants are refugees but refugees are immigrants, if they are granted a permission to stay in the host country.

It is worth noticing that immigrant entrepreneurs are not always ethnically described or defined. For example, Northern European entrepreneurs are usually not described as immigrant entrepreneurs even though they had just immigrated to United States (Chaganti & Greene 2002, 128).

According to Waldinger et. al. (1990, 41–42), the process of self-employment has three conditions, which also determine which ethnic groups are most entrepreneurial:

1. Premigration characteristics, such as skills, language, business experience, kinship patterns and exposure to patterns that would foster entrepreneurial attitudes.
2. The circumstances of migration and their evolution. This means the conditions under which the immigrants move, whether as temporary workers or permanent settlers and their settlement type.
3. Postmigration characteristics, such as economic and occupational position and possible discrimination.

Waldinger, Aldrich and Ward (1990, 17) operationally define “entrepreneurs” as owners or operators of business enterprises. They think that there are no rational reasons

to separate owners and managers into two different groups. Their vision fits this study very well.

According to Waldinger, Aldrich and Ward (1990, 14), regardless of the theoretical approach, much of the work on ethnic business is exploratory. Some of the case studies are accidental by-products of other studies and ethnicity becomes an object of attention only once it is realized that the phenomenon deals with ethnic business. This is also the case in this study.

The majority of studies on ethnic entrepreneurship focus on business start-ups and explaining why and how members of various ethnic groups end up as entrepreneurs. There are much less studies on other aspects of business activity, such as management and growth, strategy and social issues (Dyer & Ross 2000, 48). This study does not concentrate on business start-ups, but rather on business activity.

2.1.2 The motivation behind immigrant entrepreneurship

There are different opinions about the specific reasons fueling the rise of ethnic entrepreneurship, but most scholars agree that the special social and cultural situation of immigrant ethnic groups is a clear factor in their becoming self-employed (Iyer & Shapiro 1999, 88). Labour market disadvantages and discrimination is one of the most important reasons behind immigrant entrepreneurship. Immigrants usually have a relative disadvantage in the labour market and that disadvantage drives them to become self-employed. Ethnic and minority immigrant groups often lack language skills, educational attainment and specific career-related skills, which effectively block their opportunities in the labour market (Iyer & Shapiro 1999, 88). It has been noted that workers who are not fluent in dominant language in the host country get worse jobs and lower income than do workers who are fluent, but otherwise have same human capital characteristics. Worker's bad knowledge of language may impose a cost for the employer, because it may take longer to convey orders to him, and more mistakes are made because of communication problems (Mesch & Czamanski 1997, 599).

Even if the immigrant has a sufficient education, his degree taken back home is sometimes not recognized in the host country's labour market (Iyer & Shapiro 1999, 88). Some occupations, such as engineers and technicians, are better transferable from one country to another, whereas other jobs, such as nurses and physicians, require licensing permits (Mesch & Czamanski 1997, 601).

Some immigrants face discrimination and racial hostility due to their origin and this makes their chances of getting a job even more difficult. In this kind of situation of discrimination, many immigrants find entrepreneurship to be the best choice available, especially if the government of the host country grants subsidies for new business starters.

The opportunity structures for immigrant ethnic minorities include racial hostility, prejudice and exclusion, but also more positive elements such as discovery of entrepreneurial opportunity in coethnic niche markets (Iyer & Shapiro 1999, 88).

Mesch and Czamanski (1997) noted that immigrants become interested in entrepreneurship after learning that their prospects of finding a job in their profession are worse and their motivation to open a small business is to increase their income. Self-employment requires experience, skills and material resources, and as time is required to accumulate these assets, self-employment is more common among older workers. People aged 30-45 are in general in the age where there is the highest likelihood of becoming an entrepreneur. In terms of gender, it seems that entrepreneurship is the preferred choice of males.

For some immigrant groups, business is the occupation of traditional choice and ancestry. Some ethnic groups are overrepresented even in their own host countries for their business acumen and zeal. When moved out of their own cultural context, these values are protected within their communities in every place they call “home” (Iyer & Shapiro 1994, 89). According to Light and Rosenstein (1995, 18-19), when a group’s values, motivations and skills encourage business enterprise, minorities produce people who prosper in business. Then again, it has been noted that some ethnic groups, such as Koreans and Cubans, have not shown any entrepreneurial aspirations in their home country, but might be very entrepreneurial in their new host country. This can usually be explained by the labour market disadvantage described earlier in this chapter, which encourages compensatory self-employment.

Naturally, not all immigrant entrepreneurs become self-employed just because they cannot get a good job from the primary labour market. As many of the mainstream entrepreneurs, they might be tired of working for someone else and long for independence, or have a good business idea or innovation.

It seems that the Russian immigrants in Finland are a good group for investigation. They are the biggest immigrant group in Finland and they have experienced some disadvantage in the labour market, partly because of prejudices and insufficient language skills. Although many of them have a high education, they have not succeeded well in getting a job that meets their qualifications. According to the previous studies, all these factors should increase entrepreneurial aspirations. However, it needs to be noted that at least older Russians do not come from culture that encourages entrepreneurship, so that might hinder the entrepreneurial aspirations.

2.1.3 Describing an ethnic entrepreneur

There seem to be two different kinds of types of ethnic entrepreneurs. The first type is a stereotype of an ethnic entrepreneur, who possibly does not speak the language of the host country very well and offers services mainly to coethnics and those nonethnics who are interested in the foreign culture and its products. Usually these kinds of entrepreneurs are in the restaurant or retail business. The second type reminds more of a typical mainstream entrepreneur. He might have a high education and he could probably get a job even from the primary labour market, but he chooses to become an entrepreneur. He might have no connections to the ethnic community and his company's clients are the same as domestic entrepreneurs' would be (Chaganti & Greene 2002). Then again, he may utilize his connections to the home country and the coethnics in the host country for business' sake. He is more probable to have international operations than the typical ethnic entrepreneur is. In the following, the two types are discussed in more detail. There is much more information available about the type one ethnic entrepreneur than the type two, but perhaps this study will add some information about the second type.

2.1.3.1 An ethnic entrepreneur with strong connections to his ethnic community

A typical ethnic entrepreneur ends up as an entrepreneur the following way: He enters a new country belonging to a minority by virtue of race, ethnicity or religion. He is denied entrance to the primary job, or the job offered does not meet his requirements. To avoid unemployment he turns to self-employment and starts a business in a branch with low barriers to entry, usually something that has to do with trade (Chaganti & Greene 2002, 127). The most common niches where ethnic entrepreneurs have found business opportunities are garments, restaurants, petty retailing and taxis. Sometimes the niches of immigrant business are those niches that are not catered by the mainstream companies (Waldinger et. al. 1990, 19–20).

Usually in the initial period of self-employment, ethnic entrepreneurs from larger immigrant groups start off serving and employing coethnics. Several goods and services, especially food items, clothing, music and other ethnic choices, are provided by ethnic entrepreneurs who access supply in the home country and meet the demand by immigrant consumers in the host country. However, as the tastes and preferences of the nonethnic consumers for ethnic consumers develop, ethnic entrepreneurs find opportunities also outside their ethnic community (Iyer & Shapiro 1999, 89–90). The ethnic entrepreneur has an advantage in ethnic markets, because he knows the consumer preferences and can offer the immigrants the comfort of conducting transactions in their own language and culture (Mesch & Czamanski 1997, 598).

Immigrants often have problems that are caused by the strains of settlement and assimilation. Consequently, the business of specializing in the problems of immigrants is another avenue of economic activity. Examples of these kinds of businesses are travel agencies, law firms, realtors and accountants. Usually immigrants who are not accustomed to the bureaucracy and manners of the new host country trust their coethnics when in need of help (Waldinger et. al. 1990, 23). However, in some cases the immigrants might avoid services of coethnics. For example, in situations where confidentiality is an issue, immigrant might feel more comfortable using the services of a nonethnic to make sure that word does not go around (Dyer & Ross 2000, 49).

Aldrich, Waldinger and Ward (1990) summarize that ethnic entrepreneurs who also serve others than coethnics are usually drawn into niches that are underserved or abandoned by large mass-marketing organizations, require low economies of scale, have low or unstable market demand and characterize exotic demand. Longer operational hours, low-technology operations, year-round operations, lower capital intensive and margin operations, lower economies of scale, fluctuating demand and fragmented markets are all criteria to which big companies are averse, but might be viable and even attractive to ethnic entrepreneurs. This can partly be explained by the fact that the conditions are still better than in many immigrants' home country.

Several interrelations among the ethnic entrepreneurs, their families, and coethnic workers lead to the formation of many networks. Distinct network structures emerge and go beyond conventional business goals and objectives. The immediate networks of ethnic entrepreneurs are formed through the recognition of a common ethnic identity (Iyer & Shapiro 1999, 90). An ethnic entrepreneur with high involvement to his ethnic community often uses his connections in business, too. "Ethnic resources" are sociocultural and demographic features that coethnic entrepreneurs actively use in business or from which their business passively benefits. Typical ethnic resources include entrepreneurial heritages, entrepreneurial values and attitudes, rotating credit associations, low transaction costs, social capital, multiplex social networks and a generous pool of underemployed and disadvantaged coethnic workers (Light & Rosenstein 1995, 22).

There is usually clear advantage from immigrant entrepreneurship to the host country/area. Many Western cities have enough highly educated people but they miss the people to do the basic jobs in for example construction, food and distribution that the areas (usually cities) need to back up their growth. In areas/branches where the domestic entrepreneurs do not want to continue anymore or cannot find a continuator for their business from the mainstream people, an immigrant may find a business opportunity (The Americano dream, 2005).

If immigrant business stays limited to the ethnic market, its potential of growth is limited. The obstacle of growth is the ethnic market itself, which can support only a re-

stricted number of businesses due to its small size and the poor purchasing power of the ethnic population (Light & Rosenstein 1995).

2.1.3.2 An ethnic entrepreneur with minor connections to his ethnic community

Not all ethnic entrepreneurs work within the usual field of business and have strong connections to the ethnic community. Marger (2001) noticed there is a group of ethnic immigrants who he calls “business immigrants”. They are basically immigrants with pre-migration intentions of business ownership and they do not follow the conventional path to business ownership (through disadvantage in the labour market) but already possess the necessary business skills. They are able to disregard the social capital from the ethnic community and work on their own. They might have come to the host country because of work and they are usually with a college education. An international company recruits some of them from their home country, but later they decide to put up an own business. For example, Canada and Australia have received many business immigrants (Collins 2003; Marger 2001).

Usually immigrants with graduate education are more likely to work in the primary labour market. Then again, foreign college graduates are more reluctant to accept blue-collar jobs because of their relatively high educational background and aspirations. The frustration of not getting a job according to one’s profession sometimes leads to self-employment (Mesch & Czamanski 1997, 599).

According to a study of Chaganti and Greene (2002), ethnic entrepreneurs who do not have strong linkages to the ethnic community, have more personal resources than the ones with strong links to the ethnic community. Their businesses are less ethnically rooted, i.e. their customers, workers, competitors, and business experts are unlikely to be coethnics. The more ethnically involved seek to help their community through business activity, whereas the less involved are more interested in their own financial success. The less ethnically involved see themselves as more competitive on costs and price, whereas the others are better at catering neglected market segments. The firms of least involved are significantly larger than the others’ and they express a higher level of personal satisfaction from owning and running their business.

One can conclude that the businesses of the least involved are quite similar to the mainstream businesses whereas the businesses of more involved are different from the mainstream due to their strong ethnic involvement.

2.2 International activities of immigrant entrepreneurs

This chapter is divided in two entities. The first chapter, 2.2.1 describes the most common theories on internationalisation of a company: Dunning's Eclectic paradigm and Vahlne & Johanson's Uppsala model. To the author's opinion, Uppsala model can predict the internationalisation patterns of an immigrant business best. Later, the term psychic distance is explained and compared with geographical distance. Psychic distance is one of the important explaining factors in this study, explaining why the researcher assumes the Russian companies have operations in Russia.

The second chapter, 2.2.2, describes the effect of immigrants on bilateral trade between the host and home country. Many empirical studies have proved that immigrants tend to have a positive, enhancing effect on bilateral trade. This chapter describes the reasons for that.

2.2.1 *Internationalisation of companies*

This chapter describes the internationalization process of a firm. When thinking about the subject field of this whole study, the author resulted with two well-known theories that might suit this study and predict the actions of Russian entrepreneurs in Finland. These theories are Dunning's famous OLI-paradigm and Uppsala internationalization model developed originally by Swedish researchers Johanson and Vahlne. Both these theories are often used when explaining the internationalization of firms. The first chapter describes these two theories shortly and compares them to each other. With the help of this comparison the author justifies the choice of Uppsala model to predict the internationalization process of the companies with Russian management participation.

2.2.1.1 *Eclectic paradigm versus Uppsala model*

John H. Dunning's *Eclectic paradigm* or OLI-paradigm on international production focuses on ownership, location and internalization factors that influence international expansion and foreign direct investments. Dunning has been studying the determinants and effects of foreign direct investment and the multinational enterprises since the 1950's. The Eclectic paradigm itself was introduced in a Nobel Symposium in 1976 and it aims at understanding the determinants of international production, which is production financed by FDI and undertaken by multinational enterprises (MNE) (Dunning 1988, 1). According to Dunning, the paradigm explains the growth, industrial pattern, geographical disposition and form of all types and aspects of international

business activity (Dunning 1997, 1-4). The paradigm is very general in its nature and thus it has only limited power to explain or predict particular kinds of international activities or the behaviour of individual enterprises (Dunning 1988, 1). The Eclectic paradigm has remained the dominant analytical framework for analyzing FDI and foreign activities of multinationals for more than two decades (Dunning 2000, 163).

The propositions of the Eclectic paradigm on explaining international activities are the following:

- There are ownership advantages (O) that companies of one nationality have over companies of another nationality in supplying a particular market or set of markets.
- There are internalization advantages (I) that affect specially companies with strong ownership advantages. By internalizing the markets the companies add value to their assets.
- There are location advantages (L) that affect the companies' decisions to operate outside their national boundaries.

These propositions form the essence of the Eclectic paradigm or OLI-paradigm: the influence of Ownership, Location and Internalization factors on international operations of multinationals (Dunning 2001, 176).

Johanson and Vahlne's *Uppsala model* explaining the internationalization process of a firm was introduced in 1977. This theory has its roots on behavioural theory of the firm and Edith Penrose's theory of the growth of the firm. In the model, the internationalization of a firm is seen as a process in which the enterprise gradually increases its international involvement. This process develops in interplay between the knowledge about foreign markets and operations on one hand and an increasing commitment of resources to foreign market on the other. The model focuses on the company's gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the gradually increasing commitments to foreign markets. (Johanson & Vahlne 1977; Johanson & Vahlne 1990, 11). The Uppsala model suggests that the internationalization process, once it has started, will tend to proceed regardless of whether strategic decisions in that direction are made or not (Johanson & Vahlne 1990, 12).

The Uppsala model suggests two different patterns in internationalization process. The first is that the company's engagement in the specific country markets develops according to an establishment chain that is at the start no regular export activities are performed in the market, then export takes place via independent representatives, later through a sales subsidiary and eventually manufacturing activities may follow. In process model, the sequence of stages indicates an increasing commitment of resources to the target area. It also indicates that current activities differ with regard to the market experience gained. The second model suggests that firms enter new markets with

successively greater psychic distance. Psychic distance can be evaluated with factors like differences in language, culture and political system, which disturb the flow of information between the company and the market. Thus, firms start internationalization by going to the markets they can most easily understand and that are most familiar to them. There they see opportunities and there the perceived market uncertainty is low (Johanson & Vahlne 1990, 13). The latter pattern seems to fit this study better. One of the main findings of the Uppsala model is that the investments abroad (by small companies) are rarely based on sophisticated and well-structured decision-making processes. In most cases opportunistic behaviour, coincidence and opportunities are the triggering factors (Nordström 1991, 19).

Eclectic paradigm focuses on foreign direct investments and international operations, whereas Uppsala model focuses on more small-scale operations abroad starting with exports to foreign countries. The Eclectic paradigm predicts the internationalization patterns of multinationals with rational decision-makers, while Uppsala model concentrates on smaller companies, whose decision makers are more impulsive and emotional in their decisions (Johanson & Vahlne 1990).

The author stated that Uppsala model is better suited to predict the international operation of the case companies in this study, because all case companies are SME's and the researcher wanted to test, if they internationalize to a culturally close country, in this case Russia.

2.2.1.2 Psychic distance in international trade

The term “psychic distance” can be defined as disturbances caused by factors hindering or disturbing potential or actual flows of information. The term “psychic” indicates that it is the perception of disturbances by individual decision-makers in a company, which is important. In a practical level, psychic distance refers to differences between countries in culture, language, economic development, level of education, “business language” and existence of previous trading channels between the two countries in question (Vahlne & Wiedersheim-Paul 1977, 1-6). The reason why psychic distance is brought up in this study is that it relates to the internationalization theory and affects the choice of location in internationalization decisions.

The interest in distance as an explanatory factor in international business became strong in the late 1960's. Distance has traditionally been defined as geographic distance or something related to it, e.g. transport costs. Flows for information are necessary pre-requisites for business, and earlier these flows were assumed to be disturbed only by e.g. tariffs and currency restrictions, that is the physical distance. Now it is clear that psychic distance is also a factor that might hinder the international trade. The larger the

psychic distance between home and host country, the greater the uncertainty, and the decision-makers usually try to avoid uncertainty. (Vahlne- Wiedersheim 1977, 1-4)

It is important to separate geographical and psychic distance from each other. For example, for a company in Finland the markets of Russia and Sweden are equal in geographic distance, but the Russian market is usually perceived to be more distant. Reasons for this may include different business culture, language, religion and economic situation. There are differences in these aspects between Finland and Sweden, too, but they are perceived smaller or irrelevant. Finland has shared a partly common history with both these countries. To conclude, the geographic distance from Finland to Russia and Sweden is same, but the psychic distance to these countries is totally different. Thus, countries like Finland tend to invest more in countries like Sweden, who are physically close, than to countries like Russia who are psychically far.

Nordström (1991, 27-31) criticizes the importance of psychic distance in today's world. He claims that the world has changed a lot from the 1970's and while the world is by far not homogeneous, the cultures are getting closer. He points out that especially the differences between business cultures are diminishing and the technology development has been one of the key reasons for this. People and cultures are becoming alike and markets are getting global. He also mentions that firms today have a quicker and easier access to knowledge about doing business abroad. There are more business schools that teach international business and more people with experience of doing business abroad. There are also more and more companies that manage a few or several activities as if the world was a homogenous place and markets global. He claims that recent international business starters are willing and able to enter directly into large markets as some of those are culturally as close to Sweden (the country of research for the Uppsala model) as the traditionally close Scandinavian countries. Especially the emergence of GATT, later WTO and EU has diminished the differences in business culture in Europe.

Despite the critique, psychic distance is still a relevant factor in international business, especially when it comes to internationally inexperienced small and medium-sized companies. Its importance has diminished during the last decades, but not completely.

2.2.2 Immigrants' effect on bilateral trade between host and home country

Most economic models of labour migration assume that immigrants add to the stock of labour the same way current residents do, with no differing economic impact due to the fact that they are immigrants. This approach to describing immigration ignores aspects of international labour flows and especially the value of links or ties that immigrants

have to their home country. Immigrants' ties to their home countries can play an important role in fostering bilateral trade linkages (Gould 1994, 302–303).

A statistically significant link between immigration, imports and exports have been found in many empirical studies. There is strong evidence from several studies that immigrant links enhance trading opportunities between the host and home countries, especially in consumer-manufactured exports. For example in United States the immigrant links have historically been important in increasing bilateral trade flows with immigrants' home countries (Gould 1994, 302–303).

In general, immigrant links influence bilateral trade flows in two ways. First, immigrants tend to bring with them a preference for products from their home country. Second, immigrants bring with them foreign market information and contacts that can lower the transaction costs of trade. The first statement suggests that immigrants' consumption of their home-country products will result in a direct increase in their host country's imports of these kinds of goods (Gould 1994, 303). The first statement is to the researcher's opinion more closely related to immigrants, who come from clearly different cultures than the host country, e.g. Koreans in United States. The researcher assumes that immigrants from cultures closer to the host country's culture (e.g. British in United States) do not have an equal impact to the bilateral trade in this aspect.

The second statement predicts a direct increase in both export and import flows between the host and home countries through a decrease in transaction costs associated with obtaining foreign market information and establishing business relationships. The immigrant links can decrease the transaction costs in many ways (Gould 1994, 303):

1. The native language of the immigrants can become better known by the host country residents, which diminishes trading costs due to communication barriers.
2. If products are not the same across countries and immigrants bring information about their home-country products and preferences, the costs of obtaining foreign market information in the host country will decrease.
3. Because trade often depends on contracts for delivery and payment, the development of trust through immigrant contacts can decrease the costs associated with negotiating trade contracts and ensuring their enforcement. Trade flows between developed countries may not benefit from this as much as trade flows between developed and developing countries, because formal trade contracting is more institutionalized in developed countries.

In exports, immigrants may face lower barriers to trade because of their knowledge of the home country. A common barrier to trade is ignorance of trading opportunities, and immigrants tend to have connections to business networks and thus, find easily customers and suppliers from the home country. Immigrants also tend to be more familiar with the market needs of their country of origin. Communication barriers are a significant barrier in international trade, and immigrants' knowledge of the language

and culture of their home country helps trading with them. Immigrants also know better whom to trust and whom to not trust, and may be familiar with the local business laws and practices. For all the listed reasons, immigrants should be in a better position than other people to conduct trade with their home countries, because of the information they possess (Wagner & Head & Ries 2002, 511).

The importance of these immigrant information effects depends on the initial amount of foreign market information in the host country, the ability of immigrants to relay information and to integrate their communities to the host country. The initial amount of foreign market information and ability to relay information may depend on the educational level of the immigrants, the length of their stay and the size of the immigrant community (Gould 1994, 303). In Canada, there are three kinds of immigrants: Family, refugee and independent. The independent immigrants are chosen with the help of a point system. It has been studied that the independent immigrants have biggest positive effect on the bilateral trade between the host and home country. Family immigrants come second and refugees have basically no effect on the trade. This is quite natural, since refugees often fear persecution at home and find it difficult to execute commercial transactions. A new class of immigrants in Canada are business immigrants, who are granted to stay in Canada if they establish a company that employs several people. Surprisingly this immigrant group has not enhanced the trade flows between host and home countries. It seems that the more skilled the immigrants are, the greater is the chance that they will possess the knowledge and contacts to increase trade flows (Head & Ries 1998).

According to Iyer and Shapiro (1999, 84), ethnic entrepreneurs retain distinct systems of business operations and pursue different strategies than the majority of the entrepreneurs in host country. They use an extensive network of identity, family, community and class resources that help them to obtain business information about entry and operations in international business. A majority of ethnic entrepreneurs maintain business and kinship links with others in their country of origin, contributing thus to FDI transmission, international trade and economic development in both home and host countries. Many immigrants utilize their strong ethnic identity, mutual dependence, informal networks based on mutual trust and family reputation also in their business. The success of ethnic entrepreneurs often relates to these factors and also strong sources of support from their community networks.

A research conducted in 2002 indicates that in Canada, an average new immigrant expands exports to his/her country of origin by \$312 and expands imports by \$944. In a research made in United Kingdom (UK), it was noted however, that not all immigrant groups cause an increase in bilateral trade between UK and their home countries. The researchers found that immigrants from non-(British) Commonwealth nations bring more trade-enhancing information, since these countries are more “foreign” from the

perspective of UK compared to its former colonies. Thus, not all immigrant groups enhance bilateral trade (Wagner & Head & Ries 2002, 507; Plowright 2003, 4). One can conclude that the amount of immigrants' positive influence on bilateral trade depends on the cultural distance between home and host country, and on the attractiveness of the market in immigrant's country of origin. The latter statement relates to refugees' home countries, which often do not have attractive markets for trade due to a possible hostile situation in the country.

In Finland, Russians are the largest immigrant group. In reference to the studies presented in this chapter it is possible that the Russian immigrants have a positive influence on the bilateral Finnish-Russian trade.

3 EMPIRICAL RESEARCH DESIGN

3.1 Research approach

This study is exploratory in its nature, which among others, means that the results of the study can be very surprising, and the working methods may have to be changed during the research process.

The study was supposed to start so that all Russian companies operating in Southwestern Finland would fill a questionnaire prepared by the author. Then the researcher planned to conduct some interviews to get more detailed information of the chosen case companies. After a statistical review however, the researcher found out that nearly two thirds of the Russian companies are not active. In numbers, this means that only 16 companies are active. To the author's opinion this number is too small for conducting a survey with quantitative methods, so the plan had to be changed. In addition to the statistical overview, the researcher decided to make some theme interviews with selected case company representatives instead. With the statistical review, it is possible to gain general information about all the Russian companies in Southwestern Finland, and more detailed economic information about the active companies. With the theme interviews, the researcher hoped to find more detailed information about certain case companies that had potential for international operations.

This study is qualitative in its nature. For explaining the choice of using qualitative research methods, it is useful to take a closer look at the characteristics and the differences between qualitative and quantitative research.

Qualitative research focuses on answering why things are the way they are. The results are not numerical figures, but interpretation to many *why* and *how* -questions. Qualitative research methods produce descriptive data (Solatie 1997, 11). In qualitative research it is typical that 1. Research is comprehensive data collection in its nature and the data is collected in natural, real situations. 2. People are considered the best instrument to gather information. 3. Inductive analysis is used. 4. Qualitative research methods are used when collecting data. 5. The target group is chosen by its suitability, not as a random selection. 6. Research plan forms during the research. 7. The cases are treated as unique and the data is analyzed according to that assumption (Hirsjärvi, Remes & Sajavaara 1997, 155). The qualitative research is usually described as a soft research method and is considered of better quality than quantitative research. Qualitative research is often defined through what it is not and through comparing it to quantitative research (Eskola & Suoranta 1998, 13).

Quantitative methodologies have predominated the social sciences and are often considered more scientific than qualitative methodologies. Quantitative research method produces statistical, numeric information. It refers to counts and measures of things. Quantitative research methods and analytic strategies are often associated with high-tech society. The trustworthiness of quantitative research can be measured with validity and reliability (Berg 2004, 2–3).

Qualitative and quantitative research methods are often seen as each other's opposites, although it is better to say that they complete each other. Often both these methods are used in the same research to get a broader view on the subject researched. The main differences between these methods can be best described with adjectives. Quantitative research is hard, stiff, objective, deductive and generally applicable, while qualitative research is soft, flexible, subjective, inductive and relative (Hirsjärvi et al. 1997, 123–126). Quantitative research aims to produce numeric information and is based on a hypothesis, as qualitative research has no hypothesis and focuses on the search for meanings (Kovalainen, lecture 14.9.2004).

This study has a grounded theory. The researcher had to conduct a statistical review in order to find out, what kind of phenomenon was in question. Only after the results of the statistical review, she was able to decide what was interesting in the data and worth studying. The statistical review was also conducted before looking for the theoretical background of the study. In this way, the research started as exploratory. After the analysis of the data gathered from statistical review, the study changed into a descriptive one, when the researcher aimed to describe the chosen case companies and their international operations.

3.2 Data collection

The data collection in this study was performed in two ways: through a statistical review and several case studies. Both methods are described in detail in the following.

3.2.1 Statistical review

The statistical review was conducted in order to get a statistical overview of the companies with Russian management participation in Finland. The main idea is to explore the field of companies in question. The statistical review was started by familiarizing with the work of researchers Vahtra and Lorentz (2004). The researchers have made a study on all companies with Russian involvement in Finland. They created an SPSS-file with all the companies and their characteristics, and this SPSS-file has

been the starting point for this research. The preliminary research is based on a list of companies with Russian involvement by the National Board of Patents and Registration (NPBR), Voitto-CD (which contains the economic information of all joint-stock companies operating in Finland) and NPBR's websites. To find more information on the active companies, the researcher also familiarized with the companies' possible homepages in Internet.

The National Board of Patents and Registration (NBPR) have records on the companies, foundations and legal bodies of various kinds. There is a database holding information on all the joint-stock companies in Finland with Russian involvement. The Russian involvement here means having a Russian national either among the board members (chairperson of the board, member of the board, deputy member of the board), higher management (chief executive officer, executive vice president) or a Russian national as a holder of procuration. This data is provided as a text file. The SPSS-file created by Vahtra and Lorentz is based on the information from this text file. In this SPSS-file Vahtra and Lorentz have compiled the integral information from the NBPR's data to a more logical and readable form. The SPSS-mode also enables making statistical analyses on the data.

The type of data that is used is not very reliable, but it seems to be the only possible source of data on Russian companies in Finland. One weakness of the data is that it only tells where the companies are registered, not where they are actually operating. The information is also obsolete in some cases: it was noted during the study that many of the companies mentioned in the file had not been active in nearly a decade. According to Vahtra and Lorentz (2004), the NBPR plans to remove the companies with less than 8000 EUR equity or those that are not operating (according to Tax Authority) from their database, but that will take place at the earliest in 2006. In addition, enterprise data changes all the time, as new enterprises are established and some companies are closed down. Thus, it is important to note that the statistical overview is based on the information from 2004. Unfortunately, there is no better database available at the moment for the use of this study.

The statistical review was conducted in the following way: The researcher compiled all the companies (with Russian management participation) registered in Southwestern Finland by using the SPSS-file and the text file by NBPR. Thus, this is a total research, not a sample. Then she checked if the companies could be found from Voitto-CD. If the companies were found from this Voitto-CD-database, it indicated that the companies were active. The researcher checked from NBPR that if the company was not in Voitto-CD, then it had not been active in a long time, practically during the 2000's or then it had been operating for such a short time period that the financial statement had not been delivered yet. The companies that proved to be active were separated from the non-active ones and the research was continued with the active ones. The researcher

gathered some economic key performance indicators from Voitto-CD and looked for further information from the Internet from the companies' homepages. The preliminary research was exploratory in its nature. The results of the statistical review are reported in Chapters 1.3 and 4.1.

3.2.2 *The case studies*

Since there were no good prerequisites to conduct a survey among the chosen companies in Southwestern Finland, the researcher found it best to collect data through case studies.

According to Berg (2004, 251), case study methods involve systematically gathering enough information about a particular person, social setting, event or group to permit the researcher to well understand how the subject operates or functions. The case study is not really a data gathering method but a methodological approach that includes several data-gathering measures. Yin (1991) states that there are three kinds of case studies: Exploratory, descriptive and explanatory. Exploratory case study requires some type of organizational framework that has been designed prior to beginning the research. It is used often as a pilot study when planning a more comprehensive investigation later. Descriptive case study requires the researcher to present a descriptive theory before beginning the investigation. As the name implies, the idea is to describe the subject. Explanatory case study aims at explaining a certain phenomenon. It is used especially for causal studies. The case study in this research is mainly descriptive. The theory on the subject was studied before formulating the questions for the interviews. In addition to that, the questions in the study are mainly *how* and *why* considerations, which implies a descriptive measure. Case study-method fit this study well, since the chosen companies were the only companies in the research, who had potential to have international operations, especially in Russia.

There are three main types of data collection in qualitative research: Interview, document analysis and observation. Since interview is the most common type used and it was used in this research, that type is described in detail in the following.

There are four types of interviews: a structured, a semi-structured, an unstructured and a theme interview. In a structured interview the questions are in a certain order, the answer is often very short or the interviewee can choose his/her answer from ready options and there are no deviations from questions order. Each interviewee is asked the same questions. In semi-structured interviews, the questions are the same for everyone, but the interviewee can answer with his/her own words. An unstructured interview gives the interviewer the possibility to choose the most interesting themes during the interview. In a theme interview, the theme of the interview is chosen in advance, but the

questions do not need to be ready in advance. The themes can be discussed in whatever order (Berg 2004, 78–79; Kovalainen, lecture 14.9.2004).

In this research, the data will be collected through theme interviews. There were only three interviews, so a structured or a semi-structured interview could not have given enough information. An unstructured interview was also not suitable, because the researcher was interested in certain predefined themes.

The chosen case companies in this study are HyTest, Medical Trading & Consulting Metkinen and Energoservice International. The rationale for choosing the case companies are presented in Chapter 4.1.3 through a taxonomy creation.

The interviews were conducted in two time periods. The interviews with representatives from HyTest and Medical Trading & Consulting Metkinen were conducted in June 2005. The theoretical background of the study was not complete by then and the researcher decided to finish the theory before making the latter interviews. The last interview, with a representative from Energoservice International, was made in October 2005 and the interview themes had been modified a bit. Two interviews were conducted as recorded phone interviews and one interview as a personal interview. The themes of the interviews are presented in Appendix 2 Interview themes.

The researcher aimed to interview the case companies' key persons, in this case the Russian citizens. However, from three interviews two were made with a Russian citizen. In one interview the Russian citizen was not willing to give an interview. The persons interviewed were the Sales and Managing Director and co-owner from HyTest, Managing Director and owner from Medical Trading & Consulting Metkinen and Managing Director and co-owner from Energoservice International. In all but one company the persons interviewed were the exact right persons and suitable to answer the questions. In one company the person interviewed did know the answers to most questions, but due to the fact that he was not the Russian citizen in the company, he could not answer the questions dealing with ethnic entrepreneurship. In order to improve the quality of the information, the researcher contacted the Russian citizen in the company via e-mail and got the missing information through an e-mail answer.

3.3 Data analysis

The idea behind data analysis is to make the data more comprehensible and thus create new information on the subject. The aim of the analysis is to condense the data without losing the information and to increase the information value by making a scattered data clear and sensible (Eskola & Suoranta 1998, 138). Hirsjärvi et al. (1997, 207–208) have defined three steps to take before making conclusions: 1. Checking, if there are mistakes or missing information in the data, 2. Complementing the data, if necessary and 3.

Organizing the data. The most common instruction is that the analysis of the data should be started as soon as possible after the collection of the data. In this study, most of the recorded interviews were transcribed soon after the interviews. However, the analysis of the data in two cases took some time. The data gained from the statistical review was analyzed with the help of SPSS-program and Excel.

Kovalainen (lecture 21.9.2004) mentions eight means to analyze a data:

1. Qualitative analysis with the help of quantitative measures
2. Word analysis
3. Dividing the data into different themes
4. Dividing the data into different codes
5. Specification of the contents
6. Discussion analysis
7. Discursive ways to analyze
8. Narratives and stories

Means number 3 and 4 were used in this study, so these two means are studied a bit more closely. Dividing the data into different themes means organizing the data into groups that have a same theme. These themes should help answer the research question. When the interview is a theme interview, it helps to start the analyzing by dividing the data according to the question themes. It is desirable that during the analysis also new themes come up. The themes are based on the interviewer's interpretation on what the interviewee said (Kovalainen, lecture 21.9.2004; Sandberg, lecture 28.10.2004).

Dividing the data into different codes usually requires first dividing it to themes. After that one can look for even more usual types from the data. In coding, the researcher goes through the data systematically, reads the text many times and tries to find different subjects from the text. Each theme is given a certain code (Kovalainen, lecture 21.9.2004; Sandberg, lecture 28.10.2004).

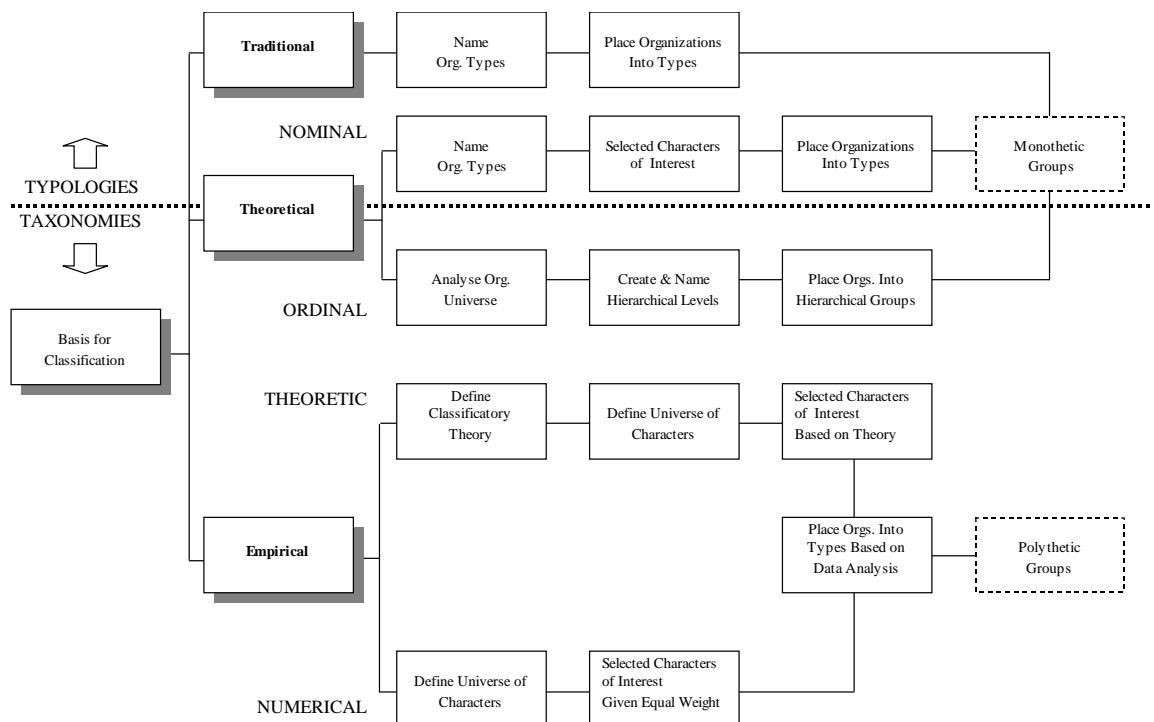
In this study, the data was at first organized into different themes, such as "General information on the company", "International operations" and "Connections to Russia". These themes mainly stemmed from the theory and the interview questions. After that, these themes were marked with different colours to the written interview (e.g. green colour meant that the part dealt with Connections to Russia). Afterwards, the themes were organized to their own groups, so that it is easy to find the relevant information concerning a certain theme.

This study required an organization classification in order to describe the reader the nature of the investigated companies and to justify the selection of the case companies. The classification helps the reader to get a good general view on the field of active companies this study is concerned with. The organization classification in this study is implemented with the help of typology and taxonomy and thus these two tools are described shortly in the following.

The terms “typology” and “taxonomy” can be defined in several ways and there is no common opinion about their interpretation. The definitions used in this study are the most commonly used in literature. Typology involves choosing and naming the groups to the classification before the empirical data is gathered and the specific organizations are placed to the groups. The groups and variables are decided with the help of prior theory. Taxonomy is quite the opposite; it involves organizational classes emerging from the empirical data. The groups are defined through sorting organizational features on the basis of similarity or contrast. In typology, the grouping happens a priori and in taxonomy, a posteriori (Rich 1982, 760; McKelvey 1975, 509).

The major role of typologies and taxonomies is to both make order and make sense of the data they contain. They are communication systems and aim at combining the greatest information content with greatest ease of information retrieval. They are also called shorthand devices by which organizations can be compared and hypotheses tested. At their best, they are means for ordering and comparing companies and clustering them into categorical types without losing sight of the underlying richness and diversity that exist within the group. (Rich 1992, 758–759). The organization classification process is presented in Figure 4.

Figure 4 An overview on the classification process



Source: Rich 1992, 766

Figure 4 presents the different ways to put together an organizational classification. The classification used in this study is a taxonomy that is empirical and numerical.

Thus, the characters come from the empirical data; the researcher selected the characters of interest and placed the organizations into types based on data analysis. The result was polythetic groups. Polythetic typologies contain groups in which a big proportion of variables are shared by the members of each group, but in which members are not necessarily alike on any individual variable. The individuals that have the greatest number of shared features are placed together, so that no single character is either necessary or sufficient for membership in a certain group (Rich 1992, 765).

3.4 Evaluation of the study

The trustworthiness of a qualitative study cannot be measured the same way as the trustworthiness of a quantitative study. When comparing qualitative research to quantitative research, it is often said that qualitative research is more unreliable than quantitative. You cannot measure qualitative research's reliability or validity in the same way as quantitative researches, but there are ways to measure it, though the same concepts are not used. In qualitative research, the role of the researcher is emphasized more and it is acknowledged that the researcher himself is the main criterion for the trustworthiness (Eskola & Suoranta 1998, 209–211). The trustworthiness of a quantitative study is measured by reliability and validity. Validity refers to relevance of the methods, research approaches, research techniques, language, writing style etc. for the research object and research question in the study. Reliability refers to the implementation of the research. The relevant question is, could another researcher conduct a same kind of study and end up with the same results (Kovalainen, lecture 14.9.2004).

The main problem with trustworthiness of the statistical overview is the reliability of the NBPR's list of companies with Russian management participation. As mentioned in earlier, some of the data in the list is outdated and incorrect. However, since there is no other source of information about companies with Russian involvement, this source had to be used. The researcher tried to make the data more trustworthy by checking if the companies in Southwestern Finland actually were active and by deleting the companies that had clearly gone to bankruptcy.

The case studies in this research are qualitative in their nature. Lincoln and Guba (1985, 289–331) have found equivalents for quantitative research's measures of trustworthiness. In their study, "internal validity" means "credibility", "external validity" means "transferability", "reliability" means "dependability" and "objectivity" means "confirmability". These concepts are used to determine the trustworthiness of this study's qualitative part.

Credibility refers to the knowledge that the study is believable and not biased. The credibility of the study was increased in the following ways: The researcher was

familiar with the theory and the company before making the interviews. In some cases, however, there was very little public information on the company. The interviewees were told beforehand what the interview would cover and they got time to prepare for it, if they wanted. The themes of the interview were sent beforehand to two interviewees by request. The interviews were recorded and transcribed afterwards. The researcher had same themes for all interviews, but she altered the questions according to the company and interviewee in question. The researcher had the questions in paper, but she also asked additional questions to clarify matters and to get interesting information outside the question range. She tried to avoid asking leading questions, but naturally there were some. The research problem, theoretical background and data collection are closely linked, which can be seen in the operational chart (See Appendix 3). This also increases the credibility of the study.

The issues that might decrease the credibility of this study are described in the following: There were some language problems with the interviews. One of the interviews was in English and the rest in Finnish. There is always a possibility of misunderstandings with interviews conducted in foreign languages. In this interview English was not the native language of neither the interviewer nor the interviewee. In addition, in one interview conducted in Finnish language, Finnish was not the mother tongue of the interviewee, so there may be some misunderstandings. One of the phone interview's recording failed, so the researcher could not transcribe the interview. Luckily she had made notes during the interview and was able to remember the parts that were essential to the study.

Transferability of this study refers to the selection of the interviewees. The researcher aimed to interview a representative of the management in each company, preferably a Russian citizen. In two companies she managed to find an interviewee who matched this criterion, in one company she did not. In one company the researcher was told that the Russian citizen in the management did not want to give any interviews. However, the researcher later contacted this person by e-mail to get some missing information and she received an answer. The selection of the interviewees was successful in most aspects. The interviewees had enough knowledge to answer most of the questions, also due to the fact that all the companies were very small in size, so being representatives of the management they practically knew all about the company.

Dependability of the study refers to the dependence of the results from the situation. It was decreased in the following ways: All the interviews took place in a quiet place and there were no disturbances. One of the interviews was conducted in a negotiation room and the rest two were made by phone and the researcher was alone in the room while making them. However, all the interviewees were quite busy and a two of them were reluctant in the beginning to give an interview. The interviews were quite short,

less than half an hour each. Perhaps the researcher did not have enough questions or the interviewees were reluctant to give detailed answers.

Confirmability of the research refers to being able to repeat the study and getting the same results. When analyzing the results, the data was divided into different codes and themes in order to help the analyzing.

The reader might notice that the information gained from all companies is not of the same level. The researcher failed to get all the necessary information from all interviewees. As there was little or no additional information available (Internet home-pages, brochures, articles) on one of the companies, the data received from interview could not be completed. It is worth noticing that all companies were a bit suspicious of the study and the purpose of the interview. Each company representative had to be told that the idea of this study is not to try to find something negative about the company. The researcher assumes that this has to do with general negative opinion in Finland about Russia and Russians. Most of the companies seemed to be reluctant to be considered a Russian company. Some of them thought that the researcher plans to present the connections to Russia in a negative light. The reason for the short answers to interviewer's questions might also be that the interviewees did not understand the questions in the right way. It is possible, that some of the interviewees are not as used to giving interviews about their business, as the other interviewees, and therefore gave only short answers to questions.

Some might suggest that the author should have picked other case companies instead of those companies, of whom she got only little information. This would have been a possibility, but the researcher had good grounds to pick just these companies. Among the active companies, they were the only ones with potential of being international and they seemed to have potential to have a lot of influence from Russian management.

4 INTERNATIONAL OPERATIONS OF RUSSIAN COMPANIES IN SOUTHWESTERN FINLAND

4.1 Companies with Russian involvement in Southwestern Finland

4.1.1 All companies

The researcher found 41 Russian companies that are registered in Southwestern Finland. Most of them are registered in Turku, the biggest town in the area. In numbers, there are 30 companies registered in Turku, 3 in Raisio and the rest 8 are registered each in a different locality. Nearly 54% of these joint-stock companies had equity less than the required 8000 EUR. 46% of the companies, however, had equity between 8000 EUR and 84093 EUR. The latter figure was the biggest equity of these companies. Thus, it can be interpreted that the companies are relatively small.

Most of the companies, 93%, are active in service industry, and 7.3% are active in processing. None of the companies is practicing primary production. When it comes to principal industry, consumer products seems to be the most common field of business (13 companies). Five companies were active in real estate, rentals or business services, four companies in construction, four in business services and consulting, three in financing and investments, two in health and social services and two in electronics and appliances. The rest are active in other fields of business.

Most of the companies are relatively young. Only three companies were established before the collapse of the Soviet Union, which means before year 1991. Most of the companies, 26 in total, were established between 1992 and 1999, and 12 were established in the 2000's. The complete table of these companies is in Appendix 3 Companies with Russian management participation in Southwestern Finland.

When the researcher started to search for further information on these companies, she found out that only 15 of these companies seemed to be active. The rest, 26 companies, had not delivered their financial statements during the 2000's, and as they are joint-stock companies and obligated to deliver their financial statement, it can be interpreted that they are not active anymore.

4.1.2 A more detailed description of active companies

15 active companies in Southwestern Finland have Russian management participation. The researcher found further information about 11 of them. Information about the rest four was difficult to track down, since the companies were established in years 2003 and 2004 and at the time of research, had not delivered their first financial statement to the officials yet. This could be both unintentional or intentional. These companies were Nak Microware Finland, Dalphy Eriste, Global Software Development and Ecospring Finland. These were small companies with no homepages in Internet. They did not have e-mail address or telephone number, or the telephone number that was given did not work. One of the companies, Nak Microware Finland, seems to be somehow related to a Russian company called Nak Microware, but the researcher failed to find more information about this company. These companies are excluded from the further analysis due to the lack of information on them.

The active companies found are the following: Airisto Line, Alturas, Bevako, Energoservice International, Fest-Media FM, HyTest, Inmed-Consulting, Kolarc, Medical Trading & Consulting Metkinen, Mur-Tur and Unique Ceramics. Two of these companies were founded before 1990's, two in the 2000's and the rest during the 1990's. Seven of them are registered in Turku, the rest in other localities in Southwestern Finland. All but three of them have equity more than 8000 EUR. These statistics are presented in Table 2.

Table 2 Active companies' year of establishment, location and equity

The name of the company	Year of establishment	Location	Equity, €
Bevako	1987	Parainen	8040
Kolarc	1992	Turku	84093
HyTest	1994	Turku	10200
Medical Trading & Consulting Metkinen	1995	Turku	8000
Airisto Line	2001	Turku	8409
Alturas	2002	Turku	8000
Inmed-Consulting	1999	Tarvasjoki	8409
Unique Ceramics	1994	Kustavi	2522
Mur-Tur	1995	Nauvo	2590
Energoservice International	1993	Raisio	8846
Fest-media FM	1989	Turku	2522

As with all Russian companies in Southwestern Finland, also these companies are active in consumer goods. Table 3 shows the fields of business and number of staff for these companies. Five companies' field of business is consumer goods and two are active in real estate, renting or business services. It should be clarified, though, that both of these two companies are actually active in business services rather than real estate.

The number of staff was not found from every company, but from the ones that were found one could draw a conclusion that these companies do not employ many people. Only HyTest, Medical Trading & Consulting Metkinen and Mur-Tur announced to have more than one employee.

Table 3 Active companies' field of business and number of staff

The name of the company	Field of business	Staff
Bevako	Machines, instruments	1
Kolarc	Metals and fabricates	..
HyTest	Real estate, rentals or business services	11
Medical Trading & Consulting Metkinen	Consumer goods	5
Airisto Line	Transportation	1
Alturas	Consumer goods	1
Inmed-Consulting	Health and social services	..
Unique Ceramics	Nonmetal mineral products	..
Mur-Tur	Consumer goods	2
Energoservice International	Consumer goods	..
Fest-media FM	Real estate, rentals or business services	1

The investigation of these companies' economic situation shows many interesting details. Table 4 shows the turnover, which means the volume of the operation, of the companies in 2001-2003.

Table 4 Active companies' turnover in 2001–2003

The name of the company	Turnover 2003	Turnover 2002	Turnover 2001
Bevako	166,0	281,0	897,0
Kolarc	0,0	0,0	0,0
HyTest	3 155,8	2 968,5	2 440,2
Medical Trading & Consulting Metkinen	535,3	540,4	210,4
Airisto Line	77,3	196,6	6,6
Alturas	54,36
Inmed-Consulting	290,2	89,0	32,0
Unique Ceramics	4,2	4,2	8,4
Mur-Tur	3,2	22,2	16,8
Energoservice International	1 892,2	1 956,1	2 136,2
Fest-media FM	41,2	32,1	27,8

Note: Numbers are in 1000 €

The researcher found the financial statements for 2004 for half of the companies, but since not all had delivered it yet, it seemed rational not to compare the companies by

⁶ The length of the accounting period was 18 months.

their latest financial statement. That is why the analyses made are based on year 2003's situation. The financial situations of 2004 for the chosen case companies are presented later, in the chapters dealing with them.

HyTest had the biggest turnover in 2003 with around 3 million EUR and Energoservice International had a turnover of nearly 2 million EUR. Third came Medical Trading & Consulting Metkinen with half a million euros. There are two companies, Inmed-Consulting and Bevako, who had a turnover between 100 000 and 300 000 EUR and the rest had a turnover of less than 100 000 EUR. Unique Ceramics and Mur-Tur had a significantly low turnover in 2003 and Kolarc has had no turnover during 2001-2003. Since Kolarc has had no turnover during these years, it can be questioned, whether it should be included in the group of active companies. To simplify matters, Kolarc is left in this analysis.

There are some companies, whose turnover has been very turbulent during these three years. For example, Bevako has experienced a significant drop in turnover from nearly 1 million EUR to less than 200 000 EUR. HyTest, Inmed-Consulting and Fest-Media FM, in their turn, have had steady growth in turnover. When reading this table, one should notice that Alturas was founded in 2002 and has delivered its first financial statement in 2003.

The operational profit, total sum of the balance sheet, equity ratio and quick ratio of the companies are presented in Table 5.

Table 5 Economic performance of the companies in 2003.

The name of the company	Operational Profit/Loss	Balance sheet	Equity Ratio	Quick ratio
Bevako	16,0	14,0	100%	..
Kolarc	-0,4	67,7	100%	2184
HyTest	644,7	1552,4	63%	2,4
Medical Trading & Consulting Metkinen	42,4	224,0	76%	3,9
Airisto Line	4,7	96,6	12%	0,2
Alturas	-5,7	5,9	40%	1,2
Inmed-Consulting	-50,6	92,1	-36%	0,3
Unique Ceramics	-0,6	6,7	100%	153
Mur-Tur	2,1	12,4	87%	4,2
Energoservice International limited	101,8	1 469,0	6%	12,9
Fest-media FM	6,5	10,7	36%	1,2

Note: Operational profit and balance sheet are presented in 1000 €

According to Kinnunen et al. (2002), operational profit is one of the determinants of a company's success and size. The total sum of balance sheet describes the amount of committed capital and is also one indicator of the size. Equity ratio indicates the company's financial standing. According to Kinnunen et al. (2002, 150), the financial

standing is good, if it's more than 40%, satisfactory, if it's between 20% and 40% and weak if it's below 20%. Quick ratio indicates how well the company is able to meet its short-term financial obligations. A company's quick ratio is good, if it's more than 1, satisfactory, if it's between 0,5 and 1 and weak if it's less than 0,5 (Kinnunen et al. 2002, 150).

When looking at the operational profit of these companies, HyTest, Energoservice International and Medical Trading & Consulting Metkinen seem to be the most successful companies. Four companies have suffered loss in the latest accounting period and it is interesting to notice that while Inmed-Consulting's turnover had more than tripled from 2002, it suffered a significant loss in operations. In year 2002, its operations generated profit.

When it comes to balance sheet, it seems that HyTest and Energoservice International are at the very top, again. There are two companies whose total sum of balance sheet is under 10 000 EUR.

The equity ratios of these companies show that seven of the companies have a good financial standing. One company has a satisfactory situation and the rest have a weak financial standing. Inmed-Consulting seems to be doing worst in this factor: its equity ratio is -36%. It is also worth noticing that Energoservice International's equity ratio is very weak, although it has been good in other indicators.

Quick ratio reveals that only two companies have a weak position in meeting their short-term financial obligations. All others are in a good position in this respect. Kolarc and Unique Ceramics have a significantly good Quick Ratio, but it is good to bear in mind that Kolarc has had no turnover in 2003 and Unique Ceramics had a very modest turnover.

The number and the positions of the Russian nationals in these companies are presented in Table 6.

Table 6 The Russian nationals in the companies.

<i>The name of the company</i>	<i>Chairman of the board</i>	<i>Member of the board</i>	<i>Deputy member of the board</i>	<i>Chief executive officer</i>	<i>Executive vice president</i>	<i>Holder of procuration</i>
Bevako		X				
Kolarc		XXX				
HyTest		XX		X		
Medical Trading & Consulting Metkinen		X	X	X		
Airisto Line						X
Alturas		X		X		X
Inmed-Consulting			X			
Unique Ceramics	X					
Mur-Tur		X				
Energoservice International	X	XXX		X		
Fest-media FM					X	

Note: An X indicates that the company has a Russian national holding that position. The number of X's indicates the number of Russian nationals in the position.

Note: the information in this table is from year 2004

When looking at Table 6, it seems that “member of the board” is the most common position of the Russian national in these companies. A few companies, namely Inmed-Consulting and Fest-media FM seem to have a fairly modest Russian representation in the company. The first has a Russian national as a deputy member of the board and the latter as an executive vice president. Naturally, it is impossible to say without further information, if the position truly indicates the importance of the Russian citizen for the company. The position of “chairman of the board” is considered the most significant post in a company and two of these companies have a Russian citizen in this position.

When reading Table 6, it is important to know that, some of the positions are filled by same persons in the same company. For example, in Alturas, there is only one Russian in the management but he alone holds all the three positions mentioned. It is interesting to notice that HyTest and Medical Trading & Consulting Metkinen share personnel. The Russian that is the chief executive officer in HyTest is a deputy member of board in Metkinen, and the Russian that is a member of board in HyTest is also a chief executive officer and a member of board in Metkinen. Both of these companies are case companies in this study and the contacts between these companies are presented later in this study.

To conclude, it is possible to divide these companies in certain groups based on their economic information and performance. HyTest, Energoservice International and Medical Trading & Consulting Metkinen are all large in size, when compared to the others,

(measured by turnover, operating profit and the balance sheet) and have a steady operation, some have experienced growth during the last years. Their financial standing is pretty good (Energoservice International is an exception) and they are able to meet their short-term financial obligations. HyTest has a personnel of 11 people and Energoservice, according to their financial statement, used around 100 000 EUR for salaries. Metkinen employs five people.

The second group consists of companies that are fairly big in size (when measured with turnover), but have not made a good operating profit (or have made loss). These companies are Bevako, Airisto Line, Alturas, Inmed-Consulting and Fest-Media FM. The majority of them have a modest balance sheet. Their financial standing is weak or satisfactory, except for Bevako that has a good financial standing. Two of them are not able to meet their short-term financial obligations. They each employ one person, except Inmed-Consulting, which has not announced the number of staff.

The third group includes companies that have a very modest turnover or none at all. These companies are Kolarc, Unique Ceramics and Mur-Tur. They have a modest or negative operating profit, but their financial position seems to be good. Their Quick Ratios are also very good.

The researcher was surprised to find out that only one of all active companies seems to be a subsidiary of a Russian company (Nak Microware Finland). In the beginning of the research process, she assumed that several of these companies would have a parent company in Russia, but clearly, that is not the case.

4.1.3 *A classification of the active companies*

The organizational classification built in this chapter is done for two reasons: to clarify the company field for the reader and to serve as reasoning for choosing the case companies for this study.

The two dimensions chosen for this taxonomy are the volume of business operations and the level of participation of the Russian citizens in the company. The volume of business is measured with turnover and it will give some clue of the size of the company and its operations. There would have been other alternatives to measuring the size of the company (e.g. number of staff or total assets), but the researcher chose turnover. The level of participation of the Russian citizens in the company is supposed to indicate how big an influence the Russians have on the business operations and decisions of the company.

The division of companies was made with the help of the results of the statistical review. The researcher decided that a turnover smaller than 60 000 EUR indicated a weak volume of business operations. The level of participation of the Russian citizens

in the company is a bit trickier dimension, since it is hard to define without further information how big an influence does the Russian have in the company, regardless of his position. There needs to be some kind of division, however, so the researcher decided that the influence of the Russian citizen/s is significant, if there is either more than two management positions held by a Russian or the position of only one Russian is very high, meaning the chairman of the board. Figure 5 introduces the taxonomy created by the researcher.

Figure 5 An organisational classification of the companies with Russian management participation



From Figure 5 it is easy to see, which companies are of utmost interest to the researcher. The box, which is down to left, introduces the companies that have either very low turnover or none at all, and only one Russian citizen in management position. The box above it introduces companies that have a good turnover but do not have enough Russians in significant positions. The box, which is down and right has companies that have Russians in significant positions, but the companies' turnover is very low or zero. Thus, the box that is of special interest to the researcher is above it. The companies in this box have both big turnover and Russians in important positions. It is natural that the researcher is interested in the companies in this category. In this study, it is fairly understandable to study companies that clearly operate and their operating

volume is big. These companies have a potential of being international and should be able to offer answers to the research questions. The second indicator, Russian citizens in important positions, is pretty self-explanatory. There is not much sense in investigating companies that clearly have no or little influence in their operation from the Russian in management. In addition, the researcher assumes that the more Russian influence in the management, the more likely it is that the company has business connections to Russia.

The case companies chosen by the researcher for further study are HyTest, Medical Trading & Consulting Metkinen and Energoservice International. The chosen case companies do not represent the whole population of active companies. It is not even the idea to generalize any results and apply them to all Russian companies in Finland. It was reasonable to choose companies that have prerequisites to have international operations, since the idea is to study Russian companies' international operations. There is no sense in choosing a company, whose turnover is so low that with the turnover it could not pay even one person's salary. It is reasonable to assume that only the chosen case companies have prerequisites for international operations and thus they represent all international operations of Russian companies in Southwestern Finland.

4.2 HyTest

This chapter describes the first case company, HyTest. It is based on an interview with HyTest's Sales and Marketing Director (later referred to as Interviewee 1), HyTest's homepages in Internet, some articles found on the company and an e-mail answer to questions asked from HyTest's Managing Director (later referred to as Interviewee 2).

4.2.1 *A general description of HyTest*

HyTest is a biotechnology company that manufactures and markets high-quality immunological reagents for research and industrial applications. HyTest was founded in 1994 and it is registered in Turku. The company has operated in three places during its history: first in Biocity, then in Eurocity and now in Pharmacity. Practically the company facilities have stayed in the same small area all the time. Now HyTest plans to move to Intelligate, once it is completed, to get more office space (Interview 1).

HyTest has its roots in a joint project between a Russian research institute and Turku University and Åbo Akademi's joint venture in Turku in the late 1980's. This cooperation between the Russians and Finns resulted with Joint Biotechnology Laboratory, JBL. JBL is still operating in Turku University. At the time of the joint project there came an idea of production and commercialization of certain monoclonic antibodies.

The ideas and products were developed further and tested in Turku University. SITRA financed the creation of a business plan for a company who would realize these plans. When the cooperation mode was defined, HyTest could be established. The two founders of the company were a Finnish newly based company AboaTech, which handled technology transfer, and the Moscow University's Institute of Biochemistry and Biotechnology. HyTest has still close connections with the institute and the institute has ownership in the company (Interview 1; Hytest tekee kannattavaa biobisnestä; Interview 2).

HyTest is a producer of high-quality monoclonal antibodies and antigens for the diagnostic industry all around the world. HyTest's products include cardiac markers, infectious disease reagents, autoimmune reagents, human serum proteins, neuroscience reagents, tumour markers, blood coagulation reagents, diabetes and obesity reagents and fertility and pregnancy reagents. The company's products are both raw material for the producers of diagnostic tests and tools for researchers in their work. The products are very small: their weight is measured in milligrams and the products are transported in ampoules. The products are either liquid or flourey. HyTest produces products that are used for making tests, which analyze what kind of sicknesses people have. For example, if a doctor suspects that the patient has an infection, he examines the case by making a CRP-test. In this case, the CRP-test itself is made with the help of HyTest's reagents (Interview 1; HyTest 2005; Hytest tekee kannattavaa biobisnestä).

The company operates in B-to-B-business. Their clients are not consumers or end users, but industrial clients who buy key components for their laboratory immunological tests. HyTest's clients are diagnostic industry and universities. In the branch where HyTest operates, the clients' names are not public, so they cannot be used as references in marketing. The company's products are intended for primary, advanced and applied research. HyTest delivers their products both straight to the clients and through distributors. The distributors often collect products from several suppliers and then sell them forward. Sometimes the distributors even take care of the export (Interview 1).

The company cannot easily measure, what kind of market shares their products have. They have hundreds of products, and with some products they might be market leaders and with some the smallest supplier. However, with a few key products, HyTest is the biggest supplier in the world (Interview 1).

Since the company operates in a very small niche, they only have one real competitor here in Finland. A company called Medix Biochemica has a few similar products with HyTest and they are after the same clients. However, most of their products are different and their operation modes differ. For example, Medix Biochemica produces tests, which HyTest does not do (Interview 1).

The marketing team, where Interviewee 1 works, consists of three people and they take care of the contacts with nearly 300 clients. The company trades with eight of the ten biggest diagnostic producers in the world (Interview 1).

4.2.2 *HyTest's international operation and links to Russia*

HyTest has two places of business. The main office is in Turku and it employs 11 people. The Turku office takes care of sales, marketing, administration, quality control and finalizing the products. The second place of business is a research laboratory in Moscow. The laboratory develops and produces HyTest's products. The laboratory employs currently 17 Russian researchers. There is only little research done in Turku, but occasionally the researchers from Moscow visit the Turku office. The costs of production and research & development are keen in Russia, and it is fairly easy to find educated researchers as employees. The distance between Russia and the target countries for sales is not a problem, since the products are very small and easy to transport by air with courier service. The key question in HyTest's operation mode (sales and marketing in Finland, production in Russia) is the fact that cooperation relationships are long-term and reliable (Interview 1; Hytest tekee kannattavaa.. 2004).

The company sells its products mainly abroad. Around 97% of the turnover comes from exports. The share of export from turnover has been rather same every year during HyTest's operation. The company sells its products in tens of countries and in every continent except Africa. The company's main market areas are USA (40% of the sales), Great Britain (21%), France (9%), Japan (9%), Germany (4%) and Korea (3%). The structure of the exports has changed during the last years so that the importance of USA has decreased gradually. The growth of sales has been strongest in Great Britain (+345% compared to previous year) and Switzerland (+345%). The importance of Asia has also grown, the growth of sales has been +226% in Japan and +75% in Korea. The company has not knowingly chosen the countries it sells to, the sales are demand-driven. In 2004, the sales to USA accounted for 64% of the turnover. The sales to countries in European Union accounted for 30% of the turnover, Japan 4% and the other countries for the rest 2%. (Interview 1; Bioteknologiayritys HyTest edelleen...2005).

HyTest has only little operation in Finland, due to the fact that there are so few clients in Finland. Only three percent of the sales go to Finland. However, the company cooperates with different research groups and institutes in Finland. Often this means being involved in a project and giving HyTest's products to the use of the project. The goal is to establish more extensive cooperation and trade later. The company does not sell its products to Russia, because Russia is very small and underdeveloped country when it comes to HyTest's products (Interview 1).

The company is only engaged in exports and has not increased its involvement in international operations. The business is managed straight with the customers and the operations can be handled from Turku. The operation through exports has been cost effective so far and thus, there is no need for change. The company has not seriously considered moving the company headquarters elsewhere, although the clients are outside of Finland and production in Russia (Interview 1).

4.2.3 *HyTest's economic situation*

HyTest is a successful company. The key economic parameters are presented in Table 7. Some of the indicators for certain years have been presented earlier in this study, but they are completed in this table.

Table 7 HyTest's key economic parameters

	2004	2003	2002	2001	2000
Turnover	3 673 200€	3 155 800€	2 968 500€	2 440 200€	1 991 200€
Change of turnover	16,4%	6,3%	21,6%	22,6%	38,3%
Number of staff in Finland	11	11	9	7	5
Operating profit	23,0%	20,4%	19,5%	15,0%	12,3%
Operating margin	24,2%	22,0%	21,2%	17,0%	14,2%
Quick Ratio	1,9	2,4	2,4	2,1	1,7
Current Ratio	1,9	2,4	2,4	2,1	1,7
Return on net assets	77,2	70,1	78,3	68,5	66,5
Equity ratio	42,8%	62,3%	64,1%	63,9%	50,0%

Source: Voitto 2005

As can be seen from Table 7, HyTest's turnover has increased each year in its operations. HyTest's operation has been profitable ever since the beginning, after the first accounting period. Besides the initial investment of 8000 EUR the law demands from joint stock companies, there has been no additional investments made to the company, and thus it operates via income financing. The staff number in Finland has increased little by little as the turnover has increased. The operating profit has become bigger each year during 2000-2005. All HyTest's key economic parameters are good or very good (Interview 1).

4.2.4 *The Russian citizens in the management*

HyTest has three Russian citizens in its board of directors. Two of them are members of the board. The researcher found no further information about one of them, but the second was the Managing Director of another case company, Metkinen. His role in the board is advisory. He is the husband of the third Russian citizen in the management, Interviewee 2. He has no ownership in the company, but he is responsible for the strategic planning in the company. He is not involved in the day-to-day routines of HyTest, but he plans the growth of the company, and supervises and observes some procedures in the company. Metkinen and HyTest have some cooperation, but not much, since their operation is distinct. They have had some shared research projects, especially since Metkinen has good relations to Kuopio University (Interview 3).

The third Russian in the management, the Managing Director (Interviewee 2) started in the company as a Product Manager. Then she advanced to be a General Manager and finally Managing Director (CEO). She has lived in Finland since 1991. In Russia, she graduated from Moscow University's Biological faculty in 1989 and was specialized in immunochemistry. Interviewee 2 says that in the time of her graduation, there were quite bad times in Russia and many highly educated people moved abroad. From the graduates in the biological faculty she graduated from, nearly 2/3 live and work abroad now. Interviewee 2 was interested to see other countries and work abroad and consequently, in the age of 25 she moved to Finland (Interview 2).

In Finland she first worked for 2.5 years in Turku University in a Finnish-Russian biotechnology laboratory JBL. The Moscow University's Institute of Biochemistry and Biotechnology, where Interviewee 2 had been working back in Moscow, had cooperation with Turku University, and the idea of commercializing antibodies that are available in Russia came from the Institute. As Interviewee 2 was responsible in JBL for that project, it was natural that when HyTest was established, she began working for the company. In 1993, one year before the establishment of HyTest, she completed her PhD in biochemistry (Interview 2).

Interviewee 2 was not one of the founders of HyTest, but the Moscow Institute she had been working for had still has 20% of the shares of HyTest. The remaining 80% of the shares used to belong to AboaTech, but the company went into bankruptcy in the summer of 2005. AboaTech was a shareholder, because SITRA financed HyTest through AboaTech. In 2001, the three key employees (Managing Director, the R & D Director and the Sales and Marketing Director) did a management buy-out and bought 60% of HyTest shares from AboaTech. The rest of AboaTech's shares, 20%, was bought by the company HyTest in 2005. Thus, the company nowadays is owned by Moscow University's Institute of Biochemistry and Biotechnology (20%), the employees (60%) and the company itself (20%) (Interview 1).

According to Interviewee 1, HyTest wants to be considered a Finnish company, not a Russian. In Finland, they have attracted some attention from the press, because of the fact that their CEO is a Russian woman. The company does not want to talk about the backgrounds of any specific person, but about their business. They do not feel that the nationality of their CEO has any significance to their business (Interview 1).

4.2.5 *HyTest's plans for the future*

The branch where HyTest operates is very dynamic. Markets change and that creates both threats and opportunities. HyTest's hit product for the last 4-5 years has been a reagent used in diagnostic tests for heart attacks. The market for that reagent is reaching its saturation point and thus, HyTest needs to develop a new hit product. The company develops new products constantly. Interviewee 1 reckons that the diagnostics based on monoclinic reagents is getting outdated, after all it has been used for already 20 years. New molecular diagnostic PCR-methods are taking over the markets, but since they do not apply to all diagnostics, HyTest does not have to change their complete technological foundation (Hytest tekee kannattavaa...2004).

In the future, the company aims at operating profitably and growing steadily. They do not plan to make any dramatic changes, but want to carry on as previously. Their future looks good: They have many long-time contacts with clients and some clients have been very loyal. HyTest's clients, tests producers, do not easily change the supplier once the test is already in production, even if the competitor supplier's products were cheaper. The producer of raw material, in this case HyTest, must follow the markets and market development constantly. The ideal case is, if the raw material producer can offer the client their new product, when the client has just *started* to plan producing a test that the new product needs (Interview 1; Hytest tekee kannattavaa.. 2004).

4.3 Medical Trading & Consulting Metkinen

This chapter describes the second case company, Medical Trading & Consulting Metkinen. It is based on an interview with the Managing Director and owner of the company (later referred to as Interviewee 3). The data received by this interview is completed with the information gained from the company homepages in Internet.

4.3.1 A general description of Metkinen

Medical Trading & Consulting Metkinen, hereinafter referred to as Metkinen, is a biotechnological company, like the first case company HyTest. It was founded in 1995 and is registered in Turku.

Metkinen is divided into two units: Metkinen Chemistry and Metkinen Biotechnology. *Metkinen Chemistry* is engaged in research and production of innovative reagents for nucleic acid industry and it provides molecular tools for development of novel pharmaceuticals. The innovative reagents are used for oligonucleotide synthesis. Metkinen Chemistry's products include unique specialty nucleosides, trinucleotide phosphoramitides and universal solid phase synthesis supports. Metkinen Chemistry provides reagents for the scientific community and the industrial clients, who do oligonucleotide synthesis. *Metkinen Biotechnology* is engaged in research and development in the area of fermentation processes. It offers strains and technologies that enable an improvement to drug manufacturing efficiency. Metkinen Biotechnology offers industrial level micro-organism-procedures for statins, steroids and industrial enzymes. Their products also include peptide custom synthesis, peptide libraries and different reagents for peptide synthesis. Metkinen's laboratory has its main focus on research for cholesterol-lowering agents (HMG-CoA reductase inhibitors).

Metkinen operates in such a small niche that it has no competitors in Finland and only a few in the world. However, the competition is very tough in pharmaceutical business in general. The disadvantage of being located in Finland is the high wages of employees and according Interviewee 3, the only way to survive the competition is to have a unique product.

Although Metkinen operates in the pharmaceutical business, its customers are not pharmaceutical companies. Their customers include individual scientists, universities, industrial companies involved in research and development or production of pharmaceutical ingredients.

Metkinen has two places of business in Finland, one in Turku and one in Kuopio. Most of the operation of the company happens in Kuopio. The company has big facilities in MikroTeknia close to Kuopio University. All the research facilities are in Kuopio, Interviewee 3 is the only employee in Turku. He himself takes care of administration, sales and marketing of the company and the rest of the staff are researchers. Metkinen employs five people at the moment and they are all researchers. Three of them are of Russian origin.

4.3.2 *Metkinen's international operations and links to Russia*

Metkinen has practically no business in Finland. The company operates in a small niche and they have high-tech products that have no demand in Finland, except for a few scientists. Interviewee 3 claims that Finland has very little pharmaceutical industry that would be innovative, and thus in need of Metkinen's products. Metkinen's customers are in Asia and United States. In Asia, the target countries are China and India. The company is engaged only in exports, it has not made investments abroad. The nature of the business is such that there is no need to increase the commitment. According to Interviewee 3, the possible way for the company to grow abroad is to establish new sales channels.

As HyTest, Metkinen has not knowingly chosen the countries it sells to, the sales are demand-driven. In United States there is a lot of investor money available for companies who do top of the line-research, and these companies need Metkinen's reagents. In China, for its part, there are many pharmaceutical companies partly because of the cheap labour, and they are also doing research that requires Metkinen's products. Metkinen has no business in Europe. Interviewee 3 would like to sell products to European companies, most of all because of the geographical proximity, but the companies in Europe are not competitive in the business, where Metkinen operates. When it comes to cultural issues, European companies would also be easier customers. Interviewee 3 experienced problems in cultural issues with both Americans and Asians in the beginning, but now has learnt how to do business with them despite the cultural differences.

Metkinen has no operation or sales in Russia, but they have business contacts there. Interviewee 3 employs new researchers straight from Russia and many of the new product ideas and innovations come from Russia or the researchers from Russia. The level of chemists and biochemists in Russia is extremely high and it is easy to find very skilled perspective researchers, who have a doctoral degree.

4.3.3 *Metkinen's economic situation*

Metkinen is a company that has been operating with income financing ever since the beginning. It has no debts or investors' money and still has a fairly big turnover. Table 8 shows the key economic parameters of Metkinen between 2000 and 2004.

Table 8 Metkinen's key economic parameters

	2004	2003	2002	2001	2000
Turnover	450 000€	535 000€	540 400€	210 400€	152 400€
Change of turnover	-15,9%	0,9%	156,9%	38,1%	78,0%
Number of staff in Finland	5	3
Operating profit	13,1%	7,9%	19,4%	27,6%	28,9%
Operating margin	14,0%	8,8%	20,0%	28,4%	29,4%
Quick Ratio	18,3	3,9	9,4	2,3	2,1
Current Ratio	18,3	3,9	9,4	2,3	2,1
Return on net assets	34,0%	24,1%	71,3%	52,8%	51,5%
Equity ratio	94,9%	76,1%	89,9%	57,4%	54,0%

Source: Voitto 2005

The turnover of the company has more than doubled between years 2001 and 2002. Ever since 2002, the yearly turnover has been around 500 000€ Information about the number of staff has not been available before 2003, but the latest number was five. As the first case company HyTest, Metkinen has a very good economic situation and has a good financial situation. The two companies are much alike in other aspects, too.

4.3.4 The Russian citizens in the management

The entrepreneur behind Metkinen is Interviewee 3. He is the single owner of Metkinen and the founder of the company. In the management of Metkinen, Interviewee 3 holds the positions of Managing Director and A Member of the Board. His wife, Interviewee 2 (CEO of company HyTest) is a Deputy Member of Board in Metkinen.

Interviewee 3 comes originally from Russia. He studied in Russia and completed the degree of a software-engineer. Later, his interests turned to marketing and he completed Master of Business Administration (MBA) - examination. He moved to Finland as he was employed by a Finnish company, Wallac (Wallac is nowadays called PerkinElmer). Wallac was one of the leading diagnostic companies based in Turku. After working in Wallac, Interviewee 3 decided to put up a company of his own in Turku. He had no previous business or entrepreneurial experience, since he had gone to work in Wallac straight after completing the MBA degree in university.

4.3.5 Metkinen's plans for the future

The market where Metkinen operates is very dynamic, so it is very hard to predict the future. As Interviewee 3 described it,

“One day you can plan to retire and move to Hawaii; another day you think about where to get the money to pay the salaries.”

“In pharmaceutical business, you can become very rich, if you get in the supply chain of a successful drug. But you can also end up in a very bad situation if you invested a lot of money into the development of a certain drug and then this drug gets cancelled.”

The success of the company is highly dependant on the new inventions and ideas. Thus, the company is constantly in search of new promising projects primarily by collecting and analyzing latest life science-news. They outline tasks and plan research milestones together with experts in pharmacology, applied medicine, microbiology and biochemistry. However, some of their new ideas occur also in the process of developing present products. The plans for hiring more personnel depend on the market situation and orders. If Metkinen gets more customers and orders, it can employ more personnel.

4.4 Energoservice International

This chapter describes the third case company, Energoservice International. It is based on a phone interview with the Managing Director of the company (later referred to as Interviewee 4).

4.4.1 General information on Energoservice International

Energoservice International is a trading company that is also engaged in logistics. The company gathers paper industry machines and spare parts from Western suppliers and sells them to their clients, Russian pulp factories. Their suppliers come mainly from Western countries, for example Sweden, Great Britain, France and USA. The company does not sell anything in Finland. It has two places of business, one in Turku and one in Saint Petersburg. The office in Turku employs only one person, Interviewee 4 himself, but the subsidiary in Saint Petersburg employs four people. The company is owned by two persons: Interviewee 4 and his Russian friend. The other co-owner lives in Saint Petersburg while Interviewee 4 lives in Turku. The offices both in Turku and Saint Petersburg take care of the customs clearance and transporting of the machines and spare parts.

Energoservice has a good situation in business, because it has no competitors. The company is the only supplier of certain machines and spare parts for their clients, Russian pulp factories. Interviewee 4 stated that there are a few similar companies in Finland, as Energoservice, but they mainly trade different kinds of products.

The choice of the operation mode and target countries of internationalization is natural. The company is engaged in importing and exporting of goods and it is not rational to change the operation mode. Their clients are only in Russia. Interviewee 4 admits that he being a Russian has definitely affected the choice of clients and getting their trust. He acknowledges that he has a significant advantage when compared to Finns in this business. He knows the Russian business culture, the language and has some networks in Russia. He did not know the customers beforehand, but as he mentioned, “word goes around” and the customers heard about him and contacted him in business. The demand situation of the customers is based on the fact that the Russian pulp mills are being modernized and thus need a lot of new equipment. The pulp factories prefer Western equipment to Russian equipment and thus Energoservice gathers the equipment from Western companies. The company chooses its Western suppliers by making offers to them and then choosing the best and most reliable companies to work with.

The operation of the company has been successful ever since the beginning of the operation in 1993. Interviewee 4 says he has not experienced major problems in business.

The board members of the company are all actively involved with the company. The chairman of the board, Interviewee 4’s Russian friend, is a co-owner and the members of the board, two Russian women and Interviewee 4, are also involved in the operation.

The future plans of Energoservice are to grow and be profitable. They are planning to establish an own customs clearance estate in the beginning of year 2006. Now they do not have a real office in Turku, Interviewee 4 takes care of the business from his own apartment. If the company gets a permission to establish an own space where they can take care of customs clearance, they will hire 5-6 new employees, probably Finnish people. These people will be working within warehouse tasks.

4.4.2 *Energoservice International’s economic situation*

The economic situation of Energoservice International is fairly good. It has the second biggest turnover of the case companies in this study. The economic information of the company in 2000-2004 can be seen from Table 9.

Table 9 Energoservice International's key economic parameters

	2004	2003	2002	2001	2000
Turnover	1 602 000€	1 892 200€	1 956 000€	2 136 000€	2 170 000€
Change of turnover	-15,30%	-3,3%	-8,4%	-1,6%	48,7%
Number of staff in Finland	4	..
Operating profit	1,4%	5,4%	4,0%	2,9%	-0,3%
Operating margin	1,4%	5,4%	4,0%	2,9%	-0,3%
Quick Ratio	811,7	12,9	27,9	205,4	25
Current Ratio	811,7	12,9	27,9	212,3	25,7
Return on net assets	2,5%	12,3%	6,0%	5,5%	4,9%
Equity ratio	8,2%	5,7%	5,1%	4,9%	5,2%

Source: Voitto 2005

Table 9 shows that Energoservice International's turnover has decreased gradually during the last five years. It has decreased more than 0.5 million euros from year 2000 to year 2004. The number of staff could not be found from Voitto-CD, but as mentioned before, the company employs only one person in Finland at the moment. In 2004, the company's operating profit decreased a bit from previous two years and was relatively weak. The company has a weak financial standing and the situation has not changed dramatically during the last five years. However, the company's ability to meet their short-term financial obligations is very good and has improved dramatically during the year 2004.

4.4.3 *A profile of the entrepreneur*

The co-owner of the company, Interviewee 4, has an Ingrian Finnish background. He came to Finland 13 years ago from Saint Petersburg and got a permanent job from Finland. Being Ingrian Finnish, he had a right to come and live in Finland. After the ending of this vacancy in a Finnish company, he decided together with a Russian friend to start up a company. He felt that his professional skills, education and experience had grown enough and that he could make it on his own. His own educational background is high.

Interviewee 4 owns another company in Finland, too. The company is called Viisumipalvelu Vesikko and it provides visas to Russia. Their services include providing visas to SMEs, consulting in the documents needed in trade with Russia and consulting in customer relationship creation in Russia. Their customers are mainly foreigners or Russians who have obtained Finnish citizenship. Interviewee 4 owns this company together with his wife. Interviewee 4 says he does not have many connections with the Russian community in Finland otherwise, but in context of his visa services, he

meets other Russians. To conclude, Interviewee 4 has worked in Finland as an employee in another company and now he has two companies of his own.

4.5 Summary of main empirical findings

The main empirical findings are summarized in Table 10. The findings are analysed in more detail in the next chapter, Conclusions.

Table 10 Main empirical findings

<p>There are 41 companies with Russian management participation in Southwestern Finland. Only 1/3 of the companies are active. Out of fifteen seemingly active companies, the researcher found further information on eleven. The whole number of Russian companies in Finland could be questioned, because if 2/3 of the companies are inactive in Southwestern Finland, the other regions in Finland may have a similar situation.</p>
<p>The active companies have 1-11 employees and their turnovers vary from a modest sum to a couple of million euros. Some companies stood out from the mass with an exceptionally good financial situation, some companies were barely operating and had financial troubles.</p>
<p>Most of the Russian companies in Southwestern Finland do not have international operations. The researcher found three companies that had clear potential to be international in their operations and had many Russian citizens in strategically important positions in their management. These three companies were chosen as case companies for further research.</p>
<p>Two of the case companies operate in biotech-business, in a small niche. One company operates in trading-business.</p>
<p>All three case companies are international in their operations. None of them has significant business in Finland, instead their customers are abroad. One of the companies trades with Russia; the other two have customers around the world.</p>
<p>The Russian citizens have a significant role in each case company. A Russian immigrant entrepreneur runs all case companies. One company is solely owned by the Russian immigrant, two are co-owned by the Russian immigrant. In two companies, the Russian citizens in the management are the sole decision makers in the company; in one company the two Russian citizens act as a Managing Director and as a Member of the Board, so they have decision power. In all case companies, at least some of the Russians in management have ownership in the company. Two case companies have investors from Russia.</p>

The backgrounds of the Russian immigrants in case companies' management are variable. Two of the managers have a university degree from Russia and a Finnish company employed them. Thus, they moved to Finland and later got engaged in own business operations. One manager in a case company has Ingrian Finnish background and thus, had a right to move to Finland. After the ending of his vacancy in a Finnish firm, he decided to put up an own company.

All case companies have business contacts to Russia, but only one of them has customers in Russia. The other two companies operate in a niche business and their operation is demand-driven. They do not select their target countries, but deliver their products anywhere in the world. Russia is not a lucrative market for them, because the country does not have such companies there who are in need of the case companies' products. The author assumes, however, that they would operate in Russia, if there were customers there.

5 CONCLUSIONS

The researcher found out that there are 1915 joint-stock companies with Russian involvement in Finland. Majority of them are situated in the capital area. There are altogether 157 such companies in the county of Western Finland and 41 in the target area of this study, Southwestern Finland. Most of the companies were established after the collapse of the Soviet Union, majority in the 1990's. Half of the companies have failed to raise their equity levels to the demanded level of 8000 EUR. All Russian companies in Southwestern Finland are SMEs and most of them are active in service business. The companies in Southwestern Finland do not seem to differ much from all Russian companies in Finland. However, there are more companies of larger size in the Helsinki area than in Southwestern Finland. Some Russian conglomerates have invested in Finnish energy sector. In Southwestern Finland, there did not seem to be any major investments by Russian investors and the researcher assumed that Russian immigrants in Finland establish most of the Russian SMEs in the region.

Through a more detailed investigation, it was discovered that nearly two thirds of 41 Russian companies seemed not to be active. The researcher found further information on only 11 companies. The companies studied further in the statistical review were Airisto Line, Alturas, Bevako, Energoservice International, Fest-Media FM, HyTest, Inmed-Consulting, Kolarc, Medical Trading & Consulting Metkinen, Mur-Tur and Unique Ceramics. Most of them were registered in Turku and only three of them failed to have equity of at least 8000 EUR. One of them had an equity of nearly 85 000 EUR, but this company has not had any turnover in at least four years, so it can be questioned whether this company actually is active. Half of the companies did not report the number of their staff, but the ones who did, had 1-11 employees, majority only one. At the time of investigation, not all companies had delivered their financial statement for the year 2004, so the economic information on the companies is based on the numbers from 2003. In that year, three of the companies had a turnover less than 5 000 EUR. Three companies' turnover was between 5 000 and 100 000 EUR and the rest five companies had a turnover that exceeded 100 000 EUR. Some of the companies had many management positions held by a Russian citizen, some only one.

It was a surprise to the researcher that there are so few companies with Russian management in Southwestern Finland and that so few of them are active, only 1/3 of all companies. This also indicates the weakness of the source, National Board of Patents and Registration's (NBPR) list of companies with Russian management, because clearly the list is not updated as often as it should. It is also worth mentioning that many of the active companies had no turnover or very small turnover in 2003, so it can be questioned whether they are actually active. However, this study included only the joint-stock companies, so there presumably are a lot of Russian companies in

Finland/Southwestern Finland with another operation mode. According to statistics, there are about 113 000 companies in Finland altogether, and in the year 2004, 7340 new companies established activities, whereas 7539 companies closed down. Thus, also in a national level more companies closed down than started activities.

The number of Russian joint-stock companies in Finland is very questionable. According to NBPR, there are 1915 such companies in Finland. The researcher believes there are much less than 1915 active companies. Since 2/3 of the companies in Southwestern Finland were inactive, it's probable that in the other regions of Finland the situation is much alike.

It seems that the assumption made in the research process that the Russian companies in Southwestern Finland are mainly run by Russian immigrant entrepreneurs, is correct. Only three companies out of fifteen active companies were interviewed, but the other companies had so small turnover and few employees that immigrant entrepreneurship is the only reasonable explanation. However, there were a few companies with only a small level of participation from Russian citizens in the management. These companies are probably not managed by Russian immigrants. The case companies chosen for this study were HyTest, Metkinen and Energoservice International. A Russian immigrant entrepreneur owned two of them and one of them was co-owned and run by a Russian immigrant, but not established by her.

When looking at the case companies through the theory on immigrant entrepreneurs, the Russian entrepreneurs in the case companies can be divided in two groups. The managers in HyTest and Metkinen are clearly ethnic entrepreneurs with minor connections to their ethnic community. Although Interviewee 2 from HyTest did not establish HyTest, to the author's opinion she can be defined an ethnic entrepreneur, because she owns 20% of the company. The managers are both highly educated in their home country and employed to Finland by a Finnish company. They did not start up a company because of disadvantage in the labour market, on the contrary. Both of them would presumably have demand in the labour market. Both companies operate in a niche that is not typical for ethnic entrepreneurs, in biotech-business. They serve customers outside the ethnic community. They do not employ people from their ethnic community in Finland, but Metkinen employs Russian citizens and "imports" them to Finland and HyTest has a research laboratory in Moscow with Russian employees. Thus, both managers take advantage of their ethnic background and connections to Russia in business.

The entrepreneur in Energoservice International has characteristics from both types of ethnic entrepreneurs. On the one hand, he has minor contacts to the ethnic community, because he does not offer services to the ethnic community, but operates outside of Finland. On the other hand, he was not employed by a Finnish company from Russia and does not have a university education. In addition, he has another company

that provides visas to Russia, and his main customers are coethnics, which implies a strong connection to the ethnic community.

All the case companies have business connections to their country of origin. Energoservice International exports its products to Russia. For Energoservice International, Russia is the single market for its products and it has a place of business in Saint Petersburg. HyTest and Metkinen do not have trade with Russia, because there is no demand in Russia for their products. Metkinen, however, employs staff from Russia and HyTest has a research laboratory in Moscow.

The suggestions of Uppsala model fit the internationalisation patterns of the case companies in some parts. All case companies are operating internationally through exports, which is consistent with the theory, since they are all relatively young companies. However, none of them have significantly increased their commitment in the market. All the company representatives felt that exporting is a sufficient method of operating and there was no need to increase the market commitment. Energoservice International has a place of business in Saint Petersburg. HyTest has a research laboratory in Moscow, but it only provides them products; the sales are handled from Turku. Metkinen has no place of business outside Finland.

Psychic distance plays a role in each of the case company's business. One company, Energoservice International, trades with Russia. Russia is psychically very close to it, because the company's management is Russian, so it is a natural decision for them to operate in Russia. Thus, this company has operated just as the Uppsala model suggests. HyTest and Metkinen, however, do not have operation in culturally neighbouring countries. Their operation is demand-driven and they export to countries where their customers operate. Thus, their operation does not follow the suggestions of Uppsala model when it comes to psychic distance. However, Metkinen employs staff from Russia and HyTest has research laboratory in Moscow. Would Metkinen employ staff from Russia, if their CEO were not Russian citizen himself? In addition, would HyTest have a research laboratory in Moscow, if the roots of the company and its CEO were not in Russia? Hypothetically, without the influence of psychic distance, the two companies could have these kinds of contacts to other countries than Russia. Still, it is a well-known fact that Russian researchers have a good education, so the companies might have Russian staff even without previous connections to Russia.

To conclude, the Uppsala model on internationalisation of companies did not suit this study very well. Only one company out of three followed its suggestions correctly. To the author's opinion, one should not draw any dramatic conclusions out of that. The other two companies operated in such a small niche that they do not choose themselves, where to operate, but the customers' location is the integral factor.

Only one of the case companies seemed to have a positive influence on the bilateral trade between Finland and Russia. Energoservice's operation was consistent with the

studies, since the Russian immigrant entrepreneur had clear advantage in the business from the fact that he is Russian and knows the culture, language, business culture and habits and has connections to Russian business world. The other two companies did not trade with Russia.

One of the research questions dealt with the role of the Russian citizens in the management of a Finnish company. In the case companies, the Russians in the management had several roles. In all companies at least one Russian citizen in the management had ownership in the company. In Metkinen, the Managing Director owns the whole company and the other Russian citizen in the company presumably has an advisory role. In HyTest, the Managing Director has ownership in the company, but a Member of the Board has only an advisory role in HyTest's board. The fact that these people mentioned are married to each other may also explain, why they appear in the boards of each other's companies. Energoservice International's Russian citizens in the management have ownership in the company. It can be concluded that in each of the case companies, the Russian citizens' roles in the company are significant and they affect the strategy and operation of the company. In two of the companies, the decision-making was totally in the hands of the Russian citizen. In all but one company, at least one of the Russians in the management are immigrant entrepreneurs, as was proposed in the beginning of this study. The roles of some Russians in the management remained unknown and it is possible that they are individual Russian investors. In Energoservice International, the Russian citizen mentioned in the management lives in Russia, so at least he is a Russian investor.

The starting point of this study was that the Russian companies in Finland are not subsidiaries of Russian multinationals, but companies established by Russian immigrants in Finland. This was somewhat true, but there is more to it. Some of the case companies actually had owners living in Russia. A Russian research institute owns 20% of HyTest and Energoservice International's other owner lives in Russia. To conclude, the Russian companies in Southwestern Finland are mainly established by Russian immigrants, but they may have Russian ownership. The operation in most cases is such small-scale, that it would be wrong to call it Russian OFDI. Rather it could be called investments from individuals in Russia.

Since the Russian companies in Southwestern Finland are not result of Russian OFDI, it would be interesting to find out if this is the case also in other regions. Naturally there are several larger Russian companies in Finland, who are clearly subsidiaries of Russian multinationals, but the researcher supposes that Russian immigrants run the majority of all Russian companies in Finland.

The research results do not clearly support the assumption that Russian companies in Finland with international activities would internationalise to Russia. Only one of three case companies had customers in Russia. However, the author still assumes that if a

Russian company in Finland has prerequisites for international operation, the natural target country for internationalisation is Russia. In addition, it is notable that all the case companies did have business connections to Russia. Perhaps the Russian companies in Southwestern Finland do not enhance the Finnish-Russian bilateral trade that much, but Southwestern Finland benefits from the know-how of Russians. One case company has a research laboratory in Moscow with Russian staff, and another case company employs staff straight from Russia. Thus, the Russian know-how transfers to companies in Finland. The immigrants of a certain country can influence positively not only to trade flows between countries, but also to flows of know-how.

To conclude, the three main findings of this study were:

1. Surprisingly many of the Russian companies in Southwestern Finland are inactive. Thus, the number of companies with Russian involvement in Southwestern Finland should be questioned.
2. The case companies in this study were run by Russian immigrants living in Finland. The Russians in management had a lot of decision power in the company. There was some ownership from Russia in the companies, but they were not subsidiaries of Russian multinationals.
3. All case companies had international operations, and business connections to Russia. All case companies utilized the connections to Russia brought by the Russian management.

As this study was mainly exploratory and only partly descriptive in its nature, there are many different suggestions for further research. The first question left without an answer in this study is the situation of the inactive Russian companies in Southwestern Finland. What happened to them and why are so many of the companies inactive and/or have not been able to raise their equity to the demanded 8000 EUR? This would be interesting to find out. Another suggestion for further research is the other geographic areas in Finland and Russian companies there. Do the results differ much from the results of this study? An interesting area for this kind of research could be Southeastern Finland, which is geographically close to the Russian border. Third suggestion would be to conduct a detailed study about the OFDI of Russian companies in Finland. There has already been a study on some of the OFDI into energy sector, but the scope could be widened to other sectors, as well. Fourth option would be to study companies with management participation from another country's citizens. Estonians are a big immigrant group in Finland and companies with Estonian involvement could be an object of research.

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APPENDIX 1: A literature review on previous studies

WHO?	HOW?	THE FINDINGS
Bush 2004	An expert interview	<ul style="list-style-type: none"> ▪ Russia produces more than 200 000 science graduates a year and a growing number of them get employed abroad. ▪ Problem is that Russia loses bright young graduates, who move abroad to get better salaries and living conditions.
Jumpponen 2001	Statistical overview and gathering of information from several sources	<ul style="list-style-type: none"> ▪ In the year 2000 there were 1797 companies in Finland with Russian management participation. ▪ Most of the companies are situated in Southern Finland, close to the capital city. ▪ There are more such companies in Western Finland, than in Eastern Finland, which is closer to the Russian border.
Lerner & Handeles 1996	Personal interviews with structured questionnaires in Russian language	<ul style="list-style-type: none"> ▪ The rate of Ex-Soviet immigrants turning into entrepreneurship in Israel is lower than that of the veteran Israeli population. ▪ The rate of Ex-soviet immigrants interested in entrepreneurship is significantly higher than the actual rate of new entrepreneurs. ▪ The factors influencing entrepreneurial aspirations are e.g. business experience, previous profession, age, gender, knowledge of the Hebrew language and current status in labour market.
Lerner & Menahem & Hisrich 2005	Interviews	<ul style="list-style-type: none"> ▪ After the immigration to Israel, it was easier for male immigrants from Soviet Union to find a job, than for women. ▪ Among ex-Soviet immigrants in Israel, men tend to have more entrepreneurial aspirations. ▪ Government support is a significant factor in supporting entrepreneurship.
Liuhto & Jumpponen 2002	Statistical overview and gathering of information from several sources	<ul style="list-style-type: none"> ▪ Outflow of FDI from transition countries is modest compared with the inflow of FDI. ▪ Russia makes up over 50 % of the transition countries total OFDI stock. ▪ In addition to taxation havens, the Russian investments have gone to USA, EU and the CIS-countries. ▪ Russian oil and gas, metal and bank companies are the most active players in international markets.
Liuhto & Jumpponen 2003	Statistical overview and gathering of information from several sources	<ul style="list-style-type: none"> ▪ Gazprom, Lukoil and Yukos were the biggest exporters of Russia in 2001. ▪ The biggest exporters of Russia are all natural resource-based companies.

Mesch & Czamanski 1997	Questionnaires to 442 recipients	<ul style="list-style-type: none"> ▪ The wave of Jews emigrating from Russia to Israel has created conditions for immigrant entrepreneurship. ▪ Intentions to open a small business are related to e.g. previous business experience, education and income. ▪ Ex-Soviet immigrants lack experience from market economy, which reduces entrepreneurial aspirations
Sagie & Weisberg 2001	Literary overview	<ul style="list-style-type: none"> ▪ Ex-Soviet immigrants encompass 20% of Israel's population. ▪ Ex-Soviet immigrants are well-educated and the level of their education has been one of the main triggers of the high-tech sector's rapid development in Israel. ▪ Ex-Soviet immigrants are sometimes even too well-educated and cannot find a job that meets their requirements
Vahtra & Liuhto 2004	Statistical overview and gathering of information from several sources	<ul style="list-style-type: none"> ▪ The enlarged EU is the main target for internationalising companies from Russia mainly because of the superior profits compared with CIS countries. ▪ The Russian companies have different motives for investments in different regions of the world. ▪ Motives for investments into EU are mainly economic, but the motives when it comes to CIS and developing countries are often political. ▪ The politics influence the internationalisation patterns of some companies, especially if they operate in strategic fields.
Vahtra & Lorentz 2004	Statistical overview and gathering of information from several sources	<ul style="list-style-type: none"> ▪ There are 1915 joint-stock companies in Finland with Russian involvement ▪ Russian involvement in Finnish companies is most active in energy sector
Vahtra & Lorentz 2005	Gathering of information from several sources	<ul style="list-style-type: none"> ▪ Russia's largest company, Gazprom is the sole supplier of natural gas to Finland. ▪ Gazprom owns 25 % of the Finnish gas company Gasum. ▪ The ownership arrangement (a strategic alliance with the supplier) gives Gasum a better position in securing the gas deliveries long-term

APPENDIX 2 Interview themes

The questions in each interview depended on the interviewee, his nationality and position in the firm. The general themes in the interview were:

- The background of the interviewee and his position in the company
- General description of the company and its services / products.
- Quantity of staff and their nationality (Russian, Finnish, other)
- The clientele of the company
- The competitors of the company
- Describing the possible operation in Finland
- Describing the possible operation abroad, in which countries? Why there?
- Operation modes abroad
- Development of operations abroad
- Possible business connections to Russia
- The reasons behind establishing this company
- The owners of the company
- The future plans of the company

+ IF THE INTERVIEWEE WAS A RUSSIAN IMMIGRANT ENTREPRENEUR LIVING IN FINLAND

- The reason for arriving in Finland
- Previous education, business experience and work experience in Finland

APPENDIX 3 Companies with Russian management participation in Southwestern Finland

No.	COMPANY NAME	YEAR OF ESTABLISHMENT	LOCATION	EQUITY (€)	INDUSTRY	PRINCIPAL INDUSTRY
1	Camamet	1997	Aura	2522	Processing	metals and fabricates
2	St. Kaar-Peter Free Trading Company	1993	Kaarina	2522	Marketing	consumer products
3	Bevako	1987	Parainen	8040	Marketing	machines, instruments
4	Kolarc	1992	Turku	84093	Service	metals and fabricates
5	Conventa	1992	Turku	2522	Service	consumer products
6	Yellow Design	1992	Turku	2522	Service	consumer products
7	Kauppatalo Nadja	1992	Turku	2522	Service	consumer products
8	Nurioil Technology	1993	Turku	2522	Marketing	electronics, appliances
9	Medeastdeal Finland	1993	Turku	2522	Marketing	electronics, appliances
10	HyTest	1994	Turku	10200	Service	real estate, rentals, business services
11	GVM Trading Consults	1994	Turku	2522	Service	consumer products
12	Straton	1994	Turku	2522	Marketing	real estate, rentals, business services
13	Polaris Scandinavia	1994	Turku	2522	Service	construction
14	BS-Puhdistuspalvelu	1994	Turku	2522	Service	real estate, rentals, business services
15	Pietarin kauppahuone	1994	Turku	2522	Service	real estate, rentals, business services
16	Medical Trading & Consulting Metkinen	1995	Turku	8000	Service	consumer products
17	Katri Wood&K	1996	Turku	2522	Marketing	consumer products

18	Turku Virtual Craft	1996	Turku	2522	Service	consumer products
19	Aboa Trading	1996	Turku	2522	Service	financing and investments
20	Jursinov Pro Hockey	1998	Turku	8409	Service	education, research
21	Alexin aarteisto	1999	Turku	8409	Service	business services and consulting
22	Huolto ja markkinointi J. Vihervaara	2000	Turku	8000	Service	consumer products
23	Airisto Line	2001	Turku	8409	Service	transportation
24	SMMS Ship Management and Marine Service	2000	Turku	20000	Service	business services and consulting
25	Kauppatorin hammaskeskus	2002	Turku	8000	Service	health and social services
26	Sisustus ja rakennustyöt MONA	2002	Turku	2522	Service	construction
27	Alturas	2002	Turku	8000	Marketing	consumer products
28	Belware	2002	Turku	8000	Service	construction
29	Firanex	2002	Turku	8400	Service	financing and investments
30	Nak microware Finland	2003	Turku	8000	Service	consumer products
31	Dalphy Eriste	2003	Turku	8000	Service	vehicles
32	Global Software Development	2004	Turku	8000	Service	business services and consulting
33	Inmed-consulting Oy	1999	Tarvasjoki	8409	Service	health and social services
34	Unique Ceramics Oy	1994	Kustavi	2522	Processing	nonmetal mineral products
35	Mur-Tur Oy	1995	Nauvo	2590	Service	consumer products
36	Rekamatic Oy	1984	Raisio	2522	Service	business services and consulting
37	Oy Energoservice International	1993	Raisio	8846	Marketing	consumer products
38	Finnconstations Oy	1995	Raisio	2522	Service	construction
39	Roxpart Oy	1996	Salo	2522	Service	financing and investments
40	Ecospring Finland Oy	2003	Somero	8000	Processing	food, drink, tobacco
41	Fest-media FM	1989	Turku	2522	Service	real estate, rentals, business services

