UPDATING INTERNATIONAL STRATEGY IN A MUNICIPALITY

Case: the City of Lahti

Lahti University of Applied Sciences
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ABSTRACT

The City of Lahti is in the process of renewing its international strategy so that it extends to 2020, the year of Finland's Presidency of the Council of the European Union, using its 2011-2013 international strategy as the basis. The thesis serves as background research to assist in updating the City of Lahti international strategy. The study focuses on gathering reflections on the former strategy, forms a general understanding of the current state of internationalization in the City of Lahti, and provides insight into the views of the City of Lahti and its stakeholder organizations regarding the future of internationalization in Lahti.

The thesis is a qualitative case study. The theoretical background of the study deals with strategy and strategic management focusing on the public sector and municipalities. Sources for the theoretical section include thematically related literature and online publications. For the empirical part, the City of Lahti international strategy 2011-2013 and the merger contract between the City of Lahti and the Municipality of Nastola are reviewed as background. The primary data were obtained by semi-structured interviews with respondents from the City of Lahti and its stakeholder organizations.

Based on the interviews and the literature review, the study makes recommendations for the direction of development of the international strategy update. Furthermore, the current state of internationalization is examined using a SWOT analysis. The internal strengths and weaknesses of the City of Lahti and the external opportunities and threats for internationalization are identified.

It is concluded that the City of Lahti should focus on developing the implementation and monitoring of its international strategy. Apart from that, the updated international strategy should continue along the same lines as the previous strategy. The existing strengths of the City of Lahti – environment, design, sports events, and culture – should be highlighted as focus areas like in the previous international strategy.

Key words: strategy, strategic management, strategic planning, public organization, municipality, case study, current state analysis

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TIIVISTELMÄ

Lahden kaupunki on uudistamassa kansainvälisen toiminnan toimintaohjelmaansa vuosien 2011-2013 toimintaohjelman pohjalta niin, että se ulottuu vuoteen 2020, jolloin Suomi toimii Euroopan unionin neuvoston puheenjohtajamaana. Opinnäytetyön tarkoitus on toimia taustaselvityksenä, joka avustaa toimintaohjelman päivittämisessä. Tutkimuksessa kerätään mielipiteitä edellisestä strategiasta, kuvataan kansainvälistymisen nykytilaa Lahdessa ja kartoitetaan Lahden kaupungin ja sen sidosryhmien jäsenten näkemyksiä Lahden kansainvälistymisestä tulevaisuudessa.

Tämä opinnäytetyö on laadullinen tapaustutkimus. Tutkimuksen teoreettisessa viitekehyksessä käsitellään strategiaa ja strategista johtamista keskittyen julkiseen sektoriin ja kuntiin. Tietolähteinä on käytetty aiheeseen liittyvää kirjallisuutta ja verkkojulkaisuja. Tutkimuksen empiirisen osan taustamateriaalina tarkastellaan myös Lahden kaupungin kansainvälisen toiminnan toimintasuunnitelmaa 2011-2013 ja Lahden kaupungin ja Nastolan kunnan yhdistymissopimusta. Empiirinen tietoaineisto hankittiin kaupunkiorganisaation ja sen sidosryhmien jäsenten kanssa käydyistä teemahaastatteluista.

Haastattelujen ja kirjallisuuskatsauksen perusteella tehdään ehdotuksia päivitetyn kansainvälisen toiminnan toimintaohjelman kehityksen suuntaa koskien. Lisäksi, kansainvälistymisen nykytilaa tutkitaan käyttäen SWOT-analyysia, jonka avulla määritellään Lahden kaupungin sisäiset vahvuudet ja heikkoudet sekä ulkoiset mahdollisuudet ja uhat kansainvälistymiselle.

Yhteenvetona todetaan, että Lahden kaupungin tulee keskittyä kehittämään kansainvälisen toiminnan toimintaohjelmansa jalkauttamista ja seurantaa. Muutoin päivitetyssä toimintaohjelmassa kannattaa jatkaa samalla linjalla kuin edellisessä toimintaohjelmassa. Lahden kaupungin olemassa olevia vahvuuksia: ympäristö, design, urheilutapahtumat ja kulttuuri tulee tuoda esille painopistealueina, kuten viimeisimmässä kansainvälisen toiminnan toimintaohjelmassa.

Asiasanat: strategia, strateginen johtaminen, strateginen suunnittelu, julkinen organisaatio, kunta, tapaustutkimus, nykytila-analyysi

ACKNOWLEDGEMENTS

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1   INTRODUCTION

The introduction provides the framework of this research. First, it discusses the background of this thesis. After that, it introduces the objectives, research questions and limitations of the thesis. Finally, it presents the theoretical framework, research methodology, and data collection methods used in this study.

1.1   Background

Through times, the concept of strategy has been applied in war, politics and business (The Economist, 2013). However, strategy as a business concept is relatively new as it came into prominence in the corporate world only in the 1960s (Kiechel III, 2010, iix). Although, the origins of strategic management are in the corporate world, it is now widely used in public sector organizations as well (McBain & Smith 2010). The operating environments of public sector organizations have become more and more uncertain and interconnected. This means that changes in the external environment are increasingly unpredictable and have an impact on the whole system. Therefore, it is important that public sector organizations think, learn, and act strategically. (Bryson, 2011, 1)

In Finland, many municipalities have faced challenges in financing the mandated basic services. This has been caused by the difficult economic situation and population aging that has led to a reduction in the tax payer base. (Valtiovarainministeriö, 2015) Moreover, the level of municipal debt in Finland has been growing steadily since the early 2000s from less than 3% of GDP to nearly 7% of GDP in 2013 (OECD, 2014). Many Finnish municipalities have carried out mergers with other municipalities to improve their ability to organize and finance basic services more efficiently (Suomen kuntaliitto, 2015). To combat these challenges, Finnish municipalities must be able plan to and implement their strategies effectively.

The subject for this thesis emerged from a development project in which Lahti University of Applied Sciences was to assist the City of Lahti in updating the City of Lahti international strategy 2011-2013 to meet the requirements of the year 2020. This thesis acts as background research for the strategy update process. The

focus is on reflecting on the former international strategy, analyzing the current situation of internationalization[1] and gathering perceptions on the prospects of internationalization of the City of Lahti by interviewing individuals from the City of Lahti and its stakeholder organizations.

The case organization, the City of Lahti is a municipality in Päijänne Tavastia region in Southern Finland. The City of Lahti is situated by Lake Vesijärvi just 100 kilometers from the capital area. (Lahden kaupunki, 2015a) With over 100,000 inhabitants, Lahti is the ninth largest city in Finland (City of Lahti, 2015a). The city is renowned for its design and cleantech expertise (Ladec, 2015b), and known internationally for sports events such as Lahti Ski Games and cultural offerings like the world famous Lahti Symphony Orchestra that performs in the Sibelius Hall (Lahden kaupunki, 2015a). In 2016, the City of Lahti and the Municipality of Nastola have agreed to merge and will form a new city municipality called Lahti. More information regarding the City of Lahti is presented in chapter 4.

1.2   Thesis Objectives, Research Questions and Limitations

The City of Lahti is in the process of renewing its international strategy using the now outdated City of Lahti international strategy 2011-2013 as the basis. The objective of this thesis is to conduct background research to assist in updating the City of Lahti international strategy so that it extends to 2020, the year of Finland's Presidency of the Council of the European Union.

In order to assist in bringing the City of Lahti international strategy up to date, this thesis aims to:

- reflect on the former City of Lahti international strategy,
- form a general understanding of the current state of internationalization in the City of Lahti, and

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[1] In the context of this thesis internationalization is defined broadly as referring to "making something international" (Cambridge University Press, 2015). This means that any activity that makes Lahti more international is considered "internationalization" in this thesis.

- provide insight into the views of the City of Lahti and its stakeholder organizations regarding the future of internationalization in Lahti.

By reflecting on the former strategy, it is possible to learn from its shortcomings with an eye to the future. Furthermore, it is important to know the current situation of internationalization in Lahti for the city to be able to plan effectively for future. Lastly, gathering stakeholder views on the future of internationalization in Lahti will help the City of Lahti set goals and choose a desirable direction for the international development of the city.

To attain the objectives of the thesis the following research question is set:

What is the current state of internationalization in the City of Lahti and what direction should the development take?

To answer the research question, sub-questions are compiled as follows:

a) What were the shortcomings of the former City of Lahti international strategy and what can be learned from them?
b) To what extent were the objectives of the former strategy reached?
c) What should the goals and areas of focus be in the new City of Lahti international strategy according to the key stakeholders?
d) How do the key stakeholders envision the internationalized City of Lahti in 2020?
e) What are the strengths, weaknesses, opportunities and threats of the City of Lahti for internationalization?

As a case study, this thesis limits itself to the City of Lahti and the organizations interviewed in this study. The number of interviews was limited to nine representatives of different stakeholder organizations that have a key role in the internationalization of Lahti. The list of respondents can be found in appendix 1. As a result, the study is not reflective of the views of all different internal and external stakeholders of the City of Lahti. Although the selection of interviewees attempted to provide as versatile a database as possible, a larger number of interviews would have produced a deeper understanding of the case. Moreover, because all the respondents represented their organizations alone, as the

interviews were carried out on one-to-one basis, the personal viewpoints of the interviewees might have had an impact on their statements.

As another limitation, the thesis is not able to cover the whole strategy process of the new City of Lahti international strategy. The strategy process consists of several stages from planning to execution to review that extend over a period of time. This thesis limits itself to the stages of the strategy process prior to strategy formulation. Thus the thesis does not include the implementation, monitoring and review of the strategy. Furthermore, the thesis limits itself to strategy as a management theory. Therefore, political, military and competitive strategy as well as game theory are not within the scope of this work. Moreover, different theories of internationalization fall out of the scope of this research.

As the last limitation, lots of materials had to be translated into English from Finnish during the thesis process. For instance, the City of Lahti international strategy and the City of Lahti and Nastola merger contract are only available in Finnish. Furthermore, the interviews were conducted in Finnish. Although the translations were carried out carefully, it is possible that some of the subtle nuances were lost in translation. However, it is quite certain that the translation does not negatively affect the results of the study.

1.3   Theoretical Framework

Theoretical framework refers to the review of the theories and previous research on the topic of study (Kananen, 2011, 44). In this study, the theory section reviews previous research on strategy as a management theory or strategic management. More emphasis is placed on strategic planning or the steps in the strategy process that precede implementation than strategy execution. The theoretical framework of this thesis is presented in figure 1 on the following page.

FIGURE 1. Theoretical Framework

The framework begins with a brief description of theories of strategy after which strategy is placed in the broader context of strategic management. As the focus of research on strategy and strategic management has been on private sector organizations, these theories are important for understanding these concepts and are therefore included in this thesis as background. However, as the case study organization of this study, the City of Lahti, belongs to the public sector, the framework then narrows down further to review what has been written about strategy in a public sector context and in municipalities. Finally, the introduction of the case study looks at strategy in the case of the City of Lahti, focusing on its international strategy 2011-2013.

1.4   Research Methodology and Data Collection

This paragraph introduces the research methodology and data collection methods used in this study. It begins by describing the research approach and the research methods, and then moves on to explaining the choice of data collection methods used in this research.

Deduction and induction are two basic research approaches used in social science research. Deductive and inductive approach are opposites. Deduction uses theory as the first source of knowledge, while induction starts with empirical research. Deductive research proceeds from theory to empirical analysis, and inductive research does the opposite. (Eriksson & Kovalainen 2008, 21-22) Thus, deduction moves from general to specific knowledge, whereas induction makes a broader statement by inferring from specific cases (Kananen, 2011, 40). This study has qualities of both deductive and inductive reasoning. On one hand, the study moves from general theory of strategy to a specific case in the empirical world that deals with strategy thus being deductive. On the other hand, from the specific case, the study derives information, recommendations, and conclusions for the case organization.

Research methods can be divided into quantitative and qualitative methods. Quantitative research focuses on the collection and analysis of numeric data or numbers while qualitative research focuses on non-numeric data or words. (Saunders et al. 2009, 482) The former emphasizes testing and verification, while the latter stresses understanding of phenomena (Cook & Reichhardt 1979, 10).

Table 1 on the following page summarizes and contrasts some main features of quantitative and qualitative data. In brief, as shown in table 1, quantitative data are numerical, standardized, and analyzed using statistical tools. Qualitative data, in turn, are verbal expression based, non-standardized, and analyzed using conceptualization. (Saunders et al. 2009, 482) Qualitative research method is employed in this study because the aim is to acquire a deep understanding of the case by using semi-structured interviews.

TABLE 1. Distinctions between Quantitative and Qualitative Data (developed from Dey (1993); Healey & Rawlinson (1994); authors' experience, according to Saunders et al. 2009, 482)

Quantitative data	Qualitative data
Based on meanings derived from numbers	Based on meanings expressed through words
Collection results in numerical and standardized data	Collection results in non-standardized data requiring classification into categories
Analysis conducted through the use of diagrams and statistics	Analysis conducted through the use of conceptualization

For every study, it is important to consider the credibility of the research findings by evaluating reliability and validity. Both qualitative and quantitative research methods have their own criteria to assess reliability and validity that should not be mixed (Kananen, 2011, 125). The concepts of reliability and validity in are briefly introduced and the reliability and the validity of this study discussed in the conclusion of this thesis in chapter 6.

Data can be collected either through primary or secondary research or both. Primary data are information collected specifically for the research project being undertaken whereas secondary data are data that were originally collected for some other purpose (Saunders et al. 2009, 598-600). This thesis uses both primary and secondary data to answer the set research questions.

Interviews are commonly used in qualitative primary research. Kahn and Cannell (1975) define interview as a purposeful discussion between two or more people. (Saunders et al. 2009, 318) Interviews are commonly placed into one of three categories: structured, semi-structured or unstructured interviews based on their level of formality and structure. In a structured interview, all the respondents are asked a predetermined, identical set of questions. By comparison, in a semi-structured interview, the interviewer poses questions to the respondent from a list of themes and questions to be covered during the interview. The themes and

questions as well as their order may be varied from interview to interview. It is also possible to omit and add questions depending on the situation. Last but not least, unstructured interviews are informal discussions without predetermined questions that allow the interviewee to talk freely. It is also possible to group interviews based on the nature of interaction between the interviewer and the respondent(s). Interviews can be conducted on a one-to-one or on a group basis. The interaction can take place face-to-face, over telephone or electronically. (Saunders et al. 2009, 320-321)

Semi-structured interviews were chosen as a data collection method in this study because they allow the interviewer to probe answers. This means that it is possible to ask the respondents to further explain and build on their responses. Besides, semi-structured interviews may bring forward information from areas that the interviewer did not initially consider but which increases his or her understanding of the subject being studied. (Saunders et al. 2009, 323) These aspects were found important for this study because experts from different fields with different knowledge bases and experiences were to be interviewed. Semi-structured interviews allowed for customization in the interviews, which helped produce a rich and detailed set of data. More information regarding the design of the interviews can be found in section 4.3.

To analyze the primary data, the interviews were transcribed and coded to find themes and answers to the research questions. A more detailed description of the data analysis process is available in section 4.3. Moreover, a SWOT analysis was employed to examine the current state of internationalization in the City of Lahti. A SWOT analysis can be used to give an overall evaluation of the internal strengths and weaknesses of an organization and its external opportunities and threats. The aim of a SWOT analysis is to help match strengths to attractive opportunities, to help overcome weaknesses and to help minimize threats. (Kotler & Armstrong 2012, 53-54) SWOT is a widely accepted strategic management tool owing to its simplicity and value of concentrating on the key issues (Jurevicius, 2013).

In addition to primary research, the study made use of secondary research. To achieve the objectives of the thesis, strategy literature was studied as the

theoretical basis for this study. This included various books, journals, articles and online sources that deal with strategy and strategic management theory in both private and public sector context, paying special attention to the latter one and municipalities. For the empirical part, information was gathered from various online sources and strategies. The City of Lahti international strategy 2011-2013 was an important source of information as it will be used as the basis of the update as well as the municipal merger contract between Lahti and Nastola that was reviewed to understand the implications of the change in the operating environment.

In conclusion, the study uses both deductive and inductive reasoning, takes a qualitative research approach, and collects data by carrying out semi-structured interviews and desktop research.

1.5   Thesis Structure

The thesis is divided into two parts: the theory section and the empirical study. Figure 2 below presents the structure of the thesis and the following paragraphs give a more detailed explanation of the organization of the thesis.

FIGURE 2. Thesis Structure

Chapter 1 introduces the background, purpose, scope and methodology of the study. Chapter 2 deals with theories related to strategy and strategic management with a focus on public sector and municipalities. Chapters 3 and 4 cover the case study and the empirical research including an introduction to the case organization and an explanation of the study design and results. These results are interpreted and discussed in chapter 5. Chapter 6 concludes the study by providing answers to the research questions. Furthermore, recommendations for further research are made and the validity and reliability of the study assessed as a part of the conclusion. Finally, chapter 7 summarizes the whole study.

2   STRATEGY

This chapter consists of the literature review carried out for this study. The focus is on exploring theories of strategy and strategic management in the context of private and public sector organizations including municipalities.

2.1   Concept of strategy

Although 'strategy' is often considered as a cornerstone of modern business thinking, it is a relatively new concept in the corporate world. Before 1960s, the word 'strategy' was primarily used in the context of politics or military but rarely in that of business. However, this does not mean that companies were without a direction. Instead they made simple plans and predictions rather than systematic strategies that considered various determinants of success such as costs, customers, and competitors. (Kiechel III, 2010, iix)

According to Kiechel III, (2010, 5), Jones (n.d.) has divided the history of strategy into three phases or three Ps: positioning, processes, and people. In the first phase, from the birth of strategy in 1960s to 1980s, the focus was on positioning or finding the place of the business in relation to other businesses. In the second phase, from 1980s to around 2010, the attention shifted to processes. By improving processes such as design or manufacturing companies could achieve a competitive advantage over their competitors. In the third phase, today, the focus of strategy is on people who create competitive success for their companies through innovation. (Kiechel III, 2010, 5-6)

Through time, management theorists have suggested various definitions of strategy. For Chandler, (1962, 13) strategy refers to "the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". Mintzberg (1978) defines strategy as "a pattern in a stream of decisions". Porter (1980, xvi) in turn writes about competitive strategy describing it as a "broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals". A more recent definition regards strategy as "a pattern of purposes, policies programs, actions, decisions, or resource allocations

that define what an organization is, what it does, and why it does it" (Bryson, 2011, 60). On the other hand, Mulgan (2009, 19) defines public strategy as 'the systematic use of public resources and powers, by public agencies, to achieve public goals."

From the wide range of definitions for strategy, Mintzberg (1994) identifies five different approaches to developing strategy in his theory, the 5 Ps of strategy: plan, ploy, pattern, position, and perspective.

1. Strategy as a **plan** refers to a "consciously intended course of action or a guideline" to handle the situation. As plans, strategies share two qualities: they are made [1] consciously and purposefully and [2] prior to the activities they apply to. They may also be general or specific.

2. Strategy as a **ploy** is a specific move designed to outmaneuver a competitor or an opponent. A ploy builds its effectiveness on the notion of threat rather than on the action itself. These maneuvers include announcing moves, using fighting brands[2], and actions to forestall competitive response among other.

3. Strategy as a **pattern** describes a consistency in past behavior of an organization which may or may not be intended. While plans are for future, patterns arise from past actions.

4. Strategy as a **position** is the "mediating force" between an organization and its environment or, in other words, between the internal and the external contexts. As position, the aim of strategy is to locate the organization in its external environment in the context of a single or multiple competitors or with relation to markets or environment.

5. Strategy as a **perspective** refers to a shared world view of the members of an organization that is reflected through actions and intentions. As perspective, strategy is like the personality of an organization, its own way of perceiving, believing and behaving. (Mintzberg et al. 2003, 4-8)

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[2] "Lower priced, lower quality version of a main brand, launched to protect the main brand's market share without cutting prices. After it forces the cheaper competitors out of the market, a fighting brand is often discontinued to avoid its sales eating into the main brand's sales" (WebFinance Inc., 2015a)

All the above mentioned approaches to strategy are interrelated. For example, strategy as a plan or a pattern can be compatible with both strategy as a perspective and a position. However, none of the relationships or definitions is more important than the rest. On the contrary, they compete with and complement each other while highlighting different elements of the concept of strategy. (Mintzberg et al. 2003, 8-9)

Mintzberg and Waters (1985) further divide strategies into intended and realized strategies from which they distinguish deliberate, emergent and unrealized strategies as presented in figure 3 below.
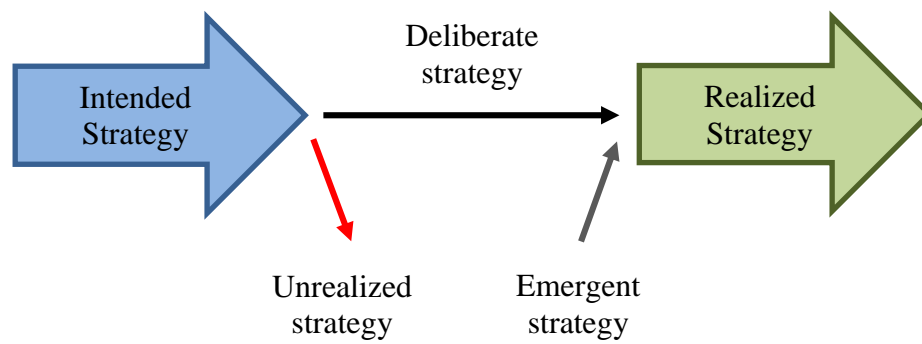
FIGURE 3. Types of Strategies adapted from Mintzberg & Waters (1985)

Deliberate strategy refers to a realized strategy that forms as intended. However, purely deliberate strategies are unlikely to exist. To be perfectly deliberate, a strategy must meet three conditions. First, precise intentions expressed in detail exist in the organization so that the desired outcome is clear before any action. Second, the above-mentioned intentions must be organizational: either shared or accepted from superiors. Third, these collective intentions are realized precisely as intended without external interferences. **Emergent** strategy denotes the unplanned actions that emerge as a response to opportunities and threats in the external environment while executing the intended strategy. Perfectly emergent strategies are equally uncommon as the purely deliberate ones because they require orderly action in the total absence of intention, which is unlikely. Together, deliberate and emergent strategies form the two ends of a continuum along which real life

strategies fall. (Mintzberg & Waters 1985) **Intended s**trategy is what an organization aspires to carry out while **realized** strategy is what it implements in reality. Realized strategy forms as the result of executing the intended strategy and is shaped by both emergent and unrealized strategies. Lastly, **unrealized** strategy refers to the discarded parts of the intended strategy or in other words to those strategic intentions that do not work. (Henry, 2011, 21) On the whole, an organization's strategy evolves over time and becomes "a blend of proactive initiatives and reactive adjustments" (Thompson et al. 2012, 10) or in other words a mixture of intended and unintended strategy.

Strategy can also be understood with the help of a set of questions. Thompson et al. (2012, 4) outline three central questions that all kinds of organizations face in developing their strategies:

- What is our present situation?
- Where do we want to go from here?
- How are we going to get there?

The first question looks at the internal and external environment of the organization while the second one deals with the future direction and vision. The answer to the third question, 'how', is the approach the organization takes in moving toward its intended direction. (Thompson et al. 2012, 4)

Mission, vision, and values are some key concepts of strategy. Many organizations begin to form their strategy by drafting statements of mission, vision, and values. (Thompson et al. 2012, 22-28) According to Henry (2011, 9), a mission answers the question why an organization exists. A mission statement expresses the organization's purpose and describes its current operations. It helps clarify the field of operations and the goals and objectives of an organization. While a mission statement may project into the future, it focuses on the present situation unlike a vision statement. (Thompson et al. 2012, 26)

A vision refers to the desired future state of an organization and may or may not be expressed as a statement (Henry, 2011, 8-9). A vision statement captures the essence of what an organization wishes to be like in future. Its purpose is to give a sense of direction for the organization. A well-drafted vision is distinctive and

specific to a certain organization rather than generic. It is important to effectively communicate the vision to the members of the organization to get the whole organization to work toward the desired future state. (Thompson et al. 2012, 22-23)

Lastly, values encompass the beliefs, traits, and behavioral norms that guide the pursuit of an organization's mission and vision. An organization may produce a value statement to express core values. The values may be real or cosmetic. Real values are connected to the pursuit of the vision and the mission while cosmetic values have little impact and mainly exist to make the organization look better. (Thompson et al. 2012, 27-28)

Setting goals and objectives is an important step in turning the mission and vision into a reality (Thompson et al. 2012, 28). A goal is a statement of what an organization wishes to accomplish in future. Defining goals is helpful for because goals help conceptualize and articulate the direction the organization is heading to in future. Besides, goals help members of the organization develop a shared understanding of the future development of the organization. (Cothran & Wysocki 2015) Objectives in turn refer to specific performance targets or results (Thompson et al. 2012, 28). Goals and objectives are both a way of moving forward. However, goals are usually long-term and look at the big picture while objectives are smaller steps that help achieve the goal. (WebFinance Inc, 2013)

It is recommended that goals and objectives meet specific criteria so that they can be easily assessed. SMART criteria is a commonly used framework for setting goals and objectives that are Specific, Measurable, Attainable, Relevant and Time-bound. A specific goal is focused, easily understood, and provides a description of what is to be achieved. Measurable goals are quantifiable and answer questions 'how many' and 'how much'. Measurable goals need to have base-line data and a target. Goals should also be attainable. In other words, there should be a realistic possibility to meet the goal. Besides, it is important that goals are relevant to the mission and vision of the organization. Lastly, the goals should be time-bound and have a limited time by which the goal must be achieved. (Cothran & Wysocki 2015)

2.2   Overview to strategic management

As a term, strategic management is broader than strategy because it involves taking into account what has to be done prior to strategy formulation and controlling[3] the already implemented strategy (Parnell, 2009, 2). In other words, strategic management entails both strategic planning and implementation (including control) (Bryson, 2011, 26).

Hence, strategic management can be defined as "a process that includes top management's analysis of the environment in which the organization operates prior to formulating a strategy, [and] the plan for implementation and control of the strategy" (Parnell, 2009, 2). By another definition, strategic management refers to the "systematic analysis of the factors associated with customers and competitors (the external environment) and the organization itself (the internal environment) to provide the basis for maintaining optimum management practices" (WebFinance Inc., 2015).

2.2.1   Strategic management process

There are several models that depict the strategic management process. Johnson et al. (2005) propose a model with three elements: the strategic position, strategic choices, and strategy into action. The strategic management process can also be seen as a series of steps. Thompson et al. (2012) and Hill and Jones (2006) both propose their own five step models (Lewis, 2008).

The model of the elements of strategic management by Johnson et al. (2005, 17), presented in figure 4, is composed of three elements. The first element, understanding the strategic position, includes the analysis of the external environment on multiple levels: the macro-environment, industry, competitor, and market. In addition, this element covers the strategic capabilities of an organization, namely the resources and competences. Furthermore, the expectations of stakeholders and their influence over an organization's purpose including mission, values and objectives, and ultimately the strategy are a part of

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[3] Controlling refers to measuring success of strategy and making adjustments if required.

understanding the strategic position. The second element, strategic choices, is concerned with choosing the right strategies and strategic directions for future. Lastly, the third element, strategy into action, is about translating the strategy into practice. This includes organizational structures, strategy enabling resource management, and the handling of strategic change. (Johnson et al. 2005, 17)

FIGURE 4. Elements of Strategic Management (Johnson et al. 2005)

The five basic steps in strategic management according to Thompson et al. (2012) are presented in figure 5. In the first step, an organization's vision, mission, and values are generated. In the second step, specific, quantifiable, and timed objectives are set to create performance targets based on mission and vision. In the third step, strategies are made and of these the best alternatives selected to

achieve the set objectives. In the fourth step, the strategy is executed. The strategic plans formed in the first three steps are now converted into actions. In the fifth step, the strategy management process is reviewed by scanning the environment for new developments, evaluating the organization's own performance, and making possible adjustments. (Thompson et al. 2012, 22)
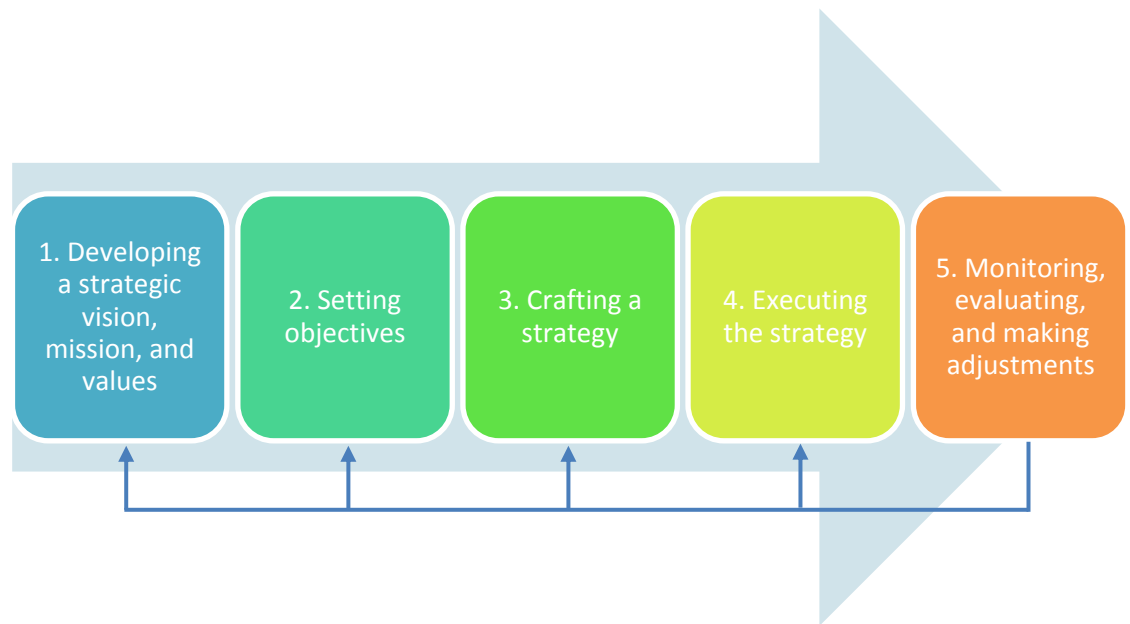
FIGURE 5. The 5-Step Strategy-making, Strategy-execution Process (adapted from Thompson et al. 2012)

Hill and Jones' (2006) model of strategic management outlines five steps:

1. Select mission and goals
2. Identify opportunities and threats
3. Identify strengths and weaknesses
4. Select strategy
5. Implement (Lewis, 2008)

Despite the differences in structure and wording, the previously introduced strategic management models are very similar at core. In all of them, the strategic management process includes the analysis of the external environment, strategy formulation (selecting the mission, objectives, and the strategy), and

implementation. As for the differences, Thompson et al. (2012) see strategic management as a cyclical process, as they also include review of the process in their model. Moreover, in the models by Hill and Jones (2006) and Thompson et al. (2012) the strategic management process progresses from one stage to another in a single series of steps. On the contrary, Johnson et al. (2005, 17) suggest that in practice strategic management is usually not linear as many models imply and maintain that the different elements of strategic management are interlinked and may influence the strategic management process also simultaneously in no particular sequence.

2.2.2   Strategic planning and implementation

As stated before, according to Bryson (2011, 25), strategic management comprises strategic planning and implementation. The latter is a part of the former, thus strategic management is a broader concept than strategic planning (Bryson, 2011, 25). Strategic planning refers to a "deliberative, disciplined approach to producing fundamental decisions and actions that shape and guide what an organization (or other entity) is, what it does, and why" (Bryson, 2011, 26).

The function of strategic planning is to design and integrate deliberative and disciplined work carried out in an organization that aim to clarify organizational purposes, goals, mandates, and strategies. In addition, it includes producing an effective strategic management system that links purposes, structures, processes, resources, people, and learning to build the organizations ability to succeed in the present and in future. (Bryson, 2011, 26-27) Strategic planning is carried out to ensure that an organization has a clear vision, mission, and broad directions for its actions and to help an organization to constantly respond to changes in its operating environment (Kemp et al. 1993). There are numerous strategic planning tools and techniques that organizations can utilize in their strategic planning efforts. These include, to mention some: focus groups, benchmarking, market analysis, situational analysis (SWOT), Porter's 5 forces analysis, scenario planning, growth-share matrix, and many more. (Webster et al. 1989)

Strategic planning alone is not enough but requires successful strategy implementation. Even the most superior strategy is useless if it is not implemented

properly. (Aaltonen & Ikävalko 2002) Implementation is the part of strategic management that involves realizing an organization's mission, goals, strategies, mandates, and continuous learning in practice to create value (Bryson, 2011, 27). It is about translating objectives into specific actions, schedules, budgets and metrics (Allio, 2005). The components of strategy implementation are communication, interpretation, adoption, and action. It is important to communicate the strategy effectively in an organization so that the members understand the strategy and are able to apply it in their everyday decision making. (Aaltonen & Ikävalko 2002)

According to Aaltonen and Ikävalko (2002), organizations appear to find strategy implementation challenging. Aaltonen & Ikävalko (2002) cite Alexander (1991), Giles (1991), Galpin (1998), Lares-Mankki (1994) and Beer and Eisenstat (2000) in their study stating that there are many reasons for failures to implement strategies including weak management roles, poor coordination of responsibilities, insufficient resources and capabilities, uncontrollable environmental factors as well as inadequate communication of, lack of commitment to, and unawareness and misunderstanding of strategy.

Implementing strategy successfully requires measuring and reviewing progress. It is vital to employ performance measures systematically to be able to determine the degree of success in carrying out the strategy in an organization. With measurements, it is possible to monitor continuous improvement and the performance of different units. For instance, a basic spread sheet may be used to outline key measures and describe how they will be implemented. Furthermore, the probability of reaching the goals can be increased by utilizing a formal review. This means comparing the present conditions and the targets to identify performance gaps. (De Feo & Janssen 2001)

2.3   Strategic management in public sector

The operating environments of public sector organizations have become more and more uncertain and interconnected. As a result, changes are increasingly unpredictable and affect the whole system. Therefore, public sector organizations have to think, learn, and act strategically. (Bryson, 2011, 1) Strategic management

in the public sector context can be defined as "the integration of strategic planning and implementation across an organization (or other identity) in an ongoing way to enhance the fulfillment of mission, meeting of mandates, and sustained creation of public value[4]" (Bryson, 2011, 26). It is now widely used in public sector yet its origins are in the business world (McBain & Smith 2010, 1). However, the public and the private sector differ in many aspects as the following paragraphs will illustrate. Therefore, the following paragraphs focus on understanding what constitutes the public sector, the differences between private and public contexts, and the implications for public sector strategic management that follow.

In Europe, the employment of corporate strategic management know-how in the public sector traces back to the period of new public management (NPM) in the 1980s. At that time, a wave of reformist policies swept over the continent. The reforms attempted to modernize the public sector through the introduction of quasi-markets[5], decentralization, quality management, and strategic planning. (Joyce & Drumaux 2014, 2-3) The rationale behind NPM-thinking was that market-oriented management would increase efficiency in the public sector (McBain & Smith 2010, 1). In 1990s, the concept of Governance[6], which emphasized citizen participation, cooperation, and democracy in the public sector, surfaced alongside NPM thinking. The focus of public management moved away from emphasizing outputs toward ensuring the provision of better outcomes for the public by increasing effectiveness. This called for establishing public-private partnerships, and collaboration with voluntary and private sector organizations. In the aftermath of the 2008 financial crisis, the focal point of strategic management

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[4] According to Kavanagh (2014) citing Moore (2013), public value refers to the beneficial effects that are created when a particular strategy or action has democratic legitimacy and the support of the authorizing environment. Public value can be produced by the whole value chain including policies, programs, projects and other activities that lead to the intended social outcome. (Kavanagh 2014, as in Moore 2013)

[5] Quasi-markets refer to market-like reforms in the public sector that introduce a split between the purchaser and providers of public services thus creating competition. They differ from conventional markets in that the providers need not be profit-maximizing firms, choice may be exercised on behalf of the user, and the users' purchasing power is not determined by their affluence but by a designated budget. (The Institute for Government, 2012)

[6] Governance refers to "the shaping and optimizing of the interdependencies between actors in a society which cooperatively attempt to produce public value" (Kooiman, 1999; Schedler & Siegel 2005; Benz, et al. 2007; Schedler 2007 cited in McBain & Smith, 2010).

changed again. Helping European societies to recover and respond to competition from BRIC nations became the new focus. (Joyce & Drumaux 2014, 2-4)

According to Lawton (2005), public sector is becoming more business-like as a result of the introduction of output measures, competition, and corporate management styles (Paulsen, 2006). The public sector has adopted different strategic management techniques used in the private sector (Paulsen, 2006). This is not surprising given that most strategic management tools and concepts were developed in the corporate sector. (Alford, 2001, 1). Furthermore, the differences in operating models between public and private sector organizations have become increasingly blurred, and business strategy research has greatly influenced strategy formulation in public sector organizations (Lehtimäki, 2000, 11).

2.3.1 Publicness and public context

Economic activity can be divided into three sectors: public, private and voluntary (also non-profit or not-for-profit). The private sector of the economy is run by private individuals or companies seeking profit for the owner(s) of the enterprise (Investopedia, 2015a). On the other hand, the voluntary sector is run by non-profit-seeking, non-governmental organizations (Collins, 2015). Public sector, in turn, refers to the part of the economy that is controlled, either owned or funded, by state or local governments (WebFinance Inc, 2015).

Which organizations constitute the public sector? The answer varies by country. Typically, the public sector includes the judiciary, the police, the army, and services such as education, health care and public transport in addition to the administration. (WebFinance Inc, 2015) In Finland, the public sector is comprised of state and municipal administrations, the social security fund, joint municipal authorities, public utility companies and state-run enterprises (Honkanen, 1998).

What makes an organization public? Perry and Rainey (1988) identify three characteristics that distinguish public organizations from private organizations: public interest, public goods and market failures, and ownership or funding. First, the pursuit of public interest can be regarded as an attribute of a public organization. However, defining 'public interest' is challenging, which somewhat

undermines this distinction. Second, the nature of public sector organizations can be understood through their purpose. It can be argued that public organizations exist to provide public goods[7] and to correct market failures unlike private businesses. Nonetheless, not all public organization produce public goods. Besides, the meaning of a public good in itself is fluid. Third, most commonly, ownership and funding are regarded as indicators of publicness of an organization. Moreover, public ownership is assumed to subject an organization to tighter controls of government than private, although this is not necessarily the case. Due to these complexities, pinpointing the organizations that should be counted as public is not completely straightforward. (Perry & Rainey 1988)

"Publicness" may also be seen as a quality that is present in all organizations to some degree (Nutt & Backoff 1992; Alford 2001). For Nutt and Backoff (1992), publicness derives from government influence, and other factors distinct to public organizations (discussed later). Governments exert their influence on all sectors of the economy, not just the public sector. In this sense, all organizations can be perceived as 'public' to some extent. (Panula-Ontto, 2010) Similarly, Alford (2001) acknowledges that organizations can be placed on a public-to-private continuum. The ends of the continuum, the 'purely public' and the 'purely private' organization, have their distinctive characteristics. The incidence of these characteristics then determines where an organization sits on the continuum. (Alford, 2001, 3)

2.3.2   Public-private distinction

Nutt and Backoff (1992) identify three different types of factors that set the public, the private, and the third sector apart: environmental factors, transactional factors, and internal (or organizational) processes. The following paragraphs will focus on the distinction between public and private sectors laid out by Nutt and Backoff (1992).

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[7] Public goods are non-rivalrous and non-excludable items provided by the government (Investopedia, 2015b).

Environmental factors include the influence of political power, constraints and mandates, and market forces (McBain & Smith 2010). Organizations in the public sector are influenced by market forces of political bodies that control and fund them. The political influence on public organizations is generally strong. In the case of a private enterprise, political power may influence operations indirectly or not at all. In addition, legal mandates guide public sector organizations thus constraining their operations. On the other hand, private companies are more flexible to operate as they choose, but within the limitations of law. Furthermore, purely public organizations do not face competition unlike purely private organizations in a market economy. Instead, they tend collaborate with other service providers. As the last difference, public sector operations are mainly funded through taxation, and customers are often non-paying unlike in the private sector. (Panula-Ontto, 2010)

Coerciveness, scope of societal impact, public scrutiny and the range of stakeholder interests fall within the scope of **transactional factors**. Coerciveness refers to the choice of a citizen to consume and fund services. On one hand, private sector services are funded and consumed on a voluntary basis. On the other hand, citizens are obliged to fund and sometimes to consume public services. Moreover, the scope of societal impact is wider in a public than in a private company. As for public scrutiny, private organizations tend to keep their plans and operations secret while the public expects accountability and transparency from public sector organizations. Lastly, the broad range of stakeholders with varying interests, and complicated power structures in the public sector may hamper strategy work in public sectors. On the contrary, there are only few stakeholders in private enterprises apart from shareholders who share the common interest of profit maximization. (Panula-Ontto, 2010)

The differences in **internal processes** between public and private organizations regard goal setting, authority limits, and incentives. Compared to the private sector, goals in the public sector change more rapidly and are rather ambiguous or even conflicting. Besides, the authority of public sector organizations is more limited as it depends in part on actors outside of the organization that are out of the management's sphere of influence. Finally, the public sector organizations

may lack a shared and concrete incentive such as profit in the private sector. (Panula-Ontto, 2010)

Also Alford (2001) has identified differences between public and private sectors. The circumstances of public sector management differ in the range of values produced, stakeholders and the environment, the available resources, and the productive capabilities used. The first major difference stems from the responsibility of public sector management to produce not only private but also public value. There are many definitions for public value and its meaning is different to different stakeholders. (Alford, 2001, 5-8)

Public value refers to the beneficial effects that are created when a particular strategy or action has democratic legitimacy and the support of the authorizing environment. Public value can be produced by the whole value chain including policies, programs, projects and other activities that lead to the intended social outcome. (Moore 2013, as in Kavanagh 2014) Furthermore, Moore (1995), and Stewart and Ranson (1988) note that public value is consumed by the public collectively (Alford, 2001, 5). Stokey and Zeckhauser (1978) write that public value can also been seen as a remedy to market failure such as provision of public goods or solving of negative externalities (Alford, 2001, 5).

The second difference is that public value is produced to a diverse array of stakeholders in an authorizing environment. The citizens consume public value and express their needs through the political process and other stakeholders use their voice to influence this process. The electoral cycle may hinder long-term strategic planning. (Alford, 2001, 6) As the third difference, public sector organizations can use 'public power' as a resource in addition to economic resources common to all sectors. This means that public sector managers have the legitimate authority to pursue the objectives of their organizations, as well as financial resources. (Alford, 2001, 7)

Finally, public sector managers are able to employ a wider range of productive capabilities than private sector managers. Productive capabilities include organizational capabilities such as labor, land, and raw materials that can be controlled or purchased by owners and managers. Public managers can use not

only the internal capabilities of the organization but also the external capabilities. For instance, to achieve the objectives of a government program, the input of other people or organizations other than the producing unit may be required. This means that public sector managers may need to persuade those people and organizations whose input is needed to take required actions to achieve a goal. (Alford, 2001, 7-8)

2.3.3 Applicability of corporate management techniques to public sector

As explained earlier, over the past three decades, strategic management techniques derived from private sector have been used more and more in the management of public sector organizations. However, this has fuelled debate on the validity of corporate approaches in public sector context because public and private sector are different by nature in many aspects, as described above. (Alford, 2001, 1-2)

Pollitt (1990), Hood (1991), and Fredrickson (1997), maintain that the private and public sector are different by nature, and therefore demand different management approaches. Similarly, Rainey et al. (1976), Allison (1980), Gunn (1987), and Perry and Rainey (1988) note that the public administration has distinctive political, ethical and organizational dimensions, which draws into question the usefulness of business concepts in a governmental context. (Alford, 2001, 2)

It has also been suggested that the circumstances of public and private sector management are "similar in form but more diverse in content". The applicability of strategic management theory to public organizations varies depending on their degree of publicness and the strand of strategic management theory. (Alford, 2001, 5) Alford (2001, 13) maintains that high degree of 'publicness' of an organization calls for modification of strategic management rather than its abandonment when strategy is viewed as long-term direction or position. Similarly, Bryson and Roering (1987) state that governments and public organizations can benefit from strategic planning approaches developed in the private sector but should apply them with care. Bryson and Roering (1987) further note that there is a range of strategic management approaches that vary in their applicability to a public sector context.

2.4   Municipalities and municipal strategy

Finland has a long tradition of local self-governance. There are over 300 municipalities in Finland that play an important role in enabling their citizens to exercise their democratic rights. Under the Finnish law, municipalities are self-governing entities. This means that Finnish municipalities have the right to decide on their own issues. The position of municipalities in the public administration in Finland is highlighted in figure 6. (State Treasury, 2012)
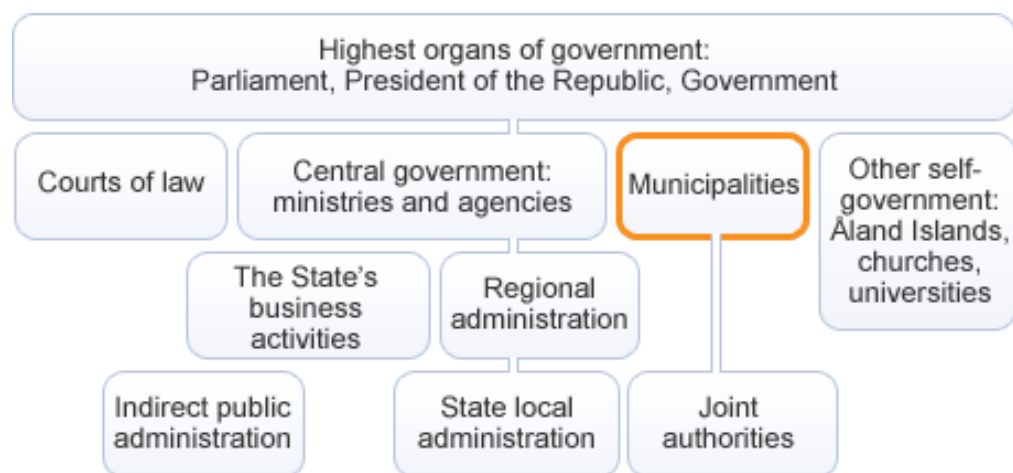
FIGURE 6. Diagram of Public Administration in Finland (State Treasury, 2012)

The highest decision making power resides in the municipal council whose members are elected in local elections to serve a four year term. The municipal council then elects the municipal board whose task is to prepare matters for the council and implement its decisions. The council also elects the municipal committees that are responsible for providing public services locally. The number of the committees and their responsibilities vary from municipality to another but education, social welfare and health, and planning committee generally form the core. (State Treasury, 2012)

Municipalities aim to improve the wellbeing of their residents and increase the development of the area. They are responsible for producing statutory basic services including education and culture, social welfare and health, the technical

infrastructure, and the environment for their residents. To finance these basic services, municipalities collect municipal taxes, receive transfers from the central government, and charge fees for services. (State Treasury, 2012)

Many municipalities have faced challenges in financing the mandated basic services due to the difficult economic situation and population aging that has led to a reduction in the tax payer base (Valtiovarainministeriö, 2015). Moreover, municipal debt has been growing steadily since the early 2000s from less than 3% of GDP to nearly 7% of GDP in 2013 (OECD, 2014). These changes have required restructuring of the local government and services (Valtiovarainministeriö, 2015). In 2007, the Act on Restructuring Local Government and Services came in to effect, followed by the local government reform. These reforms aim has been to create a solid financial and structural basis for the provision of the basic services in municipalities. The restructuring process will have an effect on organizing and funding of local-government services, and the division of labor between the central and local governments. (State Treasury, 2012) Moreover, the number of Finnish municipalities has decreased by a lot in the past 10 years due to mergers that seek to improve the municipalities' ability to organize and finance the basic services more efficiently. In 2007-2015, 71 mergers between municipalities have been carried out in Finland. (Suomen kuntaliitto, 2015)

2.4.1   Strategic management in Finnish municipalities

Traditionally, municipal decision making and management in Finland have been guided by concepts in politics, administration and bureaucracy. Like elsewhere in Europe, the idea of strategic thinking in Finnish municipalities was first introduced in 1970-80s. The key strategic tools included planning, programming, and budgeting. In the 2000s, a new system of strategic management called the balanced scorecard (BSC) came to prominence. It emphasized performance and profitability as well as the prioritization of municipal responsibilities. In addition, some municipalities have adopted corporate structures and the role of municipal executives has strengthened. (Lumijärvi & Leponiemi 2014, 41)

Strategic management of municipalities and profit-seeking companies has become more and more similar yet these organizations cannot be run in a similar manner due to their differences. One reason for this is that multiple values, duties, interests, and objectives must be considered in municipalities. Furthermore, strategic management in municipalities is characterized by complexity that stems from the operating environment. Municipalities have to deal with difficult and intertwined political matters and collaborate with numerous organizations. In addition, many groups seek to influence municipal decision making through lobbying. Moreover, a large proportion of municipal tasks is carried out in networks and organizations that the municipality does not have direct authority over. This requires finding mutual understanding between various actors with different goals and diverse organizational cultures. (Haveri et al. 2009, 33-39) Finally, municipalities operate in a very open environment. This is because residents are able to influence municipal decision-making and may appeal against the municipality's decisions (Asikainen, 2009, 146).

According to Rasa-Virtanen (2009) citing the book, Toimiva kunta (FCG Efeko Oy, 2008) municipalities should have a main strategy that steers all the other development programs and strategic plans. These other programs and plans must be aligned with the objectives of the main strategy. The terms strategy and program are often used interchangeably to refer to a strategic approach to development. (FCG Efeko Oy, 2008, as in Rasa-Virtanen, 2009) This is true to the case study in this thesis as well.

Why do municipalities need a strategy when their tasks have been defined by law? Asikainen (2009, 143-144) lists several benefits of strategy work in municipalities. First, strategic planning helps identify opportunities and challenges. The first steps of the strategy process help collect people's observations that together form a new view of the situation that can then be used as the base material for the strategy. Second, strategy helps municipalities focus to the basic tasks and matters that are important. Third, the strategy process helps identify new perspectives and strengthens the ability of the organization to think and act strategically. Fourth, the strategy process can give a chance for professionals and experts to contribute to the strategic development of the municipality. (Asikainen, 2009, 143-144) It is also possible to involve the

residents into the strategy process by organizing public forums or surveys and to consult private and third sector organizations (Asikainen, 2009, 147).

According to Suomen Kuntaliitto (2002, 7), the municipal council is in charge of drafting the municipal strategy and vision (Rasa-Virtanen, 2009). The implementation of the strategy requires the commitment of each and every member of the organization. The more involved the personnel, the better results the strategy tends to yield. Strategy should become an integral part of employees' thinking and actions. For this to happen, strategic management is important. (Rasa-Virtanen, 2009)

2.4.2 Municipal strategy as a process

In general, the municipal strategy process appear to be very similar to the models referred to in chapter 2 of this thesis but adapted to suit municipalities. A majority of Finnish municipalities draft their strategies using a rational strategy process where strategy formation and implementation can be separated from one another (Kirvelä, 2009, 47-48). The following paragraphs introduce two municipal strategy models by Kirvelä (2009) and Lumijärvi and Leponiemi (2014).

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┌─────────────────────────────────────────────┐
│               1. Mission                      │
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┌─────────────────────────────────────────────┐
│  2. Environmental analysis or scenario analysis │
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│               3. Vision                       │
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│  4. Current state analysis (e.g. SWOT-analysis) │
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│  5. Strategy formulation (the steps toward the vision) │
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│       6. Implementation and follow-up         │
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│               7. Review                       │
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FIGURE 7. Municipal Strategy Process (adapted from Kirvelä, 2009)

Kirvelä (2009) depicts municipal strategy process as a simple series of seven steps as illustrated in figure 7. According to the model the strategy process begins with defining the mission, which is followed by an analysis of the operating environment or sometimes scenario analysis. Next step is to depict the vision or what the municipalities wishes to be like in future and then analyze the current state of the organization for instance by using a SWOT analysis. This is followed by strategy formulation which means choosing the path and measures that will help reach the set objectives and vision. After this the strategy is implemented, followed-up and when necessary reviewed again. (Kirvelä, 2009, 48)

Lumijärvi and Leponiemi's (2014) model of strategic management is presented in figure 8. This model has been widely employed in the process of modernizing strategic management in Finnish municipalities. However, this model depicts the ideal state of municipal strategic management in Finland rather than the reality. (Lumijärvi & Leponiemi 2014, 43)

In the model, mission and value statements form the bedrock for strategic operations of an organization. Based on these statements municipalities then draft their vision statements to describe their desired future state, typically four years ahead. In addition, at this point, the main responsibilities and ethical principles of the municipality are determined. The model divides strategies into four blocks: effectiveness, quality, efficiency, and personnel development (from left to right). Strategy formation begins with setting the desired goals in each block that together form a strategy map.
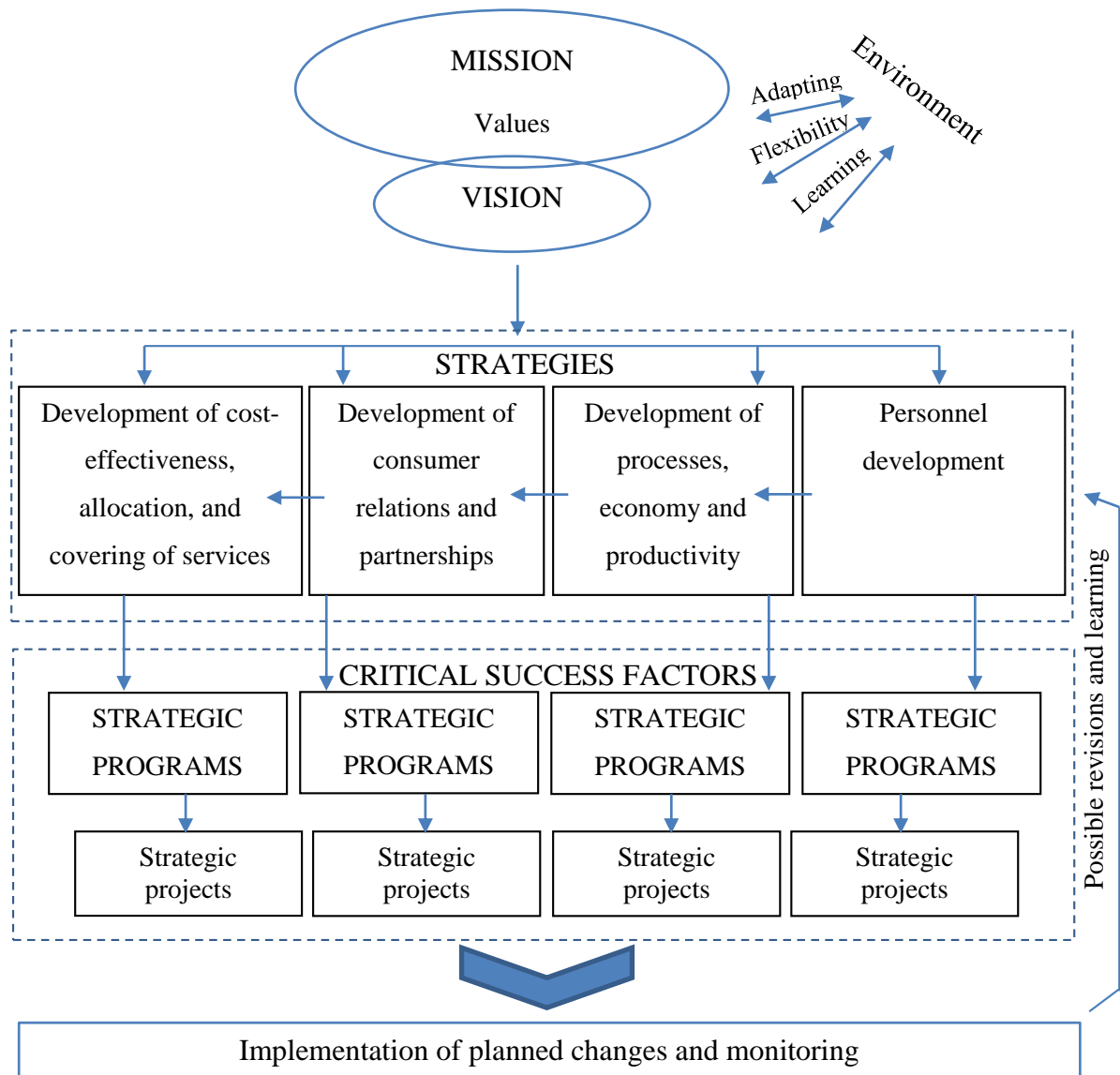
FIGURE 8. The basic elements of strategic management (adapted from Lumijärvi & Leponiemi, 2014)

The next step is to construct strategic development programs to put the strategies into action. The programs are further translated into strategic projects that help implement the chosen strategies. Generally, several programs and projects take place simultaneously. Finally, the effects of the actions taken are followed-up to evaluate the progress using strategic measures and score cards. The vision and strategies require monitoring from time to time as the environment changes. The monitoring also presents a chance for learning and making possible revisions. (Lumijärvi & Leponiemi 2014, 43-45)

3   CASE STUDY: CITY OF LAHTI

This chapter introduces the case organization, the City of Lahti. Furthermore, the chapter looks at strategy in the context of the case organization highlighting the previous international strategy, the City of Lahti international strategy 2011-2013. Lastly, it introduces the merger contract between the City of Lahti and the municipality of Nastola and seeks to understand the implications of the merger for the new international strategy of the City of Lahti.

3.1   Lahti in brief

Lahti is a city located on a bay at Lake Vesijärvi in Päijänne Tavastia region in Southern Finland approximately 100 kilometers from Helsinki, the Finnish capital (Lahden kaupunki, 2015a). The location of Lahti is shown in figure 9 below. The city is well connected to the metropolitan area. The greater Helsinki region and the Helsinki-Vantaa Airport can be reached in about an hour by car or bus. By train, the Helsinki city center is just 48 minutes away. (Lahti Region Ltd, 2015a). Similarly, it will take less than an hour by train to reach the Helsinki-Vantaa Airport from Lahti once the construction of the Ring Rail Line is completed in July 2015 (Aviapolis, 2012). Lastly, Lahti is just 2.5 hours away from St. Petersburg by train (City of Lahti, 2015b).

FIGURE 9. Location of Lahti (Suomen Tietotoimisto n.d., retrieved from City of Lahti website 2015)

With over 100,000 inhabitants, Lahti is the ninth largest city in Finland (City of
Lahti, 2015a). As shown in figure 10, Lahti and its neighboring municipalities:
Padasjoki, Asikkala, Hämeenkoski, Hollola, Nastola, Kärkölä, and Orimattila,
form an economic center, Lahti region, with over 200,000 residents (Lahti Region
Ltd, 2015a). There are over 7,800 businesses in the area (Ladec, 2015b).
Moreover, more than half of the Finnish population lives within a two-hour radius
from the Lahti region (Lahti Region Ltd, 2015b).

FIGURE 10. Map of Lahti Region (Lahti Region n.d., retrieved 2015)

The population of Lahti has been growing throughout the 21st century and it is
expected to continue to grow in the coming years. In 2011-2013, the annual
population growth in Lahti has been approximately 0.5%. The annual population
growth projection till 2033 is between about 0.3% and 1%. Of the annual
population growth, on average, immigration to Lahti accounts for 288 people per
year. (Mero, 2014)

The number of immigrants living in Päijänne Tavastia Region has grown rapidly
since 1990. In the end of 2012, the number of foreign citizens was just below
6,000, representing 3% of the area's total population. The majority of immigrants
settle in Lahti. Among the municipalities in Päijänne Tavastia, only Lahti has

agreed to receive quota refugees. However, the set quota of 20 refugees a year has not been fully met year on year. (Euroopan sosiaalirahasto, 2010, 17)

Important industries in the region are mechatronics, grain, wood, furniture, and well-being. Furthermore, Lahti is renowned for its design and cleantech expertise. (Ladec, 2015b) The Institute of Design and Fine Arts at Lahti University of Applied Sciences, The Design Foundation Finland, and nearly 200 small design enterprises and entrepreneurs operate in Lahti (Lahti Region Development Ladec Ltd, 2015). As for environmental expertise, a "world class center of environmental excellence", a cleantech cluster of 130 businesses and 5000 professionals, has formed in Lahti (Ladec, 2015a).

The unemployment rate in Lahti soared to 19.2% in the end of January 2015 (Lahden kaupunki, 2015b). The number of manufacturing jobs has declined throughout the country in 2000s (Lahden kaupunki, 2013). One in four out of the 80,000 jobs in the Lahti region are industrial (Lahti Region Oy, 2011). From 2003 to 2010, the Lahti economy lost around 3,000 manufacturing jobs, and the decline has continued due to recession (Lahden kaupunki, 2013). It is estimated that by 2015, 2,000 traditional manufacturing jobs will be lost in Lahti and the surrounding areas (Lahti Region Oy, 2011).

Lahti is also known internationally for its sports and cultural events (Lahden kaupunki, 2015a). For instance, an international winter sport competition, Lahti Ski Games, is organized yearly in Lahti (Lahti Ski Games, 2015). In addition, Lahti will host the FIS Nordic World Ski Championships for the seventh time in 2017. No other city in the world has acted as the host as many times. (FIS Nordic World Ski Championships Lahti 2017, 2015). Lahti is also a home to the world famous Lahti Symphony Orchestra that performs in the Sibelius Hall, a congress and concert center in the Lahti harbor (Lahden kaupunki, 2015a).

3.2   Organization of the City of Lahti

City of Lahti is a municipality thus its organizational structure is much like the general description of municipal organization in sub-chapter 2.4. The following

paragraphs will summarize the organizational structure of City of Lahti as illustrated in figure 11.

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                    ┌──────────────────┐
                    │   City Council   │
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                    ┌──────────────────┐
                    │    City Board    │
                    └──────────────────┘
                             │
 CORPORATE          ┌──────────────────┐
 GROUP SERVICES ────│      Mayor       │
                    └──────────────────┘
                             │
        ┌────────────────────┼────────────────────┐
┌───────────────┐  ┌───────────────┐  ┌───────────────────┐
│  Health and   │  │ Education and │  │   Technical and   │
│social services│  │    culture    │  │   environmental   │
│               │  │               │  │      affairs      │
└───────────────┘  └───────────────┘  └───────────────────┘
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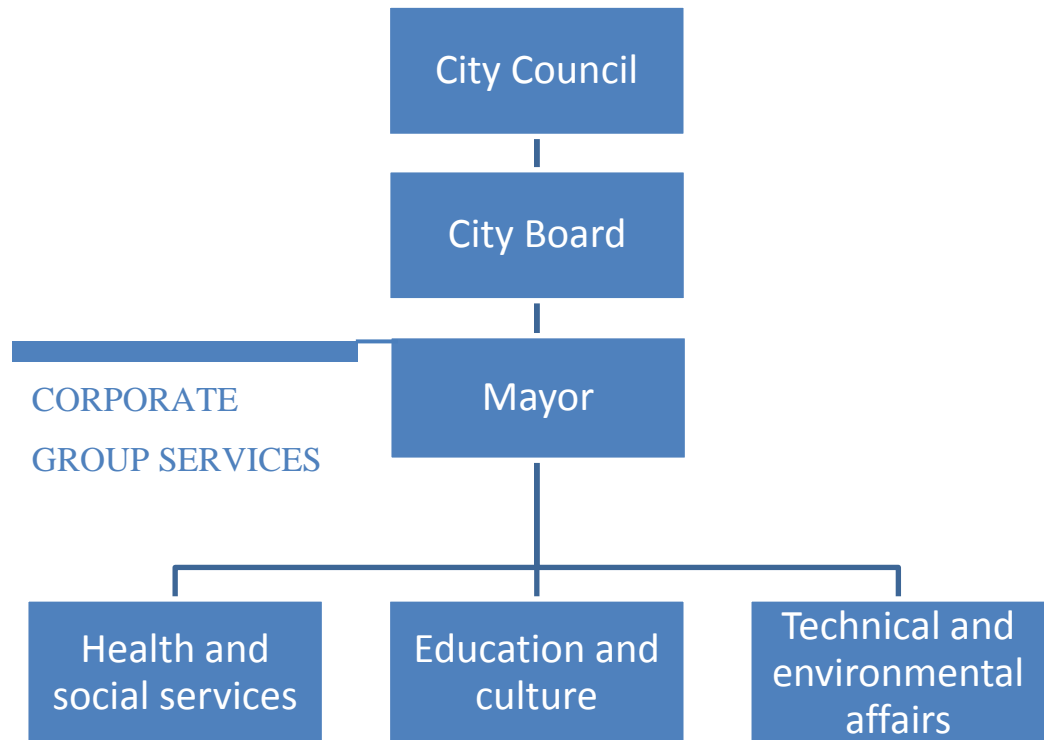
FIGURE 11. Simplified Organizational Structure of City of Lahti based on City of Lahti Organization Chart (Lahden kaupunki, 2014)

As indicated in figure 11, the highest decision-making authority in the City of Lahti resides in the City Council. The Lahti City Council comprises 59 members elected by the city's inhabitants. The responsibilities of the City Council include municipal operations and finances. (Lahden kaupunki, 2014)

The foremost task of the Lahti City Board is to monitor the municipal interests of The City of Lahti. The Lahti City Board is in charge of the preparation, execution, and supervision of the City Council decisions. Moreover, its responsibilities entail municipal administration and financial management. The City Board is made of 11 members. The strategies approved by the City Council guide the actions of the Lahti City Corporate Group. The Lahti City Corporate Group Services include

finance and development, human resource, communication, legal, and administrative services. (Lahden kaupunki, 2014)

The highest ranking officials in the City administrative organization are the Mayor, the Deputy Mayor, and three directors from their respective fields. The organization of City of Lahti is divided into three fields: health and social services, educational and cultural services, and technical and environmental services. (Lahden kaupunki, 2014)

3.3   Strategy as a leadership tool in the City of Lahti

The City of Lahti Strategy 2025 describes the meaning of strategy to and its significance for the City of Lahti as the following:

[…] the strategy is a document that guides the city's activities. It is the central instrument in leading and managing the Lahti City Corporate Group, a shared expression of intent pertaining to the future, changes, renewal, and development that are seen as desirable. The strategy ties individual decisions and measures in with the long-term development work. (City of Lahti, 2013)

There is only one strategy: City of Lahti strategy 2025 that is approved by the Lahti City Council. In addition, there are several policies, action programs, and strategic plans that complement the strategy. All of these strategy-like plans are aligned with the objectives of the main strategy. After becoming outdated, they should be updated. (City of Lahti, 2013) In this thesis, *Lahden kaupungin kansainvälinen toimintaohjelma 2011-2013*, literally City of Lahti International Action Program 2011-2013, is referred to as City of Lahti international strategy 2011-2013. The empirical section of this study deals with the update of the above mentioned international strategy to meet the requirements of 2020.

In the case of City of Lahti strategy 2025, the municipal strategy process of City of Lahti includes three steps: current situation and operating environment, vision, and action as depicted in figure 12.

FIGURE 12. City of Lahti Strategy Process (Lahden kaupunki, 2013)

The municipal strategy process begins with understanding the current situation and the operating environment after which a vision is drafted for what the city aspires to achieve. As the resources are scarce, it is important to choose carefully what strategic objects to pursue. The vision is followed by actions that must be carried out to succeed in reaching the set objectives. (City of Lahti, 2013)

3.4   City of Lahti International Strategy 2011-2013

The latest international strategy of the City of Lahti, *Lahden kaupungin kansainvälisen toiminnan toimintaohjelma 2011-2013*, is outdated and in need of renewal. To help define a starting point for the creation of a new international strategy for the City of Lahti, the following paragraphs will summarize the main points of the former strategic plan.

The international team of the City of Lahti was responsible for drafting the 2011-2013 international strategy for the City of Lahti. The team prepared the strategic plan together with representatives of several stakeholders including: Lakes, Lahti Travel Oy, Lahden Messut Oy, Päijät-Hämeen liitto, Lahden yliopistokeskus, and Lahti Science and Business Park. Moreover, during the process, different industries and key stakeholders were able to comment on the draft. (Lahden kaupunki, 2010, 10)

As the starting point, the international team used the city's vision "Lahti is a vital and attractive sustainable city". However, internationalization is not a goal per se

but serves the strategic objectives and area development plans of the city. As a result, the international strategy is based on the municipal strategy of Lahti and the economic strategy of Lahti region: *Lahden kaupungin strategia 2025* and *Lahden seudun kilpailukyky- ja elinkeinostrategia 2009 – 2015*. (Lahden kaupunki, 2010, 2)

The international strategic plan is a 5x7 matrix with seven strategic objectives and five related areas of internationalization as summarized below. The seven strategic objectives have been derived from the two city strategies mentioned in the previous paragraph. Following the lists, a paragraph will briefly introduce the main foci of the areas of internationalization. (Lahden kaupunki, 2010, 2-4)

Seven strategic objectives

1. Fast growing area attracting businesses and working age residents; availability of knowledgeable workforce at national top level
2. Internationally renowned eco-city and strong business hub of environmental expertise
3. Creative industries cluster built on design and cultural competence; leading area in design and design intensive business development
4. Good reputation as a lively culture and events city; experience and well-being related services and growth companies
5. High level of education, research and development in international standards, and knowledge intensive, fast growing businesses in international markets
6. Improvement in productivity of city operations and development/search of new service and social innovations
7. Multicultural and tolerant city community (Lahden kaupunki, 2010, 4)

Five areas of internationalization

1. Economic policy
2. Communication
3. International collaboration and networks
4. National cooperation in international affairs
5. Development of the city organization (Lahden kaupunki, 2010, 4)

In **economic policy**, the focus is on developing international relations and networks to foster business and investments in the area. Furthermore, the strategy recognizes the importance of events in building a positive image of the area, and outlines measures to improve event acquisition in the area. Finally, it highlights the significance of internationalization in higher education and research for the area's economic life. In **communication**, the goal is to improve the reputation and international image of City of Lahti by developing and unifying marketing and communication materials. In **international collaboration and networks**, the emphasis is on environment, design, productivity, new service concepts, innovation, and benchmarking. The goal is to build a network in top fields with cities that are forerunners in internationalization. Moreover, the strategy proposes developing twin town operations especially in strategically important fields in a goal-oriented fashion. Similarly, **national cooperation in international affairs** aims to increase collaboration between City of Lahti and municipalities in the greater Helsinki region through existing and new joint projects. Lastly, **development of the city organization** includes supporting the international competences of the city's personnel, offering foreign language services and influencing citizen's attitudes towards internationalization as well as channeling more resources towards EU projects and financing. (Lahden kaupunki, 2010, 5-9)

3.5   Merger of City of Lahti and Nastola

By the merger contract approved on the 26th of January, 2015, the City of Lahti and the Municipality of Nastola have agreed to merge in 2016. As a result, the City of Lahti and the Municipality of Nastola will cease to exist as the two are combined to establish a new city municipality called Lahti. The New Lahti will begin to operate on the 1st of January, 2016 and the merger contract between the cities is valid until the end of 2018. (Valtiovarainministeriö, 2014)

The merger seeks to strengthen the vitality and the competitiveness of the area to attract new residents and increase the number of jobs to improve the tax base. Furthermore, the merger makes it possible to introduce the most efficient and effective ways of providing public services to the whole geographical area which will foster the efficiency of public services in the municipality. Similarly, the

merger allows for a simpler and leaner administration. (Valtiovarainministeriö, 2014)

The merger contract between the City of Lahti and Nastola outlines the basic strategic objectives of the new Lahti. The main goal is to create continuous growth in the area. The main goal is pursued through eight basic objectives listed below. The strategy of New Lahti will be approved and turned into a concrete implementation plan in the end of 2016. (Valtiovarainministeriö, 2014)

Eight strategic goals of new Lahti

1. Increasing the number of jobs in the open sector
2. Achieving 1% annual population growth
3. Creating a sustainable financial basis
4. Developing social, economic, and environmental community structures sustainably
5. Improving efficiency and effectiveness of services
6. Increasing resident participation and influence
7. Developing the city as a young people's city
8. Strengthening the city bargaining position on the national level (Valtiovarainministeriö, 2014)

These objectives had to be considered in the process of updating the City of Lahti international strategy in order for it to still be relevant after the merger. The objectives of the City of Lahti international strategy 2011-2013 were therefore checked against the objectives laid out in the merger contract. Conflicting goals were not found, rather they seem well-aligned. The merger contract, however, does not cover everything mentioned in the international strategy. In short, the contents of the objectives do not require many modifications due to the merger but may be expressed with different words in the next strategy. Appendix 2 illustrates these findings in Finnish and table 2 in English.

TABLE 2. Alignment of Goals

Strategy	City of Lahti strategy 2025	Lahti region economic strategy 2009-2015	Merger contract between City of Lahti and Nastola
Economy	Fast growing area attracting businesses and working age residents. Annual population growth at 1 %	Availability of knowledgeable workforce at national top level. Another center of growth in the metropolitan area	Attracting new businesses to the area. Availability of professional workforce. Annual population growth at 1%
Environment	Internationally renowned eco-city and strong business hub of environmental expertise	Lahti region is the fastest growing and the most significant area of environmental expertise and business in Finland	Taking advantage of strength as an industrial city. **Vision**: Long-term development of image of a sustainable city
Design	Creative industries cluster built on design and cultural competence	Leading role in design and design intensive business development in Finland	Taking advantage of strength as an industrial city
Culture and events	Good reputation as a lively culture and events city	Experience and well-being related services and growth companies in the area	**Vision**: Differentiation through reputation of a sports and events city
Education and research	High quality of education, research and development	High quality research and development in international standards. Knowledge intensive, fast growing international businesses	Developing the city as a young people's city by increasing appeal as a student city
City organization operations	Improvement in productivity of city operations	Not mentioned	Sustainable financial basis. Increasing the efficiency and effectiveness of services
Multi-culturalism	Multicultural and tolerant city community, feeling of togetherness	Atmosphere open to and supportive of multiculturalism	Not mentioned

In table 2, the goals of the City of Lahti and Nastola merger contract are placed next to relevant, matching goals of the City of Lahti international strategy 2011-2013 derived from the City of Lahti strategy 2025 and the Lahti region economic strategy 2009-2015. The empty boxes denote the goal was not found in the strategy in question. The word 'vision' in front of a sentence means that the sentence was derived from the vision outlined in the merger contract rather than the goals.

To summarize the contents of table 2 briefly, the goals found in both the City of Lahti international strategy 2011-2013 and the City of Lahti and Nastola merger contract related to the growth of the area both population and businesswise, improvements in the efficiency of the city organization, the availability of high-quality education and research, and the focus on the areas of strength as an industrial city such as environmental expertise. The merger contract did not mention multiculturalism as a goal, unlike the international strategy. There were also two other goals that were not mentioned as objectives in the merger contract. These relate to enhancing the image of a sustainable city, the reputation as an events city, and availability of wellbeing and experience services. They were, however, covered by the vision of the merger contract and therefore added to their respective cells.

4   EMPIRICAL RESEARCH AND RESULTS

The City of Lahti international strategy update process, data collection procedure, and the results of the study are introduced in this chapter. The results obtained by semi-structured interviews are divided into three parts: past, present, and future. The results concerning the previous international strategy are thus presented first. They are then followed by the data dealing with the current state of internationalization in Lahti, and finally, the results regarding the future of the City of Lahti as an international city in 2020.

4.1   Planned update process

Figure 13 depicts the planned update process of the City of Lahti international strategy. The commissioner of the thesis wished to use the City of Lahti 2011-2013 international strategy as the basis for the new strategy that is to reach to the year 2020. In practice this meant that the areas of internationalization: Economic policy, Communication, International collaboration and networks, National cooperation in international affairs, and Development of the city organization were to remain unchanged. The new strategy was to reach to the year 2020, the year of Finland's EU presidency and consider the upcoming merger with Nastola in 2016. (Laavi, 2015)

The first step was to consider the implications of the merger contract. As explained earlier, no contradictions that would seriously change the goals outlined in the City of Lahti international strategy 2011-2013 were found. The second step was to collect data through interviews. The interviews were scheduled with quite a short notice but were successfully carried out in just a week between 17.-24.4. The interviews were used to collect information and perceptions regarding the vision, measures, and goals of internationalization for the updated strategy as requested by the commissioner. In addition, for the purpose of this thesis it was interesting to find out the extent to which the strategy was realized and how it could be improved. Sub-chapter 4.3 gives more information regarding the interviews. The data were then analyzed to answer the research questions and to make recommendations for the future direction of the international strategy.
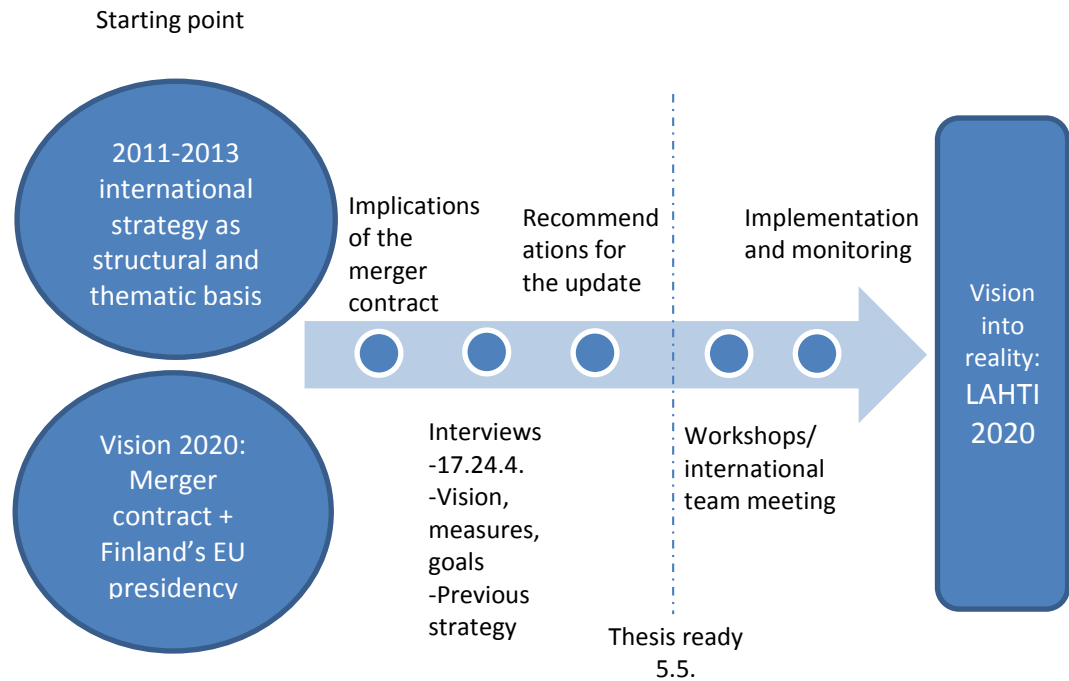
FIGURE 13. Strategy update process (modified from Laavi, 2015)

The thesis was to be handed in on the 5th of May. The international team of City of Lahti could then use the findings of the research to continue and finalize the update. After finalizing, the updated international strategy could then be implemented and monitored to reach the objectives to make the vision of Lahti become a reality in 2020.

4.2   Thesis as a part of the strategy process

As stated earlier, according to Thompson et al. (2012, 4) strategy can be understood as a set of three questions shown in figure 14.
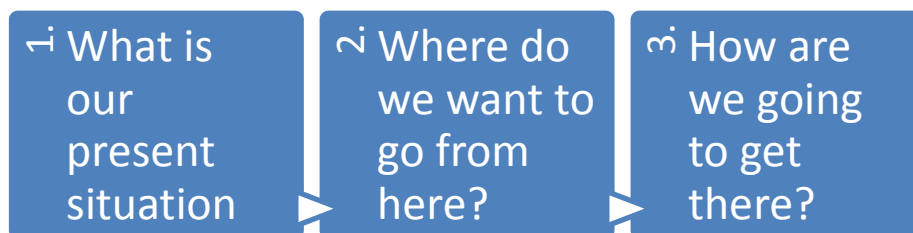

FIGURE 14. Thesis as a Part of the Strategy Process (adapted from Thompson et al. 2012)

In the context of the strategy process, the empirical part of this thesis will focus on creating an understanding of the current situation of internationalization of Lahti by analyzing the internal and external environments of the City of Lahti through a SWOT analysis (question 1, figure 14). In addition, the study will gather information about future of internationalization in Lahti and make recommendations for the new international strategy that will help the City of Lahti strategists determine the vision and future direction of internationalization in Lahti (question 2, figure 14). The thesis will not attempt to formulate the new strategy as strategy formulation is out of the scope of this thesis. Thus the last one of the three questions (question 3, figure 14) is not the focus of this thesis.

4.3   Data collection procedure

The study obtained primary data by individual, semi-structured interviews that took place face-to-face. Nine interviews were carried out to collect perceptions regarding the City of Lahti vision for 2020, the goals of the international strategy, and the measures of internationalization i.e. the required actions. The interviews were conducted in Finnish to ensure the best possible understanding between the interviewer and the interviewees.

The commissioner of the thesis suggested seven interviewees. In addition to that, two more interviewees were included in the study based on the previous international strategy. The chosen respondents included representatives of the City of Lahti and its stakeholder organizations who have a key role in the internationalization process of Lahti. The list of respondents is available in appendix 1.

The thesis commissioner contacted the interviewees by email prior to sending the interview requests to help ensure their participation. All nine interviews were scheduled and carried out between 17.-24.4.2015. The themes of the interview were sent to the respondents beforehand after scheduling a meeting so that they could better prepare for the interview.

The commissioner suggested the themes of the interview and based on that questions for each theme were prepared. In addition, the some questions related to

the former international strategy were included. Most of the interview questions were open-ended to encourage discussion and to allow follow-up questions. The questions were checked by the commissioner who thought it was alright to go ahead with the interviews. The themes and pre-determined questions in Finnish and in English can be found in the appendices 3 and 4 respectively.

The use of semi-structured interviews allowed for flexibility. During the interviews, the order of the questions changed according to the flow of discussion. The wording of the pre-determined questions also varied from interview to another. Besides, the sometimes some questions were omitted or added depending on the context of the interview. Furthermore, the interviewees were asked to refer to page 4 of the City of Lahti international strategy 2011-2013, the 5x7 matrix, when discussing the goals of the previous strategy. See appendix 5.

The duration of the interviews varied between 20 to 45 minutes. All the interviews were recorded with the permission of the interviewees. The respondents were promised anonymity to assure truthful responses to the interview. As a result, direct quotations in the results do not include in-text citations. Moreover, every respondent gave their permission to include their name in the list of interviewees in appendix 1.

The recordings were then transcribed in Finnish to facilitate analysis. The level of transcription used can be best described as intelligent verbatim transcription. This meant that the recorded speech was converted into text so that all the redundant phrases and words were cut out. (Transcriptionwave, 2011) However, some parts of the text were edited to achieve grammatical correctness to make the transcript more reader-friendly. The focus was on capturing what was said rather than how it was said. The transcripts are not published to protect the anonymity of the respondents.

Next the transcribed data were coded. According to Saldana, (2009, 3) a code is usually "a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data." First, all the transcripts were read through as a whole and notes about first impressions were made. Second, the transcripts were read one by one and the

relevant words and phrases for answering the research question were labeled i.e. coded. Third, categories were created by bringing several codes together and the results presented by themes.

4.4 Results

This sub-chapter presents the data obtained by semi-structured interviews with the representatives of the city organization and its stakeholders. The results are interpreted in the discussion in chapter 5. The results are organized based on the themes that emerged as from coding the data. The results move from past to present to future. The reflections on the previous strategy are presented first, followed by a current state analysis. Finally, the last part of the results chapter deals with data concerning the future of internationalization in Lahti.

4.4.1 Reflections on the previous strategy

Updating the goals

During the interview the respondents were shown the seven goals in the former City of Lahti international strategy and asked how they would change them for the updated strategy. More than half of the respondents thought that the content of the goals was rather good in their current form. For example, one of the interviewees described the goals as "really good, challenging enough yet realistic" while another one said they provided "a rather good basic framework". Moreover, some respondents thought that the goal-setting was "more-or-less up-to-date but the goals should probably be worded a little differently".

On the other hand, some respondents were not sure how the goals should be updated while others made suggestions for improvements. Three respondents noted that the large number of goals made the previous international strategy more complicated. "We shouldn't include too many [goals] because somehow they consume one another". It was also suggested the goals could be compressed into a smaller number of objectives because "many of these goals are sort of the same thing" and "it appears that all sectors wanted to be mentioned separately". In addition, a respondent thought it was no longer relevant for Lahti to attempt to be

a creative industries cluster as stated in the previous strategy while another one suggested considering employment as a goal. Finally, some thought that the goals for internationalization should prioritize businesses and growth because that would benefit the local residents.

Realization of the objectives of the City of Lahti international strategy 2011-2013

The interviewees were asked to give a rough estimate of the extent to which the objectives or measures outlined in the international strategy had been carried out in their organizations or units or the city in general. Overall, the responses indicated that internationalization in City of Lahti has advanced and that a large share of the objectives or measures stated in the previous international strategy have been completed or at least started to carry out. However, one of the respondents did not see significant changes as a result of the strategy. It is not possible to give a detailed answer because that could jeopardize the anonymity of some respondents who focused on their organizations or units in their answers. Furthermore, like stated in the limitations, the study only focused on certain stakeholders limiting the answers to the knowledge of those who were interviewed.

Lessons from the City of Lahti international strategy 2011-2013

The respondents identified several shortcomings in the City of Lahti international strategy 2011-2013 during the interviews when asked about the previous strategy and how current international activities in City of Lahti could be made better. The three main deficiencies of the strategy are represented in figure 16 below. The number in brackets indicates the number of respondents citing the deficiency.

Nearly all respondents made remarks about lack of coordination in the city's international activities. The respondents believed that it would be important to have someone be responsible for coordinating international activities in the city so that the different organizations could collaborate more instead of carrying out their activities separately from others. More details regarding this perceived lack of coordination is presented in sub-chapter 4.4.2.
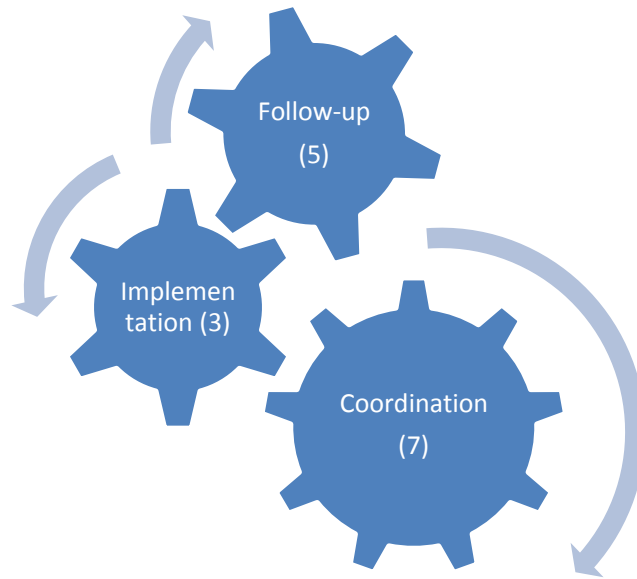
FIGURE 15. Main Shortcomings of City of Lahti International Strategy 2011-2013 according to Respondents

Furthermore, some stated that the previous international strategy was missing an implementer who "runs around the different sectors and sees to it that [the strategy] is implemented and that the measures are being carried out". Some admitted they had never even seen the former international strategy or had not really gone through it earlier. Another respondent stated that strategies must be brought to life to avoid a situation where "you ask someone about a strategy after three years and find out they have never heard of it".

Similarly, more than half of the respondents mentioned that it is important to monitor the strategy in order to be able to react to possible changes and to check the progress. Many respondents thought the monitoring of the international strategy was lacking. "I guess the idea was to […] follow more closely how the implementation is progressing but perhaps this didn't happen to the extent as planned". On the other hand, one of the interviewees maintained that the monitoring of the international strategy as a part of the municipal strategy and not separately is "somewhat justified". It was also suggested that the objectives of the international activities be defined better to facilitate monitoring and evaluation. For instance, instead of writing "close collaboration" or "attracting foreign

businesses to Lahti" the respondents recommended defining what close collaboration means or indicating the target number foreign businesses.

Finally, the respondents were inquired about whether they thought the 5x7 matrix in the previous international strategy was clear. Many thought that the presentation of the strategy as a matrix and its contents were clear. However, one of the respondents preferred the structure of the Lahti 2025 strategy while another one suggested having a concrete road map of internationalization composed of different events and other significant international activities such as visits to twin towns.

4.4.2   Current state of internationalization in Lahti

The respondents identified several strengths for the internationalization of City of Lahti. Nearly all respondents cited the environment, design, culture, sports, and location as the key strengths of Lahti. In addition, around half of the interviewees found the available study options in Lahti to give a good basis for internationalization of the city. Lastly, some also pointed out that the process of Internationalization is already off to a good start in Lahti.

In terms of the environment, some respondents considered the clean nature and water an important asset for attracting foreign visitors and a living proof of the city's environmental expertise. Most respondents focused on the business side, and saw the expertise in environmental technology or cleantech as a strength for internationalization. Similarly, design as a field, especially industrial design, was mentioned as a strength by nearly every respondent.

As for culture, many identified Sibelius Hall and the Lahti Symphony Orchestra as advantages for internationalization. The reputation as a sports city, especially in winter sports, was also considered a cornerstone for internationalization. Good facilities that make it possible to hold international sporting events such as Lahti Ski Games and Lahti 2017 FIS Nordic Ski Championships help foster internationalization. "Winter sports will surely be a 'winning card' also in future, know-how that is not found in other cities in Finland".

The city's location on the edge of the Helsinki metropolitan area, the airport, and St. Petersburg area combined with good transport connections by rail, air, and by highway was described as a "diamond in our hands" for internationalization. Together the location and connections make Lahti easily accessible. Moreover, as an area outside but right beside the greater Helsinki region, Lahti was characterized as cost-effective for business purposes compared to the capital and the St. Petersburg area.

Approximately half of the respondents listed various reasons why they see education in Lahti as a strength and important asset for internationalization. The higher education institutions in Lahti have wide international networks, and offer various degree programs and courses in English at both bachelor's and master's level. Furthermore, the language program offered at elementary and secondary schools in Lahti is well-rounded. Some interviewees found it very important that it is possible to pursue studies in English all the way from kindergarten to high school.

Lastly, a couple of respondents stated that the internationalization efforts do not have to be started from scratch. "As an idea, internationalization in Lahti is not nearly as foreign as in many other places because through times Lahti Ski Games has made it a part of everyday life". In addition to sports, some mentioned the number of residents of foreign origin and internationally operating Finnish companies. We have come a long way in internationalization when we look at the share of foreign language speaking population [...] or our many successful companies who operate internationally".

When asked about challenges for the internationalization of City of Lahti more than half of the respondents brought up insufficient financial or human resources. Insufficient financial resources were highlighted the most. "After all, this isn't voluntary work [...]. We need a decent budget that can be used to implement certain things". The interviewees also maintained that there should be a systematic, long-term commitment to internationalization. A participant found the financial resources for internationalization in Lahti inadequate in comparison to some cities in Eastern Finland. "In smaller cities like Imatra and Lappeenranta, their investments [into internationalization] have been more intense by at least a

decimal". In addition, some noted that both physical and mental human resources were inadequate. "Hiring a couple of people is not enough to run international activities". One respondent mentioned a low albeit improving level of language skills in the city, especially in Russian. Moreover, some interviewees also saw the attitude toward internationalization as a problem in the city. A respondent described that there has been a "mental block" to internationalization that should be eradicated. "In the corporate world, they haven't quite internalized the thought of internationalization as a lifeline" said another respondent.

Lack of coordination of international activities in the city was also considered a weakness by many. "I guess what is required from the city is a little tighter coordination so that we would be actively in contact with the key actors" pondered one of the interviewees. Similarly, describing the current internationalization activity as "fragmented", another respondent hoped that someone took the responsibility to bring the key organizations together to improve coordination of international activities. "If there is no responsibility, no one will do it". One respondent considered necessary that the city organization defined its role in the internationalization of Lahti more clearly either as the leader, active participant or the coordinator. Several respondents suggested having a person or a unit that coordinates and takes the responsibility for the international strategy and its implementation to have a "firmer grasp on international activities".

Other weaknesses that were mentioned by two or less respondents included the small size of Lahti, reliance on personal relationships in international activities, and unattractiveness of the area. The small size of Lahti was mentioned as a challenge to internationalization but according to the respondents could be addressed by networking and finding a niche role. A respondent states that due to the small size of the city the internationalization relies more on personal relations, which makes it challenging to involve the whole network of international operators in the activities. Moreover, it was perceived that there is a lot of room for improvement in making Lahti attractive for Finnish and foreign businesses and English language master's degree students.

The Russian market, especially the St. Petersburg area, more focused twin town activities, better collaboration between organizations, foreign students, tourism and events were considered as opportunities for the internationalization of Lahti according to the respondents.

Many interviewees perceived Russia and especially the St. Petersburg area as a huge opportunity to Lahti because of its proximity and size. Many saw the area as the future direction of internationalization of Lahti that could be made a better use of in future. "When the situation in Russia in a couple of years, hopefully, calms down that is the course of our international activities" predicted one of the respondents. Another interviewee said that St. Petersburg collaboration in his sector "is still looking for its direction […] and the realization of its full potential".

Several respondents mentioned that cooperation between the City of Lahti and its twin towns should be rethought to make better use of it. According to a respondent "traditional twin town activity is looking for its position [because] there is a lot of old tradition in it that is not significant at the moment". The same respondent hoped that the new strategy would address what can be done differently in that area. Another respondent believed that twin town relations with China and Nordic countries have not been utilized as well as they could have been. It was also suggested the city build the relations more systematically and profile its twin towns so that the focus or field of collaboration would vary depending on the place.

All respondents mentioned better collaboration or wider networking as an opportunity for the internationalization of the City of Lahti. The respondents suggested closer collaboration in international activities between the city organization and various other organizations such as the regional council of Päijät-Häme, the higher education institutions in Lahti, cities of Kotka and Kouvola for Russian cooperation, the City of Helsinki, and businesses. Some also suggested stronger collaboration between different actors in internationalization efforts around specific themes or fields such as environmental technology. Similarly, respondents suggested fostering collaboration between different organizations in organizing events. As an example one of the respondents said that

the Lahti 2017 FIS Nordic World Ski Championships are not just "a thing for the athletes". Some suggested incorporating different themes such as environment, design, culture, or sports into events that are not directly linked to the main theme of the event held in Lahti to highlight and communicate the area's strengths to the media and visitors.

A few of the interviewees saw untapped potential in the foreign students who have studied in Lahti. "There are a lot of international students here but it cannot be seen anywhere and we are not taking advantage of this opportunity for the international development of the city". Another interviewee wondered if "we should make a better use of our connections to Vietnam where there are a lot of people who studied in Lahti". Some thought that not enough had been done to integrate foreign students into the Lahti area so that they could find employment and stay here after finishing their studies.

Tourism and events were seen as good opportunities for internationalization. Nearly all respondents mentioned the Lahti 2017 FIS Nordic World Ski Championships as a huge opportunity for internationalization. In addition, many mentioned Lahti Ski Games and the Sibelius 150 festivities. However, one of the respondents questioned whether individual events really foster internationalization in Lahti and provide economic benefits to the area in the long-run.

Based on the interviewees' answers the current internationalization efforts in Lahti could benefit from the development of international marketing communications. The respondents identified the city organization's own communications, event marketing and higher education marketing as areas that could be developed further. Closer collaboration between different organizations was deemed necessary in marketing communications as well.

The respondents also identified several trends and changes in the operating environment that could offer opportunities for internationalization in the city. Several respondents mentioned that internationalization is becoming more and more commonplace in the everyday lives of residents who have their own links outside of Finland through family, friends and work. Moreover, two respondents thought that the internationalization possibilities arising from the merger with

Nastola should be explored. Similarly, some respondents suggested exploring business opportunities in Vietnam, the Baltics, and the Arab Emirates. There were also individual responses that saw potential for internationalization in the preventive and rehabilitative care markets or more broadly in the wellbeing business in Lahti. Lastly, one of the interviewees predicted that international cooperation in the education sector will skyrocket and bring significant growth in the next 15 years.

The respondents brought up several barriers to internationalization in the City of Lahti. These challenges included economic and political factors as well as increasing unpredictability and speed of change. In terms of individual markets, many raised the situation in Russia as an issue.

According to the respondents, the economic factors that could negatively affect internationalization in Lahti included the economic situation in Europe, unemployment and the structural change in the job market or the loss of manufacturing jobs in the area. As for political factors, some respondents mentioned political disputes in Europe and Russia and the rise of True Finns. A respondent thought these political issues could have a negative effect on residents' views on internationalization and immigration. Another respondent estimated that intolerance was on the rise. Most respondents perceived the grim economic and political situation in Russia as a hindrance to internationalization in the Lahti area. However, like stated earlier, many respondents also saw Russia as an opportunity despite the current difficulties. A few expressed the idea that the current situation is temporary. "A neighbor will remember the neighbors who were active also during the difficult times". Finally, the increasing unpredictability that makes it difficult to plan ahead, and the faster speed of change that forces organizations to react and adapt to new situations more quickly were also mentioned as trends that could have an unfavorable effect on internationalization.

4.4.3 International Lahti 2020

The interviews gathered information regarding the future of internationalization in Lahti. The interviewees were asked how they imagine the international City of Lahti to look like in five years from now and how Lahti should profile itself

internationally. The following paragraphs present the findings in more detail while figure 16 and 17 summarize the respondents' answers. The last paragraph of this section focuses on the measures or objectives that the respondents suggested as means of internationalization for the next years.

When asked how international City of Lahti will look in 2020, the respondents' answers varied a lot. Some focused on the areas of internationalization while others talked about market areas. Overall, the respondents believed that internationalization in the city will progress toward 2020. This is presented in figure 16 that shows the respondents' views on the future of internationalization in Lahti by areas of internationalization. The number of respondents citing each area or market is in brackets.

Education (3)
• Increase in the number of foreign students
• Higher international mobility to both directions

Business (3)
• Lahti companies more international
• More foreign companies established in Lahti
• Internationalization is a lifeline

Immigration (2)
• Greater number of residents with foreign origin
• Foregin workers needed in some fields e.g. in healthcare

Events (1)
• Larger number of international events

Market areas (4)
• Increase in significance of Russia, St.Petersburg (4)
• Diversification of markets (3)
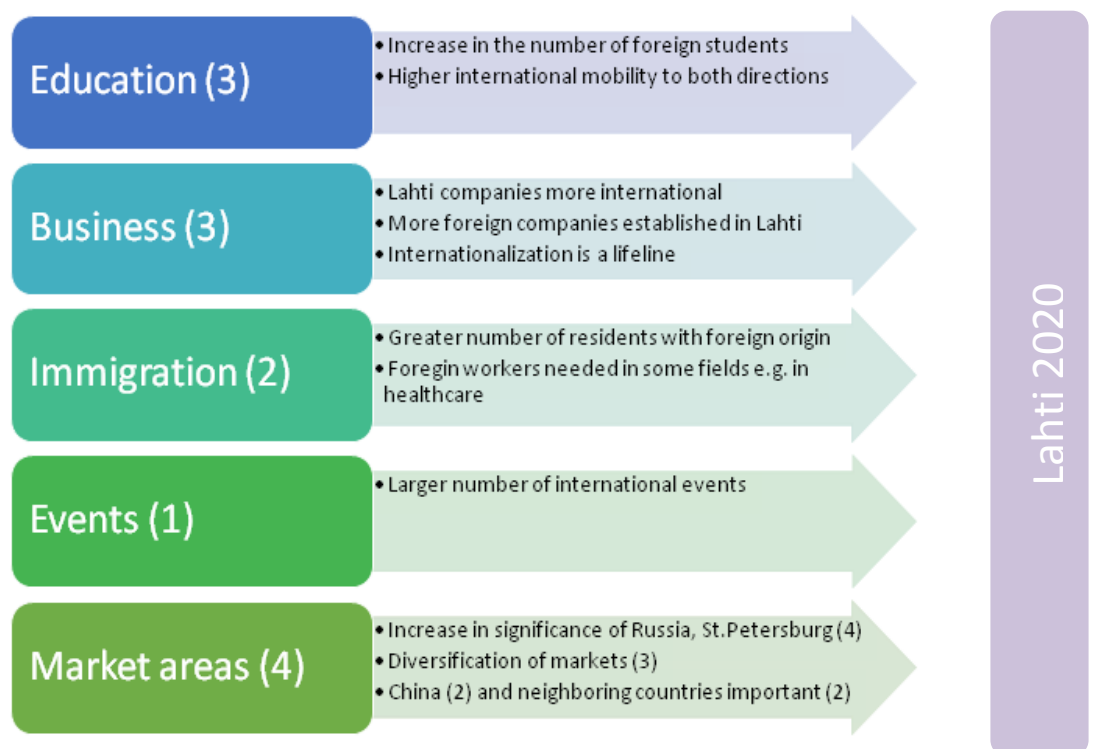• China (2) and neighboring countries important (2)

Lahti 2020

FIGURE 16 International Lahti 2020

Three respondents thought that internationalization in the educational sector in Lahti will advance. The advancement will be seen as an increase in the number of foreign students and increased international mobility to both directions. Another

three respondents believed that the business sector in Lahti will become more international and that there would be more international businesses established in Lahti. Some respondents thought that internationalization within the business sector in Lahti will have to happen in order for businesses to be able to survive and be profitable. Some respondents also mentioned an increase in immigration to Lahti and the need of foreign workers in some fields such as healthcare. In addition, a respondent envisioned that there will be a larger number of international events held in the city. One of the respondents expects the pace of internationalization to be slow. "Something radical should happen in the world for a large number of international people and activities to start flowing here".

As for international markets, some of the respondents thought that the significance of Russia and St. Petersburg as a market to Lahti area will grow. At the same time, a couple of respondents believed that new markets would be and should have been found by 2020. For instance, one of the interviewees hoped the dependency on Russia would have diminished by then. Moreover, some respondents envisioned that the Chinese and the neighboring markets would be taken a better advantage of as an opportunity.

When asked about profiling Lahti internationally, the opinion of most of the respondents was that Lahti should profile itself internationally based on its current strengths: environmental technology, nature, culture, design, and sports. Figure 17 illustrates the areas of focus that the respondents believe Lahti should use to profile itself internationally.

According to a respondent, "the most fruitful way is to build upon our existing strengths instead of chasing and building something we don't have or might never reach". Another interviewee stated that "it is clear that the starting point should be the real, existing strengths instead of building something artificial". The responses indicated that the city's strengths had remained the same from the creation of the previous strategy and that they will remain the same in 2020 according to the interviewees. Finally, several respondents emphasized the importance of having a clear international profile or defined focus areas for internationalization. On the other hand, one respondent prioritized positioning Lahti in the context of other

Finnish cities first. "We must first be as good as possible within Finland and that will affect our ability to be international".
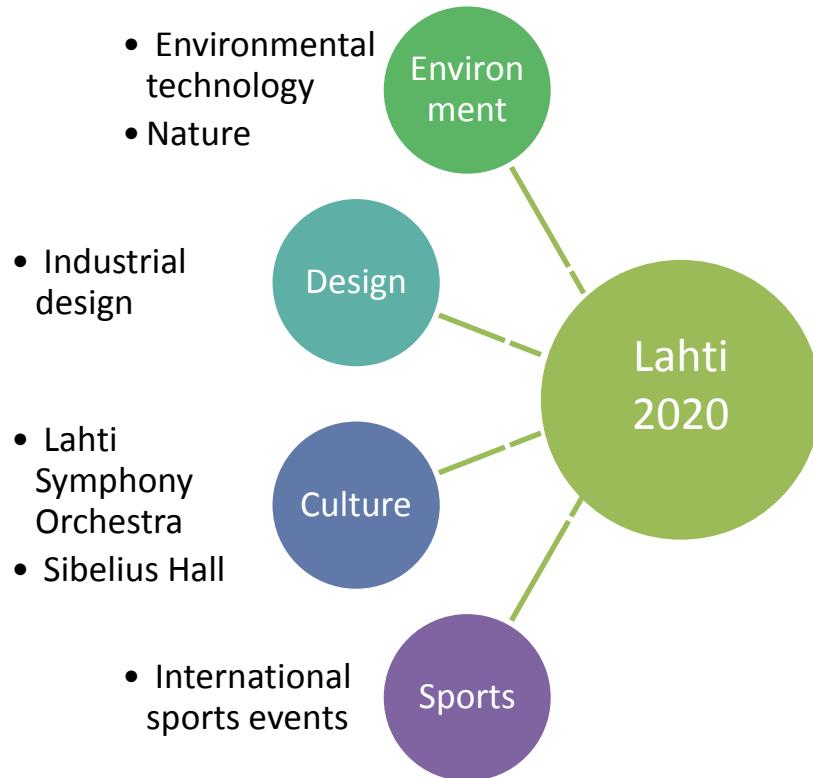
FIGURE 17. Key areas of focus for profiling City of Lahti internationally

The respondents suggested several measures or objectives of internationalization for the years leading to 2020. Due to the great number of suggestions the measures are listed with bullet points below.

- Developing an effective communications plan
- Providing communications materials to companies with international activities
- Incorporating themes highlighting the city's strengths to international events for representatives of foreign media and foreign visitors
- Developing online marketing communications
- Assigning a coordinator or a coordinating unit responsible for following the implementation of the international strategy

- Increasing collaboration through better coordination of international activities
- Closer collaboration with other cities: Helsinki, Kotka, Kouvola
- Modernizing twin town collaboration by profiling twin towns and focusing on the strategic focus areas
- Fostering personnel exchange at institutions of higher education
- Providing global education at schools and kindergartens
- Providing education on immigration to residents
- Developing the marketing communications of Study in Finland website and Lahti korkeakouluna campaign
- Systematic collaboration in applying research and development funding
- Supporting the internationalization of companies
- Attracting (foreign) businesses with favorable land use policies
- Increasing marketing to attract (foreign) businesses to Lahti

5   DISCUSSION

The discussion provides an interpretation of the results displayed in the previous chapter. The first sub-chapter presents a SWOT analysis that depicts the current state of internationalization in Lahti. The second sub-chapter focuses on the nature of the required update of the international strategy. Lastly, the third sub-chapter makes recommendations for the improvement of the international strategy process of the City of Lahti.

5.1   Internationalization of Lahti

Based on the data obtained from the interviews it was possible to analyze the current situation of internationalization in the City of Lahti. A SWOT analysis was compiled to present the information that was derived from the interviews. Appendix 6 presents the internal strengths and weaknesses of City of Lahti for internationalization. In addition, it shows the external opportunities and threats for internationalization in Lahti.

STRENGTHS

- ENVIRONMENT: CLEAN NATURE AND CLEANTECH EXPERTISE
- DESIGN: INDUSTRIAL DESIGN KNOW-HOW
- CULTURE: SIBELIUS HALL AND SYMPHONY ORCHESTRA
- REPUTATION AS A SPORTS CITY
- LOCATION AS A PART OF THE GREATER METROPOLITAN AREA CLOSE TO ST.PETERSBURG
- EXCELLENT ACCESSIBILITY
- AVAILABILITY OF INTERNATIONAL STUDY OPTIONS
- ALREADY QUITE INTERNATIONAL

FIGURE 18. Strengths of City of Lahti for Internationalization

Based on the results of the interviews and the introduction to the case organization, internationalization efforts in Lahti have been focused on the

environmental technology and design sectors during the City of Lahti previous international strategy 2011-2013. Furthermore, there is a strong tradition of international sports events in Lahti and a world famous Symphony Orchestra and a concert venue Sibelius Hall. Furthermore, Lahti is easily accessible by different modes of transport and situated in a logistically advantageous location close to the capital area and St. Petersburg. These strengths illustrated in the SWOT analysis form the core of internationalization of Lahti. See figure 18 on the previous page.

These strengths matched with the opportunities for internationalization give Lahti a competitive edge. The location is ideal for conducting business in the St. Petersburg market. Combined with easy accessibility it can help Lahti attract foreign businesses and foreign tourists from the capital area to Lahti. Furthermore, the strong cleantech cluster and design expertise can help in finding new market areas. Last but not least, Lahti is able to organize international sports and cultural events such as the Lahti 2017 FIS Nordic Ski Championships and Sibelius 150 Festivities that are great opportunities for attaining more international visibility. The opportunities are shown in figure 19.

OPPORTUNITIES

- RUSSIA, ST. PETERSBURG MARKET
- REFORMING TWIN TOWN ACTIVITIES
- CLOSER COLLABORATION WITH
  - PÄIJÄT-HÄMEEN LIITTO
  - EDUCATIONAL INSTITUTIONS
  - CITIES: KOTKA, KOUVOLA, HELSINKI
  - BUSINESSES
  - THEMATIC PROJECTS AND EVENTS
- EDUCATED FOREIGN STUDENTS
- TOURISM AND EVENTS
  - LAHTI 2017, LAHTI SKI GAMES, SIBELIUS 150
- DEVELOPING INTERNATIONAL MARKETING COMMUNICATIONS
- TRENDS AND CHANGES
  - EVERYDAY INTERNATIONALIZATION
  - MERGER WITH NASTOLA
  - EXPANSION OF INTERNATIONAL COOPERATION IN EDUCATION
- FINDING NEW MARKETS
  - BALTICS, SAUDI ARABIA
  - PREVENTIVE AND REHABILITATIVE CARE

Figure 19. Opportunities for Internationalization of Lahti

The City of Lahti is not, however, always able to grasp all the internationalization opportunities available to it due to its weak points that include insufficient resources, lack of coordination, and unattractive image among other. In these situations it is possible to develop the weaknesses. Please refer to figure 20. By indicating sufficient resources for and coordinating the international activities between different organizations it will be possible to enjoy the benefits of closer collaboration between different organizations around different themes and projects related to internationalization. Similarly, by improving its international marketing communications the City of Lahti will be better able to attract tourists, and businesses to the area.

WEAKNESSES

- INSUFFICIENT FINANCIAL AND HUMAN RESOURCES
- POOR ATTITUDE TO INTERNATIONALIZATION
- LACK OF COORDINATION OF INTERNATIONAL ACTIVITIES BETWEEN ORGANIZATIONS
- SMALL SIZE AS A MARKET
- UNATTRACTIVE IMAGE FOR BUSINESSES AND SOME GROUPS OF STUDENTS
- RELIANCE ON PERSONAL RELATIONS IN INTERNATIONAL ACTIVITIES
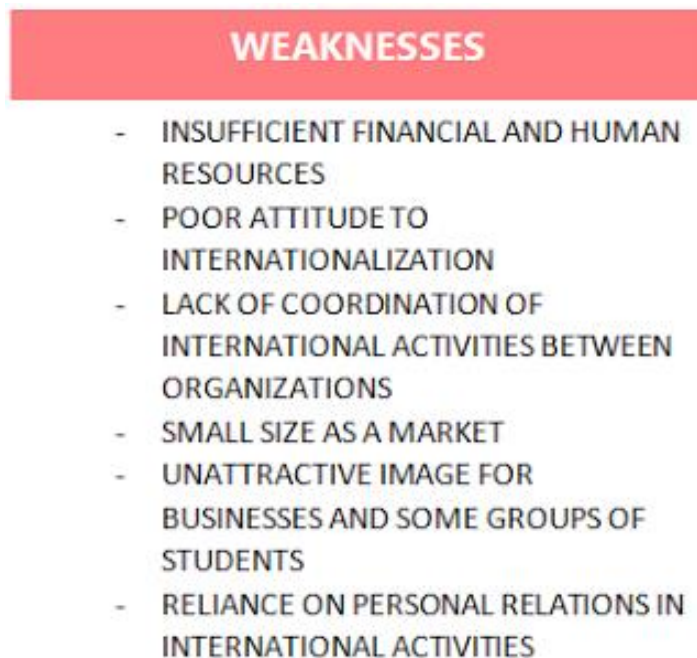
FIGURE 20. Weaknesses of City of Lahti for Internationalization

The strengths of City of Lahti may help it avoid the threats to internationalization. Figure 21 summarizes the threats to the internationalization of Lahti. Strong industries seeking international growth such as cleantech and industrial design can possibly help combat the threats posed by economic changes. On the other hand, the greatest challenges to international activities are when the internal weaknesses are combined with the external threats. For instance, the unattractive image of

Lahti and grim economic outlook and unemployment could make it very challenging to attract international businesses or tourists to Lahti.

FIGURE 21. Threats to Internationalization of Lahti

Apart from the SWOT analysis, the results of the interviews showed that internationalization of Lahti has progressed well in many areas and organizations according to the international strategy. However, not everything had gone as outlined in the strategy. This could be due to the perceived lack of coordination and lack of an implementer of the strategy. Furthermore, it may have been difficult for the respondents to accurately indicate the extent to which the objectives or measures outlined in the international strategy had been carried out in their organizations, units or the city in general due to the poorly formed objectives. Based on the interviewees answers and the City of Lahti international strategy 2011-2013 it can be observed that the objectives or the measures of internationalization are rather ambiguous. The objective-setting could be improved by applying the SMART criteria. According to the SMART criteria, a well set objective is specific, measurable, attainable, realistic and time-bound (Cothran & Wysocki 2015). This would make it easier to assess the attainment of the objectives.

The interviewees were asked to share their perception on how the international City of Lahti will look like in 2020. They believed that Lahti will become more and more international in terms of education, business, immigrations and events by 2020. In terms of markets, the participants foresaw and increase in the significance of Russia and St. Petersburg but at the same time thought that it will be necessary to diversify markets. China and neighboring countries were seen as important future markets. The respondents painted a very realistic picture of the future state of internationalization in Lahti rather than describing the desired state.

The results of the interviews indicate that the internationalization of Lahti should carry on along the same lines as in the previous international strategy. This means highlighting clearly defined areas of focus that are the existing strengths of the City of Lahti: environment both nature and cleantech, design, international sports events and culture. Based on this study, it is difficult to pinpoint which of these focus areas should be prioritized because the results do not clearly indicate their order of importance.

In the light of strategic management theory, the next step after understanding the current state of an organization is to determine its future direction and vision (Thompson et al. 2012, 4). Therefore, to get a better idea of the desired future state of internationalization in Lahti in 2020 and what areas of focus should be prioritized in the updated strategy, it is recommended that several people from different organizations key to the internationalization of the City of Lahti are brought together to co-create instead of interviewing everyone one by one. Successful collaborative goal-setting requires collaborative vision building that this research methodology is not ideal for. Had there been interaction between the experts interviewed in this study, the results may have been somewhat different. Interaction between stakeholder groups might prompt a new, a slightly different, or a fairly similar approach to the internationalization of Lahti.

5.2   Need for Update of International Strategy

Based on the results of the interviews, the contents of the City of Lahti international strategy 2011-2013 are to a great extent appropriate and up-to-date in their current form. The following paragraphs will discuss the most important

findings related to the goals, the measures or objectives, and the matrix (see appendix 5) of the previous international strategy as well as the focus areas of internationalization.

The respondents' views regarding the goals of the City of Lahti international strategy 2011-2013 varied to some extent. More than half of the respondents thought the goals were good in their current form while some had no opinion or made suggestions for improvement. This may have been due to the different levels of familiarity with the previous strategy among the respondents. Some of the interviewees had participated in the creation of the strategy while others had not. Moreover, some had never seen the strategy or had not familiarized themselves with it. Similarly, the respondents' reflections on the strategy might have been different, had the study been carried out a year earlier when the strategy became outdated. Furthermore, different organizations and their representatives were likely to interpret the strategy from different angles and place more importance on the goals related to their organizations.

The measures or the objectives of internationalization that the respondents suggested have a lot in common with the measures outlined in the previous international strategy. This may suggest that the means used to carry out the previous international strategy are considered effective. Another explanation could be that some of the objectives were not realized and some were not fully reached and therefore need to be included in the updated international strategy. This in turn could be explained by insufficient resources or a lack of incentives as a result of poor coordination and lack of monitoring.

The 5x7 matrix and its contents were considered clear by many respondents. Again the level of familiarity with the strategy of the respondents may have affected the responses. Lastly, most of the interviewees thought that Lahti should profile itself based on its current strengths: environment, design, culture and international sports events. These strengths were also highlighted in the previous international strategy, which means that the respondents believe in continuing on the same path in future.

5.3   Recommendations for the improvement of the international strategy process

Based on the respondents' answers regarding the shortcomings of the previous strategy and a careful literature analysis it appears that the City of Lahti should focus on improving the latter part of the strategy process: implementation, monitoring, and review of the international strategy.

The way the strategy had been carried out was criticized for its poor coordination, lack of a party responsible for its implementation and insufficient monitoring. The finding is in line with earlier studies. According to Aaltonen and Ikävalko (2002) who cite Alexander (1991), Giles (1991), Galpin (1998), Lares-Mankki (1994) and Beer and Eisenstat (2000) weak management roles and poor coordination of responsibilities are common reasons for failures to implement strategies. Although the implementation of the international strategy had progressed in Lahti, it is possible that with better implementation more of the set objectives would have been carried out.

To achieve the best possible progress in meeting the goals of the international strategy in the City of Lahti, a simple update of the contents of the international strategy may not be enough. This is because implementation is crucial to the realization of strategy (Aaltonen & Ikävalko 2002).The stages of the strategy process after strategy formulation should be rethought and their execution improved to maximize the benefits of having an international strategy. It would be recommendable to assign a person responsible for the implementation of strategy who would coordinate the international efforts and help foster collaboration between different organizations. Furthermore, it would be beneficial to set objectives that are Specific, Measurable, Attainable, Relevant and Time-bound (SMART) and monitor and review the progress of the international strategy more frequently because, according to De Feo and Janssen (2001), successful strategy implementation requires measuring and reviewing the progress. First, systematic use of performance measures makes it possible to monitor whether the strategy is being successfully carried out. Second, a formal review can increase the probability of reaching the goals. (De Feo & Janssen 2001)

However, it is also possible to question the need for more active coordination and implementation of the international strategy in the City of Lahti based on the results. The internationalization in Lahti appears to have progressed despite the lack of an implementer who coordinates the international activities in the city. The different units and organizations have been implementing the strategy separately from one another and some even have their own international strategies. This calls into question whether it is worth drafting an international strategy in the first place if it is not implemented and followed-up more actively to achieve better results when internationalization is advancing in any case.

6   CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

This chapter provides answers to the research questions set in this thesis. Furthermore, the reliability and validity of the study are discussed, and suggestions for future research are made.

6.1   Findings

This thesis has provided insights into the former City of Lahti international strategy 2011-2013, the current situation of internationalization and the future of internationalization in Lahti. The main objective of the thesis was to assist the City of Lahti in the process of updating its international strategy so that it reaches to the year 2020. This was done by carrying out background research on the drawbacks of the previous international strategy as well as the current state and the future of internationalization in Lahti. The main objective was tackled via six questions including one main research question supported by five sub-questions. A summary of the answers is presented in table 3.

TABLE 3. Summary of Answers to Research Questions

Research Question	Answer
What is the current state of internationalization in the City of Lahti and what direction should the development take?	The current state of internationalization was assessed by compiling a SWOT analysis available in appendix 6. The City of Lahti should focus on developing the implementation and monitoring of international strategy. Apart from that, the new international strategy should continue along the same lines as the previous strategy.
What were the shortcomings of the former City of Lahti international strategy and what can be learned from them?	The City of Lahti should focus on developing the implementation and monitoring of its international strategy by assign a party responsible for coordinating and implementation. In addition, monitoring should be made more systematic and SMART criteria, (Specific, Measurable, Attainable, Relevant and Time-bound), applied to the objectives to facilitate evaluation.

To what extent were the objectives of the former strategy reached?	Internationalization in the City of Lahti stakeholder organizations and units participating in this study has advanced in terms of objectives reached.
What should the goals and areas of focus be in the new City of Lahti international strategy according to the key stakeholders?	The existing strengths of the City of Lahti – environment, design, sports and culture – should be highlighted as focus areas and the content of the goals should be similar to those of the previous international strategy.
How do the key stakeholders envision the internationalized City of Lahti in 2020?	The City of Lahti will be more international in terms of education, business, immigration, and international events. Lahti should profile itself based on its strengths.
What are the strengths, weaknesses, opportunities and threats of the City of Lahti for internationalization?	The strengths, weaknesses, opportunities and threats of Lahti for internationalization are available as a SWOT analysis in appendix 6. The City of Lahti has several strengths that it can use to seize internationalization opportunities and avoid threats. Furthermore, some of its weaknesses may be developed into strengths.

The first sub-question deals with the shortcomings of the former City of Lahti international strategy and the lessons learned from them. The second one concerns the extent to which the objectives were realized. The greatest drawbacks of the City of Lahti international strategy 2011-2013 dealt with the latter stages of the strategy process: implementation and monitoring. The implementation of the international strategy was missing a coordinator responsible for bringing the various City of Lahti stakeholder organizations together to collaborate on international activities. Furthermore, the monitoring of the international strategy was lacking. It is recommended that the City of Lahti assign a person or a team responsible for coordinating the international activities between different organizations to foster collaboration, overseeing that the international strategy is implemented as planned, and monitoring and reviewing the progress. To make it easier to monitor the implementation of the international strategy, it is

recommended that the objectives of the new international strategy are made Specific, Measurable, Attainable, Relevant and Time-bound by applying the SMART criteria. This will make it easier to evaluate the extent of realization of the strategy and help achieve the objectives in a timely manner. Despite the shortcomings of the previous international strategy, internationalization in the City of Lahti stakeholder organizations and units participating in this study has advanced. A large share of the objectives or measures stated in the previous international strategy have been completed or at least initiated although not everything has been carried out as outlined.

The third and fourth sub-question concentrated on the goals and focus areas of the new international strategy and the future of the internationalization in the City of Lahti in 2020 according to the key stakeholders. The key stakeholders believe that internationalization in Lahti will progress in terms of education, business, immigration, and international events. Furthermore, the participants thought that the internationalization efforts should be continued along the same lines as in the previous strategy. This means highlighting the existing strengths of Lahti – environment, design, sports and culture – as focus areas like in the previous international strategy. Moreover, the content of the goals was found to be up-to-date, although the goals could be worded differently. As a result, the new international strategy does not require significant changes in terms of content. As the next step, it is recommended that a co-creation opportunity such as a workshop is organized for the representatives of the key stakeholders to draft a vision and select the priority focus areas for the new City of Lahti international strategy.

The final sub-question scrutinizes the strengths, weaknesses, opportunities and threats of Lahti for internationalization. The study identified several strengths and weaknesses of City of Lahti for internationalization as well as opportunities and threats that are presented in appendix 6. Briefly, the City of Lahti has several strengths - cleantech and design expertise, reputation as a sports city, availability of music related cultural offerings, excellent transport connections, and its location - that match with its internationalization opportunities. For instance, the location and easy accessibility make it possible to benefit from the St. Petersburg market, and to attract foreign businesses and tourists to Lahti. Besides, the strong

cleantech and design industries can help conquer new markets. Lastly, sports and cultural events, especially Lahti 2017 FIS Nordic Ski Championships and Sibelius 150 Festivities, present opportunities for internationalization. On the other hand, the strengths can combat threats to internationalization. As an example, strong internationalized industries may be able to survive economically challenging times better. The weaknesses of the City of Lahti in terms of internationalization – insufficient resources, lack of coordination, and unattractive image among other – could be developed for the city to be able to grasp more opportunities. For example, allocating sufficient resources for and coordinating international activities could allow for closer collaboration between organizations related to different internationalization activities or improving international marketing communications could help attract tourists and businesses to the Lahti area. Lastly, the biggest challenges to internationalization present when the weaknesses are combined with threats. For instance, the unattractive image of Lahti and grim economic outlook together with unemployment could make it challenging to attract international tourists or businesses to Lahti.

The main research question of the thesis is *"What is the current state of internationalization in the City of Lahti and what direction should the development take?"* A SWOT analysis in appendix 6 was used to analyze the current state of internationalization of Lahti. The current state of internationalization in the City of Lahti shows potential for internationalization because there are several strengths that can be used to take advantage of various promising internationalization opportunities and to avoid threats. On the other hand, the weaknesses of City of Lahti may be developed into strengths. Moreover, internationalization in the City of Lahti stakeholder organizations and units participating in this study has advanced in terms of objectives reached despite the challenges in implementation and monitoring of the international strategy. It is recommended that the City of Lahti focuses on developing the implementation and monitoring of its international strategy by assigning a coordinator to foster collaboration between organizations dealing with international activities. Monitoring, in turn, could be facilitated by adopting the SMART criteria i.e. making objectives Specific, Measurable, Attainable, Relevant and Time-bound. Furthermore, monitoring should be carried out more systematically for best

results. In addition, it is suggested that for the next stage of the strategy process that includes drafting a vision and setting goals, representatives of different stakeholder organizations are offered a chance to co-create, for example by organizing workshops. Finally, it is concluded that the new City of Lahti international strategy should follow the same direction as the previous strategy by focusing on key strengths - environment, design, international sports events and culture - as focus areas. The content, the goals and measures, of the City of Lahti international strategy 2011-2013, do not require significant changes, although they could be worded differently.

6.2   Validity and reliability

For any scientific study, it is important to consider the reliability and validity of the research. Reliability deals with the repeatability and consistency of the research results and measurement. (Kananen, 2011, 66) Validity, in turn, is concerned with the extent to which the findings of a study reflect or assess what the researcher is attempting to research (Eriksson & Kovalainen 2008, 310). The origin of the concepts of reliability and validity is rooted in natural sciences, which makes it not possible to apply them to qualitative research as such. Therefore, it is important to consider reliability and validity throughout the whole thesis process. (Kananen, 2011, 66)

In this study, research reliability was increased by recording all the interviews. Therefore, it was possible for the author to check the interview data more than once if something seemed unclear. The same basis of interview questions was used in all interviews. However, some questions were modified, added, or omitted to match the context of the interview. It is possible that the interviewer's way of conducting the interview had an effect on the results. Furthermore, the thesis process was documented carefully and the choices relating to the study design were justified to increase reliability. Lastly, as a case study, the applicability of the findings is however limited to the case organization, the City of Lahti.

As for validity, the thesis managed to answer the chosen research question and the sub-questions sufficiently. The study included both primary and secondary sources of information that were used to derive answers. Semi-structured

interviews were used as the main research method to collect primary data for the empirical part. In addition, various published research papers, books and online sources were utilized in the literature review. Although some of the secondary sources were older, an attempt was made to find the most up-to-date information available. Based on these facts, the study was able to assess well what was being researched. In other words, the study can be deemed valid.

6.3 Suggestions for further research

Some new topics for future research arose during this study. It is suggested that future research should concentrate on developing the implementation and monitoring of the City of Lahti international strategy. For instance, benchmarking could be used identify and learn from the best practices in other municipalities. Furthermore, it would be interesting to study the perceptions of other stakeholder groups such as residents or businesses that were not included in this study to learn more about internationalization in Lahti from different perspectives.

7   SUMMARY

The City of Lahti is in the process of renewing its international strategy using the now outdated City of Lahti international strategy 2011-2013 as the basis. This thesis was conducted as background research to assist in updating the City of Lahti international strategy so that it extends to 2020, the year of Finland's Presidency of the Council of the European Union. The thesis focused on reflecting on the former strategy, analyzing the current state of internationalization and gathering insights concerning the future of internationalization in Lahti.

The theoretical framework of this study explored theories of strategy and strategic management in the context of private and public sector organizations and municipalities. Furthermore, the introduction to the case study looked at the concept of strategy in the context of the case organization, the City of Lahti, focusing on its international strategy 2011-2013. The merger contract between the City of Lahti and the Municipality of Nastola was also reviewed.

Both deductive and inductive reasoning were applied in the thesis process with the help of a qualitative research approach. The primary data were collected by conducting semi-structured interviews with nine individuals from the City of Lahti and its stakeholder organizations considered key to the internationalization of Lahti. The interviews focused on the future vision of Lahti in 2020, the goals and the measures of internationalization, and the previous City of Lahti international strategy 2011-2013. The secondary data were obtained from reliable books, published research papers and online sources.

As for data analysis, the primary data from the interviews were transcribed and coded to facilitate analysis, to identify important themes, and finally to answer the research questions. Furthermore, a SWOT analysis was used to assess the current state of internationalization of Lahti.

The findings of the study indicate that the City of Lahti should focus on developing the implementation and monitoring of its international strategy. It is recommended that a coordinator responsible for the implementation and fostering collaboration between organizations is assigned. Furthermore, it is suggested that the SMART criteria are applied to the objectives of the new international strategy

to facilitate evaluation and that the monitoring is made more systematic. However, apart from that, the international strategy for 2020 should continue along the same lines as the 2011-2013 strategy. This means highlighting the existing strengths – environment, design, sports events, and culture – as focus areas like in the previous strategy. Also the content of the goals of the previous international strategy were found to be still relevant for the next strategy. Furthermore, the current situation analysis of The City of Lahti identified the strengths and weaknesses of the City of Lahti and the opportunities and threats for internationalization. It was found that the City of Lahti has several strengths that can be used to seize internationalization opportunities and avoid threats. In addition, some of its weaknesses could be developed into strengths.

Finally, the study was able to provide answers to all the research questions. The validity of the research is deemed high. However, the reliability of the study should be questioned as the findings are limited to the case organization, the City of Lahti. Lastly, future research should concentrate on developing the implementation and monitoring of the City of Lahti international strategy. The perceptions of other stakeholder groups such as residents or businesses regarding internationalization would be an interesting topic for another study.

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APPENDICES

APPENDIX 1

List of Interviewees

- Heini Moisio, viestintäpäällikkö, Lahden kaupunki

- Jari Parkkonen, maakuntajohtaja, Päijät-Hämeen liitto

- Jukka Rantanen, toimitusjohtaja, Ladec Oy

- Jussi Eerikäinen, toimitusjohtaja, Lahden Messut Oy

- Jyrki Myllyvirta, kaupungin johtaja, Lahden kaupunki

- Outi Kallioinen, rehtori, Lahden ammattikorkeakoulu

- Raija Forsman, toimitusjohtaja, Lahti Region Oy

- Senja Jouttimäki, pääsihteeri, Lahden Yliopistokampus

- Ulla Heijari, suunnittelija, Lahden kaupunki

APPENDIX 2

Alignment of goals: City of Lahti International Strategy 2011-2013 and City of
Lahti and Nastola Merger Contract (in Finnish)

Modified from the City of Lahti International Strategy (Lahden kaupunki, 2010)

APPENDIX 3

Interview structure (Finnish)

1. Visio - Lahti 2020

- Miltä näyttää kansainvälinen Lahti vuonna 2020?

- Suomi on EU-puheenjohtajamaa vuonna 2020. Miten Lahden tulisi profiloitua tuolloin kansainvälisesti?

- Mitkä ovat Lahden keskeisimmät vahvuudet kansainvälistymisen kannalta, joita tulisi painottaa kuvatun vision toteutumiseksi?

- Mitä esteitä tai haasteita tämän vision saavuttamiselle on?

2. Kansainvälistymisen keinot

- Millä konkreettisilla keinoilla tai toimenpiteillä Lahti onnistuu profiloitumaan keskeisimmissä aiheissa vuoteen 2020 mennessä?

- Miten nykyistä kv-toimintaa tulisi muuttaa sen parantamiseksi?

- Mitä kansainvälistymisen keinoja tai mahdollisuuksia ei ole vielä hyödynnetty tai tulisi hyödyntää paremmin?

3. Päämäärät

- Mikä pitäisi olla päätavoitteena uudessa kv-toimintaohjelmassa?

- Miten vanhan kv-toimintaohjelman päämääriä tulisi muuttaa? (Näytä vanhan toimintasuunnitelman matriisi.)

- Mitä yhteiskunnallisia muutoksia tai trendejä on esillä, jotka tulisi ottaa huomioon kv-strategian päivityksessä? (positiivisia ja negatiivisia)

4. Vanha kv-toimintaohjelma

- Missä määrin toiminnalliset tavoitteet ovat toteutuneet? Jos ei toteutuneet, miksi ei?

- Onko kv-ohjelman matriisi tarpeeksi selkeä?

- Onko kansainvälisyyden edistämisessä onnistuttu? Mistä tämän huomaa?

APPENDIX 4

Interview structure (English)

1. Vision - Lahti 2020

- How does international Lahti look like in 2020?

- How should City of Lahti profile itself internationally in 2020 when Finland will hold the Presidency of the Council of the European Union?

- What are the core strengths of the City of Lahti that should be highlighted for internationalization to reach the described vision?

- What are the barriers or challenges to achieving internationalization or the described vision?

2. Measures of internationalization

- What concrete measures will help Lahti successfully profile itself in the key areas of focus by 2020?

- How can the current international activities be improved?

- What measures of internationalization or opportunities have not been taken advantage of yet or should be made a better use of?

3. Goals

- What should be the main goal of the updated international strategy?

- How should the goals of the previous international strategy be modified? (Show the international strategy matrix.)

- Mitä yhteiskunnallisia muutoksia tai trendejä on esillä, jotka tulisi ottaa huomioon kv-strategian päivityksessä?

4. Previous international strategy

- To what extent were the measures of internationalization realized? If not, why is this so?

- Is the matrix of the previous international strategy clear?

- Have the internationalization efforts been successful? Where can this be seen?

City of Lahti International Strategy 2011-2013 (Lahden kaupunki, 2010, 4)

Lahden kaupungin kansainvälinen toimintasuunnitelma 2011-2013

Elinkeinopolitiikka
- Nopeasti kasvava alue, joka houkuttelee yrityksiä ja työikäisiä asukkaita. Osaavan työvoiman saatavuus on alueella kansallista kärkitasoa
- Koulutettujen maahanmuuttajien tarjoaman osaamisen ja työvoimapotentiaalin hyödyntäminen
- Positiivisen imagon kehittäminen - profiilin valinta
- Kansainvälisesti merkittävät ympäristö- ja muotoilualan kehittämishankkeet
- Kasvuyritysten kv toiminnan tukeminen aktiivinen Invest-in Lahti -toiminta, kärkiyrityksien houkuttelu sekä viennin edistäminen
- Kansainvälisesti merkittävät tutkimus ja kehittämishankkeet
- KV tunnettujen huippuosaajien rekrytointi

KV viestintä
- Toimiminen edunvalvonnan tai imagon kannalta merkittävissä kv verkostoissa
- Ympäristökaupunki ja -liiketoiminta sekä niitä koskeva viestintä
- Kulttuuri- ja muut kv tason tapahtumat: erityisesti WDC2012
- Konferenssi- ja messutoiminta: Painottuen erityisesti strategisten kärkien ympärille. Pääpaino isoissa kv tapahtumissa

KV yhteistyö ja verkostot
- Viestintävoimavarojen yhdistäminen ja keskeisten viestien sopiminen yhdessä
- Yhteistyö ympäristö- ja muotoilualojen edelläkävijäkaupunkien kanssa. (Tavoitteena benchmarking sekä hyvien ideoiden ja käytäntöjen hakeminen, yhteiset kehittämishankkeet, imago hyödyt)
- Messu ja tapahtumaviestintä: erityisesti WDC2012 (mm. Pietari)
- KV T&K&I hanketoiminta (hanketoiminnan kehittäminen ja KV rahoituksen hyödyntäminen)
- Tuottavuuteen sekä palvelu- ja sosiaalisiin innovaatioihin liittyvä benchmarking ja hyvien ideoiden hakeminen
- Sektori- ja teemakohtaiset yhteistyöverkostot sekä kv-kehittämishankkeet

Kansallinen KV yhteistyö
- Yhteistyö ulkomaisten yliopistojen kanssa
- Tiivis KV yhteistyö Helsingin, Espoon ja Vantaan kanssa

Kaupunki-organisaation kehittäminen ja osaaminen
- Lisätään kansainvälistä ja monikulttuurista rekrytointia
- Ystävyyskaupunkien profilointi: Resursseja suunnataan strategisesti merkittäviksi arvioitujen kanssa tehtävään yhteiseen kehittämiseen
- Kaupungin henkilökunnan KV osaamisen ja kielitaidon kehittäminen

Column headers (top):
- Lahdessa on monien kulttuurien suvaitseva kaupunkiyhteisö
- Kaupungin toiminnan tuottavuuden parantaminen sekä uusien palvelu- ja sosiaalisten innovaatioiden kehittäminen/etsiminen
- Lahdessa on korkeaa kv tasoa olevaa koulutus-, tutkimus- ja kehitystoimintaa sekä nopeasti kansainvälistyviä markkinoilla kasvavaa osaamisintensiivisiä yrityksiä
- Hyvä maine eläväna kulttuuri- ja tapahtumakaupunkina. Alueella on elämysten tuotantoon ja hyvinvointiin liittyviä palveluita ja kasvuyrityksiä
- Muotoilun ja kulttuuriosaamisen varaan rakentuva luovan talouden keskittymä. Johtava alue muotoiluosaamisen ja muotoiluintensiivisen liiketoiminnan kehittämisessä
- Kansainvälisesti tunnettu ympäristökaupunki sekä vahva ympäristöosaamisen ja -liiketoiminnan keskus

- Koulujen ja oppilaitoksien kansainvälisyysprojektit ja kansainvälisyyskasvatus

APPENDIX 6

SWOT Analysis: Internationalization in City of Lahti

CITY OF LAHTI INTERNATIONALIZATION SWOT ANALYSIS

STRENGTHS

- ENVIRONMENT: CLEAN NATURE AND CLEANTECH EXPERTISE
- DESIGN: INDUSTRIAL DESIGN KNOW-HOW
- CULTURE: SIBELIUS HALL AND SYMPHONY ORCHESTRA
- REPUTATION AS A SPORTS CITY
- LOCATION AS A PART OF THE GREATER METROPOLITAN AREA CLOSE TO ST.PETERSBURG
- EXCELLENT ACCESSIBILITY
- AVAILABILITY OF INTERNATIONAL STUDY OPTIONS
- ALREADY QUITE INTERNATIONAL

WEAKNESSES

- INSUFFICIENT FINANCIAL AND HUMAN RESOURCES
- POOR ATTITUDE TO INTERNATIONALIZATION
- LACK OF COORDINATION OF INTERNATIONAL ACTIVITIES BETWEEN ORGANIZATIONS
- SMALL SIZE AS A MARKET
- UNATTRACTIVE IMAGE FOR BUSINESSES AND SOME GROUPS OF STUDENTS
- RELIANCE ON PERSONAL RELATIONS IN INTERNATIONAL ACTIVITIES

OPPORTUNITIES

- RUSSIA, ST. PETERSBURG MARKET
- REFORMING TWIN TOWN ACTIVITIES
- CLOSER COLLABORATION WITH
  - PÄIJÄT-HÄMEEN LIITTO
  - EDUCATIONAL INSTITUTIONS
  - CITIES: KOTKA, KOUVOLA, HELSINKI
  - BUSINESSES
  - THEMATIC PROJECTS AND EVENTS
- EDUCATED FOREIGN STUDENTS
- TOURISM AND EVENTS
  - LAHTI 2017, LAHTI SKI GAMES, SIBELIUS 150
- DEVELOPING INTERNATIONAL MARKETING COMMUNICATIONS
- TRENDS AND CHANGES
  - EVERYDAY INTERNATIONALIZATION
  - MERGER WITH NASTOLA
  - EXPANSION OF INTERNATIONAL COOPERATION IN EDUCATION
- FINDING NEW MARKETS
  - BALTICS, SAUDI ARABIA
  - PREVENTIVE AND REHABILITATIVE CARE

THREATS

- GRIM ECONOMIC OUTLOOK
- HIGH LEVEL OF UNEMPLOYMENT
- LOSS OF MANUFACTURING JOBS
- CHANGES IN THE POLITICAL LANDSCAPE IN FINLAND AND IN EUROPE
- INTOLERANCE
- WORSENING ECONOMIC AND POLITICAL SITUATION IN RUSSIA
- INCREASING UNPREDICTABILITY
- SPEED OF CHANGE