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Bachelor's Thesis

**Partnering as a strategy to approach new markets – Case
Anders Inno.**

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<p>This thesis was done for Anders Inno Oy, a Finnish small and medium sized enterprise from Turku, interested in widening their operations by approaching international markets.</p> <p>This thesis was based on the applied thesis model. The purpose of this thesis was to analyse the process of partnering as a strategy in the case of Anders Inno Oy with a strong focus on trust and commitment as part of the partnering process. The research method was to investigate and analyse the factors of commitment and trust in partnerships and implement partnering as a potential strategy for Anders Inno to approach the German markets.</p> <p>The first part of this thesis was to briefly illustrate the case background and circumstances of the starting situation of the project at the time the author was assigned. The second part consisted out of discussing partnering in general, as well as the part of commitment and the relationship between trust and commitment in particular. The third part was to evaluate the partnering approach by its general adaptability to this case, distinctions in its application and matters of general application to a case.</p> <p>The research process of this thesis showed that partnering can bring a lot advantages to companies when understood in the right way and implemented accordingly. The main conclusions were that partnering could be the ideal strategy for reaching previously unattainable markets. However, dependent on mutual willingness and need and therefore not always easily establish able.</p>	
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Table of contents

1.	INTRODUCTION	4
2.	CASE BACKGRUND	5
2.1	Status Quo	5
2.2	Anders Inno Oy	7
2.3	Anders Manager	7
2.4	Companies of assistance with the market research	10
3.	RESEARCH PROCESS	12
3.1	Strategic Partnering	12
3.2	Advantages and disadvantages of partnering	15
3.3	Commitment in partnerships	17
3.4	Relationship between trust and commitment in partnering	19
	RELIABILITY AND VALIDITY	21
4.	Evaluation	23
4.1	Why partnering?	23
4.2	Local partner vs. Finnish partner	25
4.3	Criteria for establishing relationships	26
4.4	Recommendation	27
5.	SUMMARY AND CONCLUSION	31
6.	REFERENCES	36

1. INTRODUCTION

This thesis is based on the applied thesis model and the purpose of this thesis is to analyze the process of partnering as a strategy in the case of Anders Inno with a strong focus on commitment and trust as part of the partnering process.

The process of partnering is considered an apt alternative to individual market entries, whereby two or more companies combine their assets, experience and capital in order to re-adjust their positions on new markets, or markets they already have a presence on. In modern business life, with merging markets and increased market dynamics, partnering can be seen as a solution offering a wide range of advantages to companies in their strategic direction, enabling them to reach for previously unattainable market shares.

This thesis is divided into three major parts. It will commence with a brief description of the case background and the starting situation of the project at the time the author was assigned. After that it will give you an insight about the company itself and describe the relevant product as well as the participants involved in the market research process.

The second part of this thesis will consist of the actual research process. It will start with an overview of strategic partnering, followed by an analysis of the advantages and disadvantages of partnering, before moving on to a brief analysis of the concept of commitment in partnerships. Finally the second part will close by briefly discussing the relationship between trust and commitment in partnerships.

The third part, following the analysis of validity and reliability of the research, is going to be the evaluation. The evaluation will be divided into four parts, starting with a discussion of the benefits of partnering in the Anders Inno case, followed by a chapter analyzing the circumstances of local partner candidates compared to the scenario of choosing an already established partner from Finland. Moreover the evaluation will continue with a chapter of general criteria to take into consideration on part of Anders Inno when approaching the German markets and close by the recommendation to Anders Inno by the author.

Finally conclusions will be drawn in the chapter Summary and Conclusions.

2. CASE BACKGROUND

2.1 Status Quo

Having run their operations on the Finnish markets over the past 2 years with a series of IT-related products and services, Anders Inno launched its newest ERP-solution and company flagship “Anders Manager” in 2009. Together with their strategic partner for the Finnish markets, debt collection specialized legal office Pappila & Penkkala & Co Oy, Anders Inno founded a joint venture called Anders Solution Oy, serving as a platform for the new product.

Simultaneously to and encouraged by the good start of Anders Manager on the Finnish markets, Anders Inno decided to investigate the option of introducing Anders Manager to international markets. The Author of this thesis was assigned to study the given options in this matter and quickly came to the conclusion of focusing on the Central European markets, beginning with Germany. Main reasons for the focus on Germany were found in the promising market prospects, the overall similarities in the

business environment, as well as previous ties to Germany on part of the author and other participants in this project.

In order to attain a market overview as deep and extensive as possible, Anders Inno decided to use high efforts on working out a detailed market research. The market research had to provide Anders Inno with a better market understanding on its potential, help Anders Inno obtaining insights into how the market is structured, provide them with market/environment based input for their product development and analyze most promising variants for a potential market approach. Furthermore the market research was constrained to focus on looking for potential partnering firms in particular, since the partnering approach, similar to the one on the Finnish markets, seemed to be the most promising and favorable strategy to Anders Inno.

The market research was to be carried out by two contracted Consulting agencies, the Finnish internationalizing expert Finpro and a German consulting company, in assistance to the author. The work on the market research began in July 2009 and is due to be completed around December of 2009.

The long-term goals of Anders Inno are to approach the German markets, if market entry is deemed reasonable, establishing a partnership with a local company following the Finnish model, finding a suitable distribution channel and initiating sales by the end of 2010.

2.2 Anders Inno OY

Anders Inno Oy is a small and medium sized enterprise (SME) located in Turku, Southern Finland. Established in 2007, Anders Inno is a rather young company, offering a wide range of Software solutions as e.g. web shops, solutions related to e-commerce and content management, services regarding webpage-layouts and general internet performances, as well as graphic design- and ICT-consulting.

“As a Software company growing in the shadow of preceding glory of the IT-branch, Anders Inno managed to set up a range of competitive products, and furthermore, establishing them on the Finnish markets. After winning itself respectable market shares and a high quality image in the South-Finnish markets, Anders Inno now considers itself ready for proceeding with the next step.”

(Anders Inno brochures)

Apart from their established products and services in the webpage and graphic design sector, Anders Inno is mainly looking for new target markets for their business solution called Anders Manager.

2.3 Anders Manager

Anders Manager is an invoicing system, which automates billing routines, such as invoice sending, payment monitoring, overdue notices and debt collection - all without extra costs. Anders Manager allows companies to focus on their core business and daily routines, instead of spending unnecessary time on billing issues.

Hereby, pricing is solely based on the amount of invoices sent per month. Billing is performed monthly, with the minimum amount being 10 invoices per month. Anders Manager being a completely web based software (Saas) and thereby running over the

Internet, clients are enabled to use this software with any operating system of their choice and without time or place constraints. All what is needed is an Internet browser and Internet connection.

The main advantages of Anders Manager hereby are the free resources. Routines related to billing and ledger management are cut out, reclaims can be outsourced and resources therefore be focused on profitable functions and the development of clients businesses. Furthermore, automatic actions after expiration of the due date as well as up-to-date payments with original reference numbers guarantee a speedup of the money circulation. The cutting of postage fees along with letters and other form costs diminish client's expenses down to a minimum and credit loss risks are minimized due to the included automated payment monitoring features and debt collection services.

Legally Anders Manager is a product of Anders Solutions Oy, which is a joint venture, founded by Anders Inno Oy and their partner Pappila Penkkala & Co Oy in October 2009. The stocks of Anders Solutions Oy are equally shared between Anders Inno and Pappila and Penkkala with both, the code of the ERP-system and the code of the debt collection system being property of Anders Solution Oy.

The operative management of Anders Manager for the Finnish markets will be mainly taken care of by Pappila and Penkkala. This will include sales, distribution and marketing of Anders Manager, as well as any upcoming issues concerning Anders Manager or related products, published by Anders Solutions Oy for the Finnish market - unless agreed ulterior.

The development management of Anders Manager will be taken care of by Anders Inno. This will include all changes, updates and modifications on Anders Manager, as well as the maintenance and supervision of the product.

Pappila Penkkala & Co OY

Pappila Penkkala & Co OY, together with its subsidiary companies Resolvium Group Ltd and Resolvium Finance Ltd, constitutes a group that employs around 30 employees with a turnover of approximately four million euros per year. The group manages invoicing on behalf of several companies and all together sends annually approximately 200.000 invoices that sum up to 30-40 million euros. (E-mail Correspondance with Pasi Penkkala, 20.10.2009)

Pappila Penkkala & Co OY was founded in 1993, managing to reach a stable and dynamic status in Finnish business markets over the years. As experts on law, debt collection and financial administration, Pappila Penkkala & Co OY offers comprehensive solutions for companies throughout their lifespan. By transferring business function to Pappila Penkkala & Co OY, the client can focus on improving its own company. (E-mail Correspondance with Pasi Penkkala, 20.10.2009)

Savings and more time, who wouldn't want that?

“With Anders Manager, every business owner can finally utilize a comprehensive service concept designed for small-to-medium business, where high quality billing software, fully automated billing ledger and receivables management services along with their reports meet each other.

This has not been possible before. Business owners need not to do anything but entering invoice details into the system and maintain their product and client registers. Anders Manager deals with everything else. You can have all this at your

disposal for about the price of normal postage fees. Think about it for a moment and you will see, that there is no reason to not take up on this service concept.”

Jouni Pappila

Pappila & Penkkala & Co Oy

Chairman of Board

(Andersmanager Brochures [15.10.2009])

2.4. Companies of assistance with the market research

In order to attain as extensive and valuable a research on the German markets as possible, Anders Inno decided to assign two external companies in assistance to the authors research work. While the expertise and particularly strong researching knowhow on German markets of one of the companies (Finpro) was planned to be exclusively used for the duration of the market research, Anders Inno assigned the other (Bocon Consulting) also in respect of possible representative functions in the future.

Finpro

“Finpro is an association founded by Finnish companies. Finpros clients are Finnish companies at different stages of internationalization and the aim of Finpro is to guarantee those companies, especially from the SME-sector, access to high quality, comprehensive internationalization services around the world.

Specializing in Finland’s key industries, Finpro is aware of its customers operating environments and the practices of different industries. As experts in internationalization, Finpro offers services for all phases and areas of the process:

initiating, expanding, and strengthening the business. Finpros expertise is maintained through more than 200 experts located abroad.

There are currently more than 550 Finnish companies involved in Finpros operations, including the Confederation of Finnish Industries EK and the Federation of Finnish Enterprise.”

(Finpro.fi [referenced 16.09.2009]).

Responsible for this project on part of Finpro are Mr. Tommi Pelkonen and Mr. Santeri Maunumäki. Together with their resources in the Finpro Vienna offices, Mr. Pelkonen and Mr. Maunumäki assist Anders Inno with the information acquisition process of the market research, the interviewing rounds and test running of Anders Manager at potential end clients, as well as the establishment of contacts with potential partner companies.

Bocon Consulting

Bocon Consulting is a German-Finnish consulting company with a strong focus on business between Germany and Finland and more than 30 years of experience in national and international business in Europe. On part of Bocon the project will be handled by Mr. Jan-Magnus Borgas, who is located in Germany and tied with long-standing connections to the author and other participants of Anders Inno.

In co-operation with an associate, Mr. Borgas will not only assist Anders Inno with parts of the market research, but also serve as a representative of the company. He will handle all necessary representative activities until the potential market entry approach of Anders Inno and assist in all matters relating to the potential establishment.

3. RESEARCH PROCESS

3.1 Strategic Partnering

Partnering, in its whole scope, certainly is an extraordinarily wide and complex theme, which underlies a permanent development, due to the constant evolvement and increasing complexity of its structures. (Wilma W. Suen 2005, 3) Partnering can be divided in and by several models, purposes and sub-categories and has spawned an extensive amount of literature specifying different characteristics and alliance types. Therefore partnering holds an enormous potential of controversy and ambiguities.

When discussing partnering more generally, one could define strategic partnering as a formal alliance between two or more parties in an intersection of common goals, trying to create, maintain or improve a competitive advantage for the participating firms. Most ideally set up as a long-term collaborative approach and in order to be sustainable and mutually beneficial, strategic alliances or partnering should be coined by a win-win mentality, following the idea of each leveraging their assets for the mutual benefits of both. "By sharing we win more".

In certain situations partnering can illustrate a strategic choice: bigger slice of a smaller pie vs. smaller slice of a bigger pie.

(1000ventures.com[referenced 28.10.2009])

"Partnerships between people, between companies, with customers and with suppliers create greater value for all concerned." – Stanley C. Gault
(1000ventures.com[referenced 28.10.2009])

Whether they are of complementary nature for instance between larger engineering companies and smaller entrepreneurial firms creating new specialized market niche products, of depressing nature e.g. between manufacturing companies partnering with distributors or wholesale consumers in order to optimize their supply chain, or of combining nature between competing market players partnering up in hope of gaining higher market shares; partnerships always consist of two or more partnering firms.

Regardless of whether having a bilateral partnership or multiparty alliances, which are composed of three or more firms and structurally being bound to each other through networks of ties rather than constellations revolving around a central firm, partnering requires a base of trust and openness. As organizations working together in an equitable and mutually beneficial way towards a development goal or common objective, agreeing to commit resources and sharing risks, responsibilities, competences and benefits, a partnership always shares a range of key elements. (Crowley and Karim, 1995, 34)

These key elements, most commonly, are described as trust, long-term commitment and shared visions. In any kind of partnering trust is important to develop confidence, enable an honest sharing of resources and encourage open communication as well as exchange of ideas between the parties. Long-term commitment is of importance when it comes to reinforcing the mutuality of the parties and reducing temptation of litigation or rivalry in terms of contracting systems. Furthermore, long-term commitment plays an important role in constant improvement of technologies and methods and produces a comradely atmosphere among the parties. Shared visions are the project or partnering objectives and function as a motivation drive and provider of alignment. (Crowley and Karim, 1995, 34)

In addition to these key elements there are further attributes, which are of importance for any partnering relationship. At first and as partly mentioned above, there is the

win-win attitude, which is an absolutely crucial approach for any partnership, since it is a precondition for keeping the relationship mutually beneficial and therefore sustainable. It addresses a course of action in which neither party wins due to the other's loss and thereby assures higher level of contentedness by cutting down the risks of discord and conflict potential. (Crowley and Karim, 1995, 34)

Other important attributes are conflict resolution through problem solving and freedom of speech, which enable the parties to look at differences as jointly held problems instead of individual disputes and lead to an encouragement of identifying and addressing problems openly and direct. Also highly important are innovation and equity, which assure an open exchange of opinions and ideas to ease up the solving of daily problems and promote an equal handling of each parties concerns and needs. Finally, one ought not dismiss the significance of shared risks. Sharing uncertainties and unexpected problems, along with all the consequences, cuts down the volume of risks for each party and helps avoiding bitterness and scepticism. (Crowley and Karim, 1995, 34)

According to Crowley and Karim, this way of simulating project synergy is also endorsed by Cowan (1991), according to whom partnering is "a cooperative approach to contract management that reduces costs, litigation and stress".

However, a partnership or strategic alliance approach is neither to be considered a quick fix nor an easy option. The implementation costs may well be higher than expected and in many cases the process of partnership itself is undertaken and planned in such a poor way, that energy, time and capital is simply wasted. Even worse, there are plenty of cases lacking any established or planned processes at all, merely assuming that the partnership will perform automatically and out of general sense of good will. These cases naturally lead to failure in meeting their potential and bring the parties backwards rather than forwards. Reasons for these failures, among

others, can be mangle in leadership, lack of experience, expertise and frameworks. (Wilma W. Suen, 2005)

3.2 Advantages and disadvantages of partnering

Partnering, in general naturally holds some advantages, as well as disadvantages. In some situations it might serve as a very useful solution for improving one's business, providing opportunities, which would otherwise not be within range. On the other hand, there always appear risks with partnership, which should in any case be well considered and valuated, in order to avoid unnecessary complications and troubling situations.

The advantages to be gained from partnering are numerous and manifold. Firstly, partnering naturally provides means of raising capital quickly, allowing multiple persons or parties to combine resources, experience and expertise. More persons or parties mean more specific strengths and higher rates of knowledge for the business-partnership and in case each participant takes on defined roles, cost-effectiveness can be improved. In addition to the shared financial commitment and risks and the wider pool of knowledge, skills and contacts, there are further aspects of partnerships that can be considered advantageous. In case of startup companies costs are usually limited, which might make partnering a favorable alternative. Also, partnerships may provide moral support, which will allow more creative brainstorming. (albusiness.com [referenced 30.10.2009]) (businesslink.gov.uk [referenced 30.10.2009])

Furthermore, and especially in smaller partnerships, some parties might be pushed to be better organized than when running their business alone, which often leads to better administration and financial systems. In some partnerships participants, moreover, get more specialized on their fields of responsibility and become more

efficient in their business. And in some situations an existing partnership might also make it easier to convince new partners to join in and thereby expand the business. (businesslink.gov.uk [referenced 30.10.2009])

On the negative side there are a couple of points, which, under any circumstances, should be taken into consideration before jumping into a partnership. These disadvantages apply regardless of whether it is a limited partnership in the private sector or alliance between big enterprises. First of all, collaborations usually are for the long term. That naturally hosts a certain degree of danger, since situations in general and expectations and objectives in particular can change and potentially lead into dramatic split ups. Also as a participant in this sort of bound, one is generally committed to consult the partner/s and is usually limited in his ability to make decisions on his own. This embodies a certain requirement of flexibility. (businesslink.gov.uk [referenced 30.10.2009])

Apart from the possibility of personal disputes between the parties, partners may also have different point of views about certain strategic decisions or goals and visions in general, which might lead to arguments about the management plans or operational procedures. Especially with smaller partnerships, there might well be inequalities what comes to commitment in terms of times and finances, which might lead to problems when sharing the profits. Especially, when the values of each participant to the company are not utterly clear. (albusiness.com [referenced 30.10.2009]) (businesslink.gov.uk [referenced 30.10.2009])

Moreover, in some cases all parties are responsible for the business debts and mistakes of their partners. Given the scenario of a business failing and incurring debts, leading one party into not being able to pay its share, the other partner may be liable for the money. Possibly even, when the debts incurred by the partners dishonesty or managerial failure. (businesslink.gov.uk [referenced 30.10.2009])

Some financial details can indeed be kept secret from others, since one does not have to publish one's accounts and reveal private information, as e.g. total earning etc., but the extend to which this information has to be revealed can vary by the form of partnering. Additionally, one should always make all necessary arrangements, as for example the dissolving of the partnership in case of death, disability and other details, before joining a partnership.

3.3 Commitment in partnerships

As in every relationship between people or organizations, but especially in business relationships, whether they are big industrial cooperation, supply chain organizations or joint ventures between smaller companies etc., it is commonly agreed on that relevant partners in business need to have a high degree of commitment, in order to achieve and maintain success in their relationships. (Wetzels, de Ruyter & van Birgelen, 1998) Relationships lacking mutual commitment are not only often ineffective and inefficient in their performance but, as in inter-human relationships, also ordinarily predetermined to fail.

According to Wetzels, de Ruyter & van Birgelen (1998), mutual commitment therefore plays a central role in relationships, due to its significant benefits for companies, and is widely considered to be "the most advanced phase of partner's interdependence" (Scanzoni 1979). On part of manufacturers for instance, the benefits of a well functioning relationship may not only result in improvements regarding their product development, but can show in form of increased margins and market shares as well. Distributors, on the other hand, may improve market penetration and customer satisfaction.

Respectively, parties of a relationship look at commitment as their key to the achievement of valuable outcome and therefore endeavor to achieve and maintain it in their relationships.

Wetzels, de Ruyter & van Birgelen moreover state, that there are two crucial views by which organizational commitment has to be distinguished. According to one view, commitment illustrates a sort of affective state of mind an individual or partner has towards the establishment of a relationship. This kind of commitment is usually to see by persons who have a strong identification with the values of an organization and is called “affective commitment”. Affective commitment is based on a sense of liking and emotional attachment to the partnership. (Wetzels, de Ruyter & van Birgelen, 1998)

The other view expresses commitment to be more of a behavioral than affective state of mind, which is based on constant weighing of benefits vs. costs of a relationship. This form of commitment “stems from a cognitive evaluation of the instrumental worth of a continued relationship with the organization”, adding up all gains and losses, plusses and minuses and is referred to as “calculative commitment”. (Wetzels, de Ruyter & van Birgelen, 1998)

Researches showed that affective commitment, based on attraction and emotions between partners, is ought to be preferred over calculative commitment, since relationships based on calculative commitment tend to have lower chances of lasting for an extended time.

3.4 Relationship between trust and commitment

As widely acknowledged and mentioned above, a very core principle of business partnerships is defined as in enabling the parties in ongoing relationships to enhance their efficiency and effectiveness. In order to realize these improvements, relationships need to be planned and executed on a base of shared information and trust among the partners.

However, sharing information can sometimes require the revealing of guarded business information, as financial, strategic and operating information between the parties. Taking into consideration that, in some cases, partners may represent traditional or potential competitors, sharing these kind of know-how critical information, therefore is, as we know, heavily dependent on a high level of mutual commitment and trust between the parties.

According to Suh-Yueh and Wen-Chang (2006), trust is defined as a company's belief in the trustworthiness and integrity of its partners, resulting in a firm's conviction that "another company will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes". Further Suh-Yueh and Wen-Chang (2006) state that time and energy, spent on transaction intercourses, is higher for managers in low-trust relationships, than it is in high-trust relationships.

Partners sharing high level of trust between each other are willing to communicate more openly and share a higher readiness of bearing risks jointly. Decreasing distrust between the parties enhances overall performances, thereby making trust a "primary antecedent of intangible benefits".

(Suh-Yueh and Wen-Chang, 2006, 224)

Commitment, in this matter, is well defined as the expression of one's readiness and will to unremittingly keep up high investments of mental efforts for the sake of relationship preservation. Relating to Suh-Yueh and Wen-Chang (2006), commitment is widely seen as a desire of developing cooperative relationships, with preference for current relationships in particular. Moreover it is stated that commitment is likely to be defined as "an exchange partner believing that an ongoing relationships with another is so important as to warrant maximum efforts at maintaining it". Thus, commitment has to be seen as an essential drive of maintaining valued relationships. (Suh-Yueh and Wen-Chang, 2006, 225)

Commitment, in all its importance, therefore always relates on trust. According to Suh-Yueh and Wen-Chang (2006), trust is to be considered the most critical and most decisive factor fostering commitment among partners. Trust and commitment being "two highly interrelated notions for success" of any partnership, together, stimulate a relational bond between parties and further lead to improvements in efficiency, productiveness and effectiveness, when existing simultaneously. (Suh-Yueh and Wen-Chang, 2006)

RELIABILITY AND VALIDITY

In order for scientific research to be credible, it is necessary to clearly illustrate the strengths and weaknesses of the study. Thereby it is naturally important to provide a base for the truth-value of one's own research, in order to enable it to be neutrally applicable and judged on an external level. (Erlandson et al., 1993, 28–29)

Out of many several criteria for the evaluation of qualitative and quantitative researches being used nowadays, the author of this thesis will apply the concepts of reliability and validity, which have traditionally been utilized to assess quantitative researches.

According to Eriksson and Kovalainen (2008,292), reliability is one the classic evaluation criteria telling the “extent to which a measure, procedure or instrument yields the same result on repeated trials”. This means that the question of reliability always is related to consistency in research, in order to enable other researcher to replicate the study and come up with comparable results. (Eriksson &Kovalainen, 2008,292)

Validity is another classic evaluation criterion, which refers to “the extend to which conclusions drawn in research, give an accurate description or explanation of what happened” (Eriksson &Kovalainen, 2008,292). This means that one saying that research findings are valid is equivalent of saying its “true” or “certain”. True in this matter, means that the findings accurately represent “the phenomenon referred to and that the findings are backed up by evidence. (Eriksson &Kovalainen, 2008,292)

What comes to the reliability and validity of this thesis, there are a couple of preconditions and unusual matters of circumstance, which should be taken into

consideration. As the author was not only assigned to write this thesis, but also is participating in the organization and execution of this project as an employee to the company beyond the finishing of his studies, he was and is very strongly integrated in the development of this project and the execution of its phases. Since at the same time and during the writing of the thesis, the companies operation on the Finnish markets, as the whole organization of the company, underwent some significant changes, circumstances and purpose of this project and thesis had to be changed and adapted to quite a couple of times. Due to this unusual amount of challenges, which had to be reacted on and the authors high influence on defining these changes, the development of the whole project has to be defined as rather individual related.

Another person, given the same independence of change for the whole project, could surely have developed this project into a, to some extend, deviating direction and therefore come to other conclusions. Meaning that the reliability cannot be given to 100%. If cutting the project down to its final and latest agreed approach without giving the person any influences on changing the approach on the other hand, I think any other person would have come to similar conclusions. Therefore the reliability of this thesis is not quite definable. It changes from reliable to not reliable, depending on whether other writers would have had to come up with as many adoptions and changes or been asked to carry out the thesis strictly on base of the latest alignment.

The validity of this thesis should be rated as given. Even though this process was very practice orientated and had to be adapted to the mentioned changes, therefore cutting down the scope of studies and available time, the findings are true and certain.

4. EVALUATION

At this point of the process, the market research and partnering screening is not conclusively finalized yet and therefore the actual selection of a potential cooperation partner for the German markets remains to be evaluated and negotiated on site. It is not the purpose of this thesis evaluation to go into details of the potential partner-candidate's attributes or backgrounds, but instead to focus on general issues of importance for Anders Inno, when potentially approaching a partnership for the German markets.

As Anders Inno targets an approach to enter the German markets with their product next year, the implementation of this step has to be carefully planned in beforehand. Given the excellent initial situation of having a ready developed and fully operative product, which meets highest standards, providing all market typical up-to date features, and has already been established on the Finnish market, Anders Inno sees itself fulfilling a great part of the necessary requirements to dare trying this approach.

4.1 Why partnering?

Besides all the existing arguments for having a highly competitive product, capable of outperforming many of the competitors, Anders Inno, as a foreign company, however, is naturally limited in its choices of entering the market. Given the present situation in the IT-branch and the comparatively young company history, Anders Inno simply does not have the resources for risking a solo attempt at this point. In case Anders Inno wants to approach the German markets, they will have to find a partner, who is ready to commit to their product and situation. Since the product, presuming it shall provide the same services as in the Finnish version, contains

attributes and functions, which go rather deep in the billing and financing services, the potential partner furthermore and ideally would have to have some background in this branch, in order to unburden the potential challenges occurring by the differences between Finland and Germany in these fields.

As the market research has so far shown, German markets are further heavily maturing and very competitive. The biggest obstacles for Saas (Software as a Service) solutions traditionally seem to be conservatism, privacy and security, especially when touching the financial accounting sector. Approaching the markets with a partner would therefore not only cut down barriers in these matters, but could due to the provided market insight also help Anders Inno cover the value chain of their clients needs. Furthermore the preliminary results of the market research have clearly shown a strong need of investment in the regulatory environment when operating on the German markets. Anders Inno would, for instance, have to get the product approved by the local quality standards and attain all necessary certificates, in which the partnering module would clearly be of advantage.

As discussed in the theoretical part of this thesis, it will further be absolutely crucial for Anders Inno to pay efforts in finding a long-term collaboration partner, in order to build up an as sustainable and mutually beneficial partnership as possible. Whether the sustainable competitive advantage is going to be based on a competitive-price strategy or highly industry-specialized market niche product/s, Anders Inno will be strongly dependent on its partner's expertise and willingness to commit. Only when being successful in building up a partnering relationship, sharing mutual trust, commitment and visions, Anders Inno will be able to enter the markets reaching its goals.

4.2 Local partner vs. Finnish partner

Considering the fact that, at this point, the market research analyses have not been carried out to its final degree and therefore not all information relating potential partnering firms being completed yet, there are two possible scenarios of proceeding to the German markets. The first and originally set scenario would be to find a partner, who is already present at the German markets, knowing its dynamics, needs and desires and consequently could provide already gained knowledge regarding modifications which would have to be done on part of Anders Inno. Aside of the technical knowhow and experiences on the market, the local partner scenario would also provide Anders Inno with the advantage of already having a certain customer base and image recognition on the markets, as well as most likely benefits what comes to trust building issues. Especially the trust building process might be significantly easier to handle when having a local company on board, since data administration has been a very critical matter in Germany over the last decades.

The other scenario would be to approach the German markets together with Pappila Penkkala Co & Oy, copying the course of actions attempted together on the Finnish markets. Having an already familiar partner on the side would have the advantage that the partner is already familiar with and convinced by the product and cut down many of the risks, which can appear when going into a new partnership. Anders Inno would already know the organization, its structures, long-term goals and personnel on the managerial level and could furthermore use this shared project to intensify its mutual commitment on the Finnish market as well.

4.3 Criteria for establishing relationship

Regardless of whether the final market research results will convince Anders Inno to go with a local partner or Pappila Penkkala Co & Oy, there are some general implementations to be taken care of and into consideration in any case. Apart from the mentioned importance of establishing as efficient and effective top-executive-level relationships as possible between the participating organizations, it will not only be absolutely crucial to identify problems that might occur during the projects but to build a project team, capable of responding quickly to potentially upcoming critical issues.

In this matter there are four questions Anders Inno should ask itself. First of all it is important to analyze how well Anders Inno knows its partner before going into a partnerships. The more one is familiar with the work ethics, long-term planning and style of the potential partnering firm, the easier it will be to decide whether it is a suitable cooperation partner to complement each others expertise and build up high levels of commitment and trust. Secondly Anders Inno should be very clear about the roles to be fulfilled. Most ideally Anders Inno and its partner should bring different assets and areas of expertise to the table, as a combination of which the service model will provide a wider array of advantages to the customer. Generally it's simply more important to find a partner who is skilled where one-self is weak than settling on partners with the same background. Thirdly it is naturally important to be clear about each partner's financial rates. Even when having the most complementary assets and a clear understanding of how to bring a project to mutually set targets, it can be a great hurdle to find an agreement on how much each party is capable and willing to bring up for the project or partnership. Despite the risks of one partner, for some reasons, simply not being able to commit as much as needed or agreed, disagreements about the financial commitment can come up very surprisingly and put whole

projects at danger. Finally, it is absolutely necessary to be clear about each other's business visions. In addition to having sound financial backgrounds and making long-term financial commitments, it is important to share like-minded business goals. Not only do they assure and renew each party's motivation and readiness for commitment, but can help to avoid and overcome disagreements regarding financial decisions and reduce the temptations of breaking loose and repositioning.

Moreover the market research at this point indicates that the product would act as one solution among others, which increases the need to adjust the software to a certain customer segment. Since credibility seems to be a very important issue even for smaller local players, the picking of an own specialization area and stressing of the benefits of the products accordingly, might lead to added value of the business solution.

4.4 Recommendation

Approaching new markets likely seems to be a great chance to advance in ones operations, gaining additional experiences and know-how and opening new sources of income and market knowledge – especially when having a ready developed product. Since Anders Inno, however, in any case will have to approach the markets in form of a partnership, due to lacks of experience on the target market and financial and human resources, the approach should be made highly dependent on available partnering potentials and their chances of success. Whether the most promising partnering candidate will turn out to be a local company or its Finnish partnering firm, the market entry process would have to be critically assessed and agreed on and should only be carried out when having a mutual battle plan and agreement of shared responsibilities and commitment. Given the fact that an approach, no matter in which form, will demand high efforts and investments there is no sense in attempting it for the sake of trying. Particularly when considering the present market situation and

economy, as well as Anders Inno's comparatively young history, the option of postponing a possible attempt to a later state should not be discarded. In addition to the risks of destroying capital, partnering opportunities and image, a failed approach at this point may further lead to serious disadvantages regarding potentially upcoming marketing approaches in the future.

In case Anders Inno decides to attempt its approach despite the risk involved, the author of this thesis would, at this point of the market researching process, recommend putting high efforts in finding a local partner. Attempting the approach together with its Finnish cooperation partner, and without any involvement of local participants, may bring the advantage of having a ready developed partnering relationship and therefore a shared base of trust, as well as mutual understanding of the product and its potential. However, the author is convinced that advantages, brought by having a local company on board, are absolutely crucial to increase the chances of success in this case. In addition to the experience on the markets, a potential pool of existing customers and image recognition, the main reasons for taking a local partner, in the opinion of the author, are particularly substantiated in the mentioned precautions of Germans related to the field of data processing. Given the fact, that there have been a lot of problems made public in Germany, which were related to data processing failures and the loss of confidential information in the past, the public opinion in Germany towards outsourced data handling would have to be described as very negative. Especially in the SME-sector, which represents the potential target group, it has to be doubted that decision makers in this matter would entrust their data to a foreign company rather than to a locally known. Especially in such a crowded market, being rich on alternatives.

Furthermore Anders Inno will have to design a clear business plan and ensure that financial resources are available. Bringing operations to a foreign market is always an enduring process, requiring efforts and resources and difficult in judging the extent of

success in advance. In order to increase the probability of success, Anders Inno will need sufficient capital injections and clear calculations regarding the volume needed for the internationalization process. In practice this means that, Anders Inno will need to create a clear and binding business case for its international operations, its partners and the customers. On top of this Anders Inno and its partner must be clear about the extent to which they plan to finance the launch of Anders Manager. This would most ideally embody budgets for fairs, entry promotion and external partner support.

When assessing potential partnering candidates, Anders Inno additionally should not discard the option of partnering up with competitors, since this could also be a promising opportunity to ensure Saas and Internet based invoicing getting a foothold on the markets. One out of many possibilities in this matter could for instance be the modification of Anders Innos solution for industry specific partners in form of private labels. Regardless of the final partnering model Anders Inno might choose and relating to the results of the market research, Anders Inno might further want to consider finding a suitable location in Germany to exclusively focus on and start the entry from instead of going for the whole country. Research has shown that financial accounting solutions are such a trust critical business sector, that small companies such as Anders Inno might be noticeably better off with focusing their activities on certain regions and building up a familiar name for themselves in those regions as a long-term trust-gaining tool.

Finally, it also has to be clear to Anders Inno that they will have to restructure their decision-making processes in order to allow efficient processing on an international level. International operation will call for investments into own operations (local presence) and into partnerships (indirect investments). These investments, as the whole internationalization process itself, will carry clear risks as the developments of partnerships are never calculable and markets are clearly maturing.

In conclusion the author does see chances for Anders Inno in approaching the German markets, presuming the process is seriously planned and the necessary steps professionally implemented. As discussed, this kind of extension always is a wide-ranging decision, which comes with considerable risks and has to be carefully assessed and organized. When deciding to approach this kind of step, one therefore must have serious ambitions and can in no case attempt this step with a “try and error” attitude. In case Anders Inno does decide to try this attempt, they will have to be ready for comprehensive investments and prepared for potentially tedious struggles on a distinctly tougher market than in Finland. A key-role in their efforts and chances for success will be carried out by the potential partner company for their operations on the German markets. Although the evaluation of these potential companies cannot rationally be carried out before the market research is finished and completely evaluated, the author strongly recommends staying with a local company as a potential partner. Giving the fact of a very maturing and crowded market and the traditional sensitivity with financial accounting solutions in Germany, the advantages of having a local partner with a name, insight to markets and experience with customer needs is not to be underestimated. As widely discussed in this thesis, Anders Inno should moreover put high efforts in developing a highly-trust based partnering relationship with mutual interests and commitment in order to win itself a reliable long term partner for the German markets. What comes to the entering strategy, it, at this point, seems to be the most reasonable attempt to focus on a regional market entry instead of a national wide. But this is just a contemporary assessment and might, as well as the marketing strategy right up to the business plan, change when stepping into negotiations with the actual partner.

5. SUMMARY AND CONCLUSION

This thesis was based on the applied thesis model. The purpose of this thesis was to discuss partnering as a strategy to approaching new markets, on part of the Anders Inno case and with a focus on the importance of commitment and trust in partnerships. This was achieved quite successfully.

In the first part of this thesis, the author described the case background and the starting situation at the time the author was assigned. The first chapter is divided into four subchapters, in which the author amplified the general situation in which the company found itself back in the beginning of the project, gives a short picture of the hosting company itself and describes the product, which was the actual originator of this project, as well as a short profile of the companies which assisted the author during this project in terms of the market research. The main points in these four subchapters being that after launching the new business solution “Anders Manager” together with their partner company in Finland, software company Anders Inno considered studying the option of approaching Anders Manager to the German markets. They assigned the author to study this option and hired two consulting companies in assistance to this. One of the consulting companies (Finpro) exclusively being hired with work on the market research, while the other consulting company (Bocon Consulting) was additionally hired in regard of potential services later in the project.

The second part of this thesis was the actual research process, which was divided again into four subchapters as follows: *strategic partnering*, *advantages and disadvantages of partnering*, *commitment in partnerships* and *relationship between trust and commitment in relationships*.

The strategic partnering subchapter contained discussions regarding partnering in general, primarily describing strategic partnering as a formal alliance between two or more parties in an intersection of common goals trying to create, maintain or improve a competitive advantage. Furthermore, the first subchapter highlights that partnerships always share a pool of key elements, which can be identified as trust, long-term commitment and shared visions and extended further by the attributes as there are: a win-win attitude, problem solving, freedom of speech as well as equity and a policy of shared risks. The second subchapter discussed the advantages and disadvantages of partnering with the core advantages being the capability of raising capital quickly, allowing multiple persons and parties to combine resources, experience and expertise, as well as shared risks and a wider pool of contacts. The main disadvantages mentioned are the requirement of flexibility, the risk of changing expectations and objectives leading into unfortunate split ups. Furthermore it is stated that partnerships always contain the potential of disagreements regarding the profit sharing and investment issues. The third subchapter was named “commitment in partnerships” mainly stating that relevant partners in business need to have a high degree of commitment in order to achieve success in their relationships. Further it is said that commitment is considered to be “the most advanced phase of partner’s interdependence” and that there are two crucial views by which organizational commitment has to be distinguished. Affective commitment thereby standing for a sort of affective state of mind and calculative commitment, being based on a constant weighing of benefits vs. costs of a partnership. The last subchapter of the second part of the thesis discussed the relationship between trust and commitment in relationships, stating that good partnership always depend on a high level of mutual commitment and trust between each other. Thereby trust is defined as a firm’s belief in the integrity of its partners, while commitment is defined as the expression of ones readiness and will to keep up high investments of mental efforts. The core statement of this subchapter is that commitment is always based on trust, which hence represents the most decisive factor fostering commitment among partners.

The third part of this thesis was the evaluation and also divided into four subchapters, being: *why partnering, local partner vs. Finnish partner, Criteria for establishing relationships* and *the recommendation*. The core findings in the first subchapter “why partnering” are summarized by stating that despite their highly competitive product, Anders Inno does not have the resources risking a solo attempt in approaching the German markets and therefore simply has to find a partner who is ready to commit to them, their product and their situation. From what is known so far, German markets are further heavily maturing and very competitive. Therefore the biggest hurdles of Saas (Software as a Solution) products are conservatism, privacy and security. The second subchapter of the evaluation part discusses the advantages and disadvantages of picking a local or the already familiar Finnish partner for the operations in Germany. Advantages of going with the Finnish partner, such as for example the familiarity between the companies and the believe of Pappila and Penkkala in the product, hereby stand against advantages such as the already established market presence, insight on the customer needs and already existing customer bases. In subchapter three, “Criteria for establishing relationships,” there are four important questions at discussion, which should be taken into consideration by Anders Inno, regardless of whom they will finally pick as a partner. The first question is how well Anders Inno knows its partner before going into a partnership. This is important for assessing whether the candidate is a suitable cooperation partner or not. The second question discussed in that chapter is how clear the participants are concerning the roles, which are to be fulfilled. Ideally both partners of a partnering relationship bring different assets to the boundary, in order to provide wider arrays of advantages to the customer. Question number three in the chapter naturally is in how far the partners are clear about each other finance rates. This should always be sorted out, in order to avoid unpleasant surprises in a late state of the partnership. Last but not least the chapter covers the question about the mutual understanding of each parties business visions. An alliance or partnership will never be successful with each party drifting

into another direction than the other. Subsequently the subchapter remains pointing out the importance of finding oneself a niche market or field of specialization, due to the packed markets.

The fourth and last chapter of the thesis evaluation is the “recommendation”. In the recommendation the author goes once more through the most essential points of this thesis evaluation, building up a recommendation for Anders Inno Oy regarding their potential future market approach to Germany. Key points of that recommendation are that Anders Inno should only attempt an approach in a partnership, due to the lack of experience and resources. Especially when considering the present market situation, as well as the young company history, the option of postponing an attempt to later should not be discarded. In case of an attempt, the author strongly recommends to go with a German partner, due to the advantages of a local partner on board. Furthermore the recommendation states that Anders Inno would have to design a clear business plan to ensure the availability of financial resources. Clear and binding business cases should be created for international operations, partners and customers in order to avoid disarray at later states. Further the planning of financial resources should include budgets for fairs and entry promotion in order to allow an adequate launching of the product. What comes to market entering Anders Inno should consider focusing on regional geolocations, which could be fully focused on instead of going for the whole country. Moreover the recommendation states that Anders Inno will have to restructure their decision-making processes, when operating internationally.

Based on the studies of this research the author recommended Anders Inno to be very thoughtful and careful with their decision of whether to dare the approach or not. In case of daring an approach too early, Anders Inno would most likely spoil future opportunities. In case that the final analyses of the market research show reason to approach the German market, the author would decidedly recommend to stick with a

local partner. Considering the maturing and competitive market as well as the sensitivity in the product sector, the advantages of having a local company on the side are not to be underestimated. Furthermore the author remains reminding to put high efforts in highly-trust based partnering relationships, presuming Anders Inno is looking for a long term partner.

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