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INTERNATIONALISATION PROCESS OF A FINNISH INFRASTRUCTURE CORPORATION

Case study: Andament Group Ltd. goes to Sweden
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Bachelor's thesis
Autumn 2016
Degree in International Business
Oulu University of Applied Sciences
ABSTRACT

Oulu University of Applied Sciences
Degree Programme in International Business, DIB3SN

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Title of Bachelor’s thesis: Internationalisation process of a Finnish infrastructure corporation – Case study: Andament Group Ltd. goes to Sweden
Supervisor: Ismo Koponen
Term and year of completion: Autumn 2016
Number of pages: 43 + 2 appendices

This thesis was constructed to provide more information about different internationalisation processes for the benefit of the commissioning company. The main objective of this thesis was to study the concept of internationalisation, compare it with the commissioner's current international venture and study the differences between the theory and practice. The commissioner of the thesis operates mainly in Finnish domestic infrastructure market; therefore, the research was designed according to the commissioner's industry. The link between the commissioner and me has been established through the two summers that I have worked in the company, including my work place practice period.

The theoretical part of the thesis focused on the reasons why companies want to venture into new international markets as well as how they can achieve the desired growth. The theoretical part of the thesis is based on both literary and digital sources. For the empirical part of this thesis, I conducted a case study from my commissioner's venture into the Swedish infrastructure markets, using qualitative research methods. On the basis of these studies I constructed a roadmap for internationalisation process, which aims to aid the commissioner’s current and future operations.

The main results that I extracted from this study was that in order to be successful in international ventures, a company must have an excellent contact person or persons that are familiar with the target market. The theory and practice does have significant amount of similarities, but I felt that the role of key personnel is undervalued in the internationalisation theories. For further measurements I think that it would be the natural option to continue the research about entering the markets, specifically how to stabilise operations in a new location, as well as how to achieve significant growth in the new markets.

Keywords: Internationalisation, Growth, Market entry modes, Infrastructure sector
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1 INTRODUCTION

The modern trend of globalisation started after World War II, but has accelerated rapidly after mid-1980s. Since then, the world economy has faced two major changes that have been the driving forces of globalisation. The first factor is rapid advances in technology, which has lowered the costs of transportation, communication, and computation. These issues have moulded the business environment in a way that companies can operate economically feasible in different countries. Another factor is the increasing liberalization of trade and capital markets. Governments no longer try to protect their economies from foreign competition through import tariffs and nontariff barriers. Also after World War II, a number of international institutions have been established to promote and secure free trade globally, such as World Bank, International Monetary Fund, IMF, and World Trade Organisation, WTO (Soubbotina 2004, 84.)

Maybe the best example of countries convergence is the internal markets created inside the continent of Europe. The European Union has been able to create arguably a successful internal market, between its 28 member countries. This single market is based on following four cornerstones: free movement of people, goods, service and capital (European Union 2015, cited 3.2.2016). This reduction of trade barriers has helped companies, especially small and medium-sized, SME, to establish their business in new countries within the European Union (European Commission 2016, cited 22.2.2016).

This thesis focuses on the concept of internationalisation and how companies can establish themselves in international markets. The study is especially targeted for companies that operates in the infrastructural field, because the thesis’ commissioner; Andament Group Ltd., mainly operates in that sector.

The effects of globalisation has resulted a swift change in engineering and construction industry as well. As stated earlier, the decline of global trade barriers has increased business opportunities exponentially in the international engineering and construction markets (Construction Executive 2014, cited 19.1.2016.) However as we know the coin always has two sides. Globalisation has also increased the complexity of the E&C business environment. The threat of new international entrants, changing customer demands and new funding mechanisms are driving domestic companies to diversify their operations and seek mergers and acquisitions from new international
markets. By doing so, companies can gain access to new expertise and project opportunities, which will then possibly help them to compete in the current dynamic and interconnected business environment (Construction Executive 2014, cited 19.1.2016.)

As stated earlier, these developments within the European Union markets have made internationalisation a more viable option for Finnish companies (Suomen yrittäjät 2014, cited 5.3.2016). My thesis is aimed to aid my commissioning company Andament Group’s possible future operations in the international markets. And also to study and review the Group’s current ongoing operation that is taking place in Northern Sweden.

1.1 The commissioner

The commissioning company for my thesis is: Andament Group Ltd., which is a Finnish family owned corporation that operates primarily in the infrastructure sector. The company was founded in 1994, by the Juola family in Kalajoki, where the company’s head office is still located. Within these last two decades, Andament Group has grown rapidly from a single earthworks company, into a corporation that comprises of a mother company and seven subsidiaries, who all operate in different sectors of infrastructure. The group’s structure is visible in a table below, with the explanations that show the area where each of the subsidiaries are specialized in.


The Group’s structure is planned in a way that all the subsidiaries represent different areas of the infrastructure field. Together these companies provide synergy benefits for each other, in their
individual operations. With this structure, the Group has been able to establish a strong presence in Finnish national markets.

In 2015 the Group decided to expand their operational range and seek growth from foreign markets. The international expansion was targeted primarily into Northern Sweden’s infrastructure markets. As it is visible in table 1, this venture was carried out by founding a subsidiary company called Skarta AB under the Group’s largest company Suomen Maastorakentajat Ltd. With this arrangement Andament Group established a presence in Kiruna, Sweden. This venture will be studied more carefully later in this thesis’ empirical part.

The connection between me and my thesis’ commissioner Andament Group Ltd., has been established through the two summers that I’ve been working there, including my workplace practice period. During the time that I worked there, I have participated in various tasks related to the Group’s internationalisation and gained a comprehensive perspective about the company’s operations. Therefore, I feel that my background knowledge from the commissioner and its processes helps me to do a thesis that is tailored for their needs.

### 1.2 Objective and research question

The objective of this thesis is to define and study the most important issues that companies need to take into account, when they seek growth from abroad. This thesis focuses on the concept of internationalisation and studies different paths that companies have when they consider entering new markets. This thesis is made for the purposes of a company that operates in the infrastructure sector, therefore some aspects of internationalisation are highlighted and some diminished on the basis of their usefulness for the commissioner.

The theoretical part of my thesis focuses on the following factors: firstly, what is internationalisation and why do companies seek growth from international markets. Also the different kind of options that companies have, when they consider entering into new international markets will be studied. This study is going to be focused on different paths for internationalisation as well as a study about market entry modes that my commissioner can use in their future ventures.

The empirical part of this thesis, will be accomplished with a case study about my commissioning company’s current international venture in Sweden. The purpose of this case study is to review an example case of internationalisation from infrastructure sector and see whether it has similarities
with the internationalisation theory or not. The final output of this thesis will be a roadmap about the internationalisation process that covers necessary phases that company managers should go through before they establish a venture abroad. This roadmap is aimed to help the commissioner in their current and possible future operations. The roadmap will be made on the basis of this thesis’ theoretical findings as well as extracted information from the case study.

1.3 Research methods

In this part of the thesis I will introduce the research methods that are going to be used in this thesis. As stated in the previous paragraph, the objective of this thesis is to study the concept of a company’s internationalisation and different options that companies have when they enter into a new market. The objective provides a frame for this thesis’ structure and reasons for the research methods used.

According to Hirsjärvi, Remes & Sajavaara (2013, 185) the following three aspects should be considered before choosing the research method for the study: What method is the rational choice, which method or methods are available for use and what practical aspects needs to be taken into a consideration. By obeying these rules, I decided to leave out the quantitative research methods out of this thesis, due to its impractical nature considering this research.

Quantitative research includes features that are simply impossible or no use to gather for this study. This conclusion can be made just by observing the characteristics of quantitative research, which includes for instance: making conclusions from the observable data on the basis of statistical analysis, or the possibility to gather material, which can be measured both quantitatively and numerically (Hirsjärvi et al. 2013, 140). Because my primary research was to study my commissioner’s current venture in Sweden, I chose to use qualitative research methods in this thesis. Characteristics of qualitative research include comprehensive data collection from natural and real situations (Hirsjärvi et al. 2013, 164).

According to Yin (2003, 1) Case studies are a preferred research strategy when questions like how or why are being posed, the investigator has little control over the events, and when the focus is on a contemporary phenomenon within some real-life context. As the thesis’ empirical part is to study an ongoing venture, these questions were found to be relevant for the thesis’ purposes, therefore the case study was chosen as a primary form of research.
The case study will be conducted by interviewing Andament Group’s chief executive officer and using direct observation to aid my research. Yin (2003, 86) states that by using these methods I can receive the most direct, realistic and insightful information possible. However, it needs to be mentioned that Yin also states that these methods can be possibly bias.

When it comes to reliability and validity of my research I do realise that my source of research data comes only from a very narrow and possibly biased audience. Therefore, the reliability depends heavily on my interviewee’s honesty and the accuracy of my observations. However since this thesis is aimed to benefit my commissioner, I do believe that the responses in the interviews are on point and this arrangement is workable. Due to these arrangements, the research outcomes may not be as useful for other companies as they are for my commissioner, but then again this study is aimed to primarily aid Andament Group’s operations.
2 REASONS TO VENTURE INTO INTERNATIONAL MARKET

This chapter of the thesis focuses on defining what is internationalisation, reasons behind companies desire to seek growth from international markets and different paths for companies to broaden their operational area. Also at the end of this chapter I will study the final triggers that eventually launch these ventures.

2.1 What is internationalisation?

There are multiple different viewpoints for internationalisation, depending on how the concept is reviewed. A general definition from online business dictionary (2016, cited 23.3.2016) defines internationalisation as a growing tendency of companies to operate across national boundaries. However as in so many other cases the definition can vary depending on the viewpoint of the matter. Maybe the most significant divider of the concept is to review it from two different levels; macro- and micro-level. Macro-level consists of broad concepts, such as: industry specific-, national- and global economies. Whereas Micro-level is more company or employee specific viewpoint, therefore it is used more commonly when companies’ internationalisation is reviewed (Vahvaselkä 2009, 17.)

Because the commissioner of this thesis is a company not an industry, I am going to focus on company specific review of internationalisation, which falls under the category of internationalisation at a micro-level. Hollensen (2007, 80) states that Internationalisation in a company occurs when it expands its production, research & development, selling and/or other business activities into international markets. Other definition for company’s internationalisation is from Vahvaselkä (2009, 17), who summarises internationalisation in a following short sentence: Company’s internationalisation is a comprehensive process of increasing involvement in international operations.

These definitions of the internationalisation concept, provides the frame for this thesis and explains vaguely what company internationalisation stands for. On the basis of these two definitions, one can grasp the range of different activities that are included in a company’s internationalisation. Basically when a company expands any of its operations from its domestic market, for instance manufacturing or selling it can be considered as being involved in international operations.
2.2 Motives for companies to venture across domestic borders

The basic principle of almost any company’s operation is to grow on a profitable basis and provide dividends for the owners. Because the Finnish domestic market is very limited, internationalisation is a natural part of any successful company’s growth process in Finland (yrittajat.fi 2014, cited 14.3.2016). However, even though usually the ultimate reason for companies to venture into international markets is to seek growth and make more money, it is rarely the only reason for companies to initiate their international operations. The decision to venture abroad is usually a result of mixture of factors (Hollensen 2007, 42.)

These factors can be considered as motives or stimuli for internationalisation, and they can be divided into two different categories on the basis of their nature: proactive and reactive (Hollensen 2007, 42). As it can be inferred from their names, proactive motives cover the activities that aim at identification and exploitation of new opportunities and taking action in advance against potential problems and threats. The total opposite of this is reactive motives, which are activities that focus on solving a problem after it occurs (BusinessDictionary 2016, cited 15.3.2016.) To put it simply, proactive motives are factors that usually comes inside the company, which pushes it to venture into international markets. Whereas reactive motives are usually external factors that forces or pulls a company to venture into international markets, because it has to and not necessarily because it wants to.

The table below shows the most common proactive and reactive motives that drive SME companies into internationalisation according to Hollensen (2007, 42c).

<table>
<thead>
<tr>
<th>Proactive motives</th>
<th>Reactive motives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit and growth goals</td>
<td>Competitive pressures</td>
</tr>
<tr>
<td>Managerial urge</td>
<td>Small and saturated domestic market</td>
</tr>
<tr>
<td>Technology competence</td>
<td>Overproduction</td>
</tr>
<tr>
<td>Foreign market opportunities</td>
<td>Unsolicited foreign orders</td>
</tr>
<tr>
<td>Economies of Scale</td>
<td>Extend sales of seasonal products</td>
</tr>
<tr>
<td>Tax Benefits</td>
<td>Proximity to international customers</td>
</tr>
</tbody>
</table>
TABLE 2 Fundamental motives for a company internationalisation

The proactive motives are initiated by the company’s management, because growing internationally seems to be the next rational step for the company. Market research plays a vital role in these scenarios, especially when the company is engaging in international business for the first time. It is important that the gap between perception and reality is not too wide, because then the company would operate on the basis of false information. However even the best preparation cannot prepare the companies for unexpected events that may shift the perception and reality substantially. These influences can be for instance dramatic currency variations, disturbance in international politics or variation in markets. This required multilevel preparation and instability in operations is why operating in international environment is not as simple and easy as operating in domestic markets (Czinkota 2012, cited 22.3.2014.)

Reactive motivations in a company’s internationalisation is usually more troubling for the company’s managers, because usually they need to respond to environmental variation and external pressures (Czinkota 2012, cited 22.3.2014.) If company managers are forced to practice so called reactive management, they are basically in a situation where they cannot plan ahead for problems or opportunities. This is because they need to react and adjust to those situations as they happen. Therefore, the executives are usually at least one step behind their competitors, making the situation undesirable (Mindtools 2016, cited 23.3.2016.)

More often companies that internationalise through proactive motives tend to be more successful in their international operations, than companies who have reactive motives in their international venture. This makes sense, because the companies who have proactive motives for their international operations, have actually decided to go abroad, therefore being able to prepare their operations better than companies who go abroad because of some external factors drives them into it (Czinkota 2012, cited 21.3.2014.)

2.3 Different paths for internationalisation

Vahvaselkä (2009, 31) states that there are three different paths for companies to seek growth from international markets. These three paths differ from each other in ways of timing, number of internationalisation phases, need of cooperation and networking. These paths are visible below in the Figure 1.
2.3.1 Organic growth

A simple definition for organic growth is the company’s achieved growth rate through increased output and enhanced sales. Basically it represents the true growth for the company’s core operations, therefore excluding any profits or growth that the company might have achieved through company takeovers, acquisitions or mergers (Investopedia 2016, cited 22.3.2016.)

Internationalisation through organic growth is a traditional way for companies to slowly but steadily establish themselves in foreign markets. The actual growth and internationalisation is usually achieved with minimum risk and relatively small investments. Usually these ventures are funded by the company’s internal financing, without making any business mergers or cooperation with another companies (Vahvaselkä 2009, 32.)

Transferring the company’s know-how to new markets and learning from the experiences categorises this form of growth. Because the growth is achieved with small investments and minimum risk, this method is usually relatively slow way for companies to achieve significant market shares. This strategy is usually targeted to niche-segments, which means slow growth and low level of return. However if the strategy is well planned, it is very convenient path for SME companies to achieve international presence (Vahvaselkä 2009, 32.)
2.3.2 Cooperative growth

Growing through cooperation happens, when a company speeds up its growth and internationalisation process by doing cooperation with another business or businesses. The cooperation usually happens, because the parties can achieve the international growth faster together, with reduced costs and risks. Usually the parties complement each other by having a certain resource that the other member might be lacking (Vahvaselkä 2009, 33.)

Because of the nature of cooperative growth, it is an intermediary strategy of internationalisation between organic growth and born global. It is faster and in some cases more efficient way for companies to achieve international growth than organic growth. This is because the members of the cooperation each have their strong sides, which complements the cooperation. For instance, the other company may have crucial knowledge about the target market, but lacks the general competence to utilise this knowledge. In order to fix that problem the company seeks out for a partner or partners that have the general competence, but lacks the market knowledge. Together these parties form a unit that can chase international growth better and more successfully, than they would separately (Vahvaselkä 2009, 33.)

2.3.3 Born global

Born global –companies are mainly SMEs who begin their international operations simultaneously with domestic operations. Their vision and mission are targeted globally from the very birth of the company; therefore, their whole operation is planned to work in global surroundings straight from the beginning (Vahvaselkä 2009, 33-34.) Finnish mobile gaming companies are great examples of companies that are usually considered to be born global. These companies immediately target to the global markets, simply because the Finnish domestic market is so small that the companies need to target global markets in order to gain any real growth or profits (Pocketgamer.biz 2014, cited 22.3.2016.)

Born global companies are usually small units that are comprised by just the owners and a few hired employees, however the level of competence is usually extremely high in these companies. The products represent usually high technology or design that are difficult to copy by other companies. Usually the products are targeted to niche-markets but still in a global scale, therefore making the market area vast for small companies. Vital factors for born global companies are
comprehensive international networks, functional distribution channels and a globally known brand (Vahvaselkä 2009, 34.)

2.3.4 Knowledge Intensive Business Service

Another viewpoint for internationalisation paths is provided by Finnish experts; Toivonen et al. (2009), who studied the different options for internationalisation of service companies. The focus area comprises of so called KIBS-companies. KIBS is an acronym for knowledge intensive business services.

These KIBS-companies represent businesses and services that rely heavily on professional knowledge. They usually provide knowledge-intensive support for the processes of other organisations processes (Helsinkibusinesshub 2016, cited 30.3.2016.) Even though these “consultant” businesses do not directly represent Andament Group or its subsidiaries core business, the study still provides a different viewpoint for companies’ internationalisation process and more in-depth vision on the internationalisation paths.

The study states the following three paths that KIBS companies usually go through, while they establish themselves in international markets (Toivonen et al. 2009, cited 14.3.2016).

These paths are quite similar than the ones that I mentioned earlier; for instance, born global is exactly the same. I included this table from the study because it summarises the characteristics of these three paths and provides good examples from cooperative growth and organic growth. The direction of the arrows in the table shows where the internationalisation idea comes to the company.
TABLE 3 Three different paths for KIBS-companies to go abroad

The tables’ first box represents international growth that can be viewed as a form of cooperative growth. Even though in this case the customer is pulling a service provider into international markets, this can also happen in the infrastructure sector as well. As an example one of the Andament Group’s subsidiary has been pulled in to international markets through a customer. A Swedish infrastructure company ordered an asphalt heating carriage from Weldone Ltd. therefore “pulling” the company into an international market (Weldone 2016, cited 30.3.2016.)

The second box in the table showcases a gradual internationalisation, which is basically the same thing as organic growth. The three phases show the common growth path of companies in almost every industry. The example summarises perfectly how company’s organic growth can eventually lead from moderate domestic market expansion, into operations in international surroundings.

These internationalisation paths represents different ways for companies to grow into new markets. Organic growth and cooperative growth can be considered to be the most suitable options for companies that operate in the infrastructure sector. The choice between these paths depends on the company’s strategy for the new venture. Roughly speaking, if a company wants to achieve slow controlled growth with minimum risk it usually chooses organic or gradual growth. And on the
contrary if a company wants to achieve fast growth with less control and higher risk, it chooses cooperative or inorganic growth path.

2.4 The triggers for company’s internationalisation

It is widely accepted fact that around 70% of all change strategies within companies fail. The four most common reasons for failure are: lack of knowledge, lack of skill and practice, hidden conflicts working against change and culture working against change (Maurer, R. 2010, cited 18.3.2016.) Failure in strategy can also mean that it never goes into an implementation phase. This can happen if the strategy does not get triggered into the next phase.

Hollensen (2007, 49) states that in order for internationalisation to occur in a company, so called international triggers or change agents must arise from the mass. These triggers are someone or something who initiates the process and carries it through to implementation. These triggers may come from inside the company or outside the company, therefore they can be divided into internal and external triggers. The table below shows the most common triggers for internationalisation (Czinkota 2004, Cited 22.3.2016.)

<table>
<thead>
<tr>
<th>Internal triggers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Enlightened management</td>
</tr>
<tr>
<td>• New management</td>
</tr>
<tr>
<td>• Significant internal event</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External triggers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Market demand</td>
</tr>
<tr>
<td>• Competing firms</td>
</tr>
<tr>
<td>• Trade associations</td>
</tr>
<tr>
<td>• Outside experts</td>
</tr>
</tbody>
</table>

TABLE 4 Triggers for initiating internationalisation

2.4.1 Internal triggers

Internal triggers for internationalisation usually come from enlightened management who see the international market as prosperous and decide to pursue opportunities in international markets. Usually these export oriented managers have lived in foreign countries, or they are generally interested about foreign culture. The decision to venture into international markets, often leads to recruiting new experienced managers into the company, therefore making the internationalization
trigger a combination of all the three factors mentioned in the table above (Czinkota 2004, cited 22.3.2016.)

2.4.2 External triggers

As an external trigger, international market demand is a primary reason for companies to venture into foreign market. This is natural, because the internationalization process is often expensive and therefore companies like to have certain guarantees that their products/services are actually needed in the target market. For instance in the United States unsolicited orders from abroad have been found to initiate export operations in over 50% of all cases in SME companies (Czinkota 2004, cited 22.3.2016.)

External triggers can also arise from competing companies as well. If the executives in rival business thinks that a certain international market could be prosperous for them, why couldn’t it be prosperous for your own company as well (Hollensen 2007, 51.) In some cases, shared interest in foreign markets may lead to joint ventures, between the companies. These joint ventures can be either equity alliances; partners contribute resources to create a new company, or contractual alliances; partners collaborate without creating a new company. These ventures are popular, because the partners share costs and risks, and in a well-planned alliance, the members provide a broader vision and knowledge for the shared venture (Bamford et al. 2004, cited 22.3.2016.)

In Finland the government is also one major external trigger for Finnish companies’ internationalization operations. The form of governmental support can vary depending on the situation. One example of this is the Finnish governments’ Team Finland network that was established in the early 2000s. Its purpose is to Promote Finland and boost the Finnish companies’ export operations. The network consists of multiple different publicly funded institutions, for instance: Finpro, Tekes, Finnvera etc., who all have their specific fields of operation. Team Finland brings together these various state-funded actors and services (Team Finland 2016 cited 22.3.2016.) There are also numerous different regional organisations in Finland that promote Finnish companies and helps them in international operations, for instance Business Oulu in the Oulu region.

Just to name one example of how these institutions support Finnish export businesses is the so called export credits that the government hands out through one of its institution Finnvera. For instance in the year 2015, Finnish government was prepared to give out a total amount of 7 billion
euros, export credits for exporting companies. This year the amount is proposed to be increased into 13 billion euros (Luukkonen 2016, cited 22.3.2016.) These governmental institutes have been established to provide external triggers for Finnish companies’ international operations. Probably the best example about the effectiveness of this system is the Finnish shipbuilding industry, which could not operate without the loan guarantees that the governmental institute Finnvera offers them (Pantzar 2016, cited 28.3.2016.)

Hollensen mentions in his book (2007, 50) an interesting Finnish study that was published in 2002. This study was targeted for Finnish SME’s and it states the three most important triggers for international operations for Finnish companies. These triggers are: management’s interest in internationalization, foreign enquiries about the company’s products/services and inadequate demand in the home markets. Even though this study is quite old it still reflects many Finnish companies’ attitudes towards internationalization. Despite the fact that their home market is small and in many cases the growth potential is non-existent, they still need foreign enquiries, before considering to enter into international markets.
In this chapter of the thesis, I am going to discuss different market entry modes that companies who operate in the infrastructure sector can use, when they venture into foreign markets. Firstly, I am going to define what market entry modes are, secondly find the place for market entry modes in companies' internationalisation process and finally take a closer look at some modes that are useful for my commissioning company.

As always in economics, there are multiple different definitions for this term as well. Hollensen (2007, 291) defines market entry modes as an institutional arrangement that is necessary in order for entry of a company's products, technology and human capital into a foreign country or market. Another interpretation for the term is that a market entry mode is a strategy which includes a company’s plans on how they are going to sell, deliver and distribute their products into a foreign country. If the company operates in a service sector the strategy defines different ways of obtaining contracts and delivering them in that specific country (Canadabusiness 2016, cited 23.3.2016).

Hollensen (2007, 292) describes market entry for most SMEs as a critical first step into new emerging markets. He also states that there is no ideal market entry strategy, different entry methods may be adopted by different companies that are entering the same market or the same company entering different markets. Meaning that every market entry is special and needs to be treated like that, hence suggesting that company managers should try to avoid using the same market entry mode, when they make their internationalisation strategies. For instance, the market entry method used in Sweden may not be the best method, when a company is entering into a Norwegian market.

The international expansion process comprises of two phases. Obviously before going so far as to choosing the entry mode, companies need to make decisions concerning the actual market that is going to be targeted. These so called first phase issues are situation and company specific, usually driven by assessment of long term growth and profit potential (Hill 2011, 470). Due to the case by case nature of these phases, I decided to focus the study on selection of entry modes for the markets.
The phases are shown in a figure below, where the first phase is coloured with dark grey and the second phase with blue colour (Hill 2011, 470).

![International expansion diagram](image)

**FIGURE 2** First steps in company’s internationalisation process

After the company has chosen which foreign market to enter, timing for the entry and the scale of the entry, their next phase is to come up with an operational strategy for the venture. This includes deciding the entry strategy for the markets, which is a key factor in the venture, because it refers to the way that the company takes its products or services in to the new markets. In other words, the operational strategy is a form of action, which the company uses when expanding their operations into international markets and the mode that they are using to bring their products or services to new international customers (Vahvaselkä 2009, 71.)

The companies should choose the most suitable entry mode for the target market, on the grounds of the following issues: how much resources the company is going to use, how intensively it is going to be present, how well can the company control the venture, how well can it make decisions and control its interests and the total level of targeted profits (Vahvaselkä 2009, 71.)

Companies should not forget that each separate international venture is a unique and should be treated as such. According to Hollensen (2007, 295), company managers have three rules that
should provide a framework when they tackle with the question: what kind of strategy should we use for our entry mode selection. These rules are called: naive, pragmatic and strategy.

Naive rule means that the company uses exactly the same entry mode in all of their ventures. This means that each market is considered to be similar, therefore the company does not have to adapt to new markets. The pragmatic rule means that the executives use a workable entry mode for each foreign market. Typically, the company starts with a low-risk entry mode and if it is feasible enough they will stick with the chosen mode. This however means that the chosen mode might not be the most effective one. Lastly, the strategy rule means that the executives evaluate and compare all of the entry modes, before they make any decisions. This means that the company executives choose the entry mode that will be the most profitable option for them (Hollensen 2007, 295-296.)

Obviously the strategy rule is the most preferable option for company executives. However usually companies may not have enough resources; time, knowledge, money etc. in order to prepare thoroughly for the international ventures. That is why many SME companies use pragmatic or naïve rule, when they come up with strategy for entry mode selection (Hollensen 2007, 295-296).

3.1 Different modes for international market entry

The different foreign market entry modes can be divided in three different categories by the nature of the modes. These three categories are: export entry modes, contractual entry modes and investment entry modes (Vahvaselkä 2009, 72-73.)

Hollensen (2007, 304) provides a different viewpoint for the three categories that market entry modes are divided into, even though the basic contents are the same. He divides the market entry modes as: export modes, intermediate; same as contractual, modes and hierarchical; same as investment, modes. He states that for the company’s point of view the export modes can be characterised as: low risk, low control and high flexibility. Whereas intermediate modes are somewhere between the other two, having split ownership, shared control and risk. And hierarchical modes as: high control, high risk and low flexibility.

The first category; export entry modes, is concentrated in modes that are used by companies that manufacture and sell a certain products. This however is not the core business of Andament Group,
therefore I am concentrating this thesis’ study on the latter two categories: contractual entry modes and investment entry modes.

3.2 Contractual entry modes

In general, contractual modes occur, when a company possesses some sort of competitive advantage, but for some reason cannot exploit it completely. Usually this happens because the company lacks funds or international knowledge. In these cases, the company is still able to transfer the advantage to another party and benefit from it as much as they can. These arrangements often involve long-term relationships between the partnering companies, and are typically designed to transfer intermediate goods, for instance skills and knowledge between the companies from different countries (Hollensen 2007, 330.)

Different forms of contractual market entry modes are licensing, franchising, subcontracting, project operations, and strategic alliances and partnerships (Vahvaselkä 2009, 75). Again because of my commissioning company: I am excluding licensing and franchising from further study and focusing on the entry modes that are closer to Andament Groups core competence, which are project operations, subcontracting and strategic alliances and partnerships.

3.2.1 Project operations

Project operations are very common among companies that are specialised in construction and engineering sectors. These projects are limited by time, location and content, therefore each project is a separate operation and usually managed by an assigned team. The nature of these projects varies, depending on their contents. They can be divided into partial projects, for instance: subcontracting, turnkey projects, turnkey plus projects and consortiums (Vahvaselkä 2009, 77.)

In partial projects a company is responsible to deliver only a portion of the needed products, services or expertise that is needed to complete the project. In projects this action can be also called subcontracting, because in both cases the subscriber orders a certain part of project or component that is needed to complete the whole commission. This happens usually when the subcontractor is able to produce the needed part of project or component, cheaper than the subscriber. Partial projects or subcontracting offers SMEs a good chance to venture into international markets in a controlled and safe environment, because they are not responsible for
the whole project, but still have a chance to show what they are capable of (Vahvaselkä 2009, 76-77.)

In turnkey projects, the contractor is responsible to carry out the whole project by themselves. After the project is finished, the contractor figuratively gives out the “key” for the finished product to the subscriber- hence the term “turnkey project” (Hill 2011, 477.) If the company delivers a turnkey plus project, they carry out the whole project by themselves plus provides certain extra services on the side, for instance market research or special training for the subscriber (Vahvaselkä 2009, 77.)

A consortium is a temporary coalition of multiple parties that are set to complete a project together. These consortiums can also be formed as a limited partnership, meaning that they have an additional financer. This sort of arrangement is used in large scale projects that are hard or impossible to carry out by a single company (Vahvaselkä 2009, 77.)

3.2.2 Strategic alliances, partnerships and joint ventures

Joint ventures and strategic alliances are formally separated by the fact that strategic alliances are typically non-equity cooperation, whereas joint ventures are either a contractual non-equity joint venture or equity joint venture (Hollensen 2007, 339).

“Strategic alliances” refers to agreements on a cooperative level between companies that are already competing or potentially would be competing for the same market share. These alliances are formed to pursue new markets with broader shoulders. The alliance can be related for instance to product development, joint procurements, production and sales functions. If multiple companies form an alliance together to promote their export operations, it is called an export ring (Vahvaselkä 2009, 77.)

When two or more business parties decide that they should pool their resources in order to accomplish a specific new project or some other business activity, they can arrange a so called Joint venture. As stated earlier there are two different types of joint ventures. In equity joint venture all participants pool their resources and share the responsibility for the ventures costs, profits and losses that are associated with it. Equity joint venture is closer to investment entry mode, since the venture is its own entity, therefore making it separate and apart from the other businesses that the participants may already have (Investopedia 2016, cited 28.3.2016.) Whereas in a contractual joint venture the parties form a partnership to share the investment costs, the risks and the long term
profits, but they do not form a separate joint enterprise. After the contract is finished, the venture expires and ends (Hollensen 2007, 339.)

Establishing a non-equity joint venture or a strategic alliance with a foreign company has been a popular way to gain access into new markets for a long time. If the venture consists of only two members, the typical distribution of ownership is 50-50. This means that both members are equally responsible for the venture's success or failure. However, in some cases, the other member may want to have a tighter control of the venture hence obtaining a majority of the shares (Hill 2011, 481.) This can happen if the other party is significantly larger than the other, or wants to invest more into the shared venture or alliance.

3.3 Investment entry modes

Investment entry modes or hierarchical entry modes occur when a company owns and controls completely its foreign entry, therefore highlighting the importance of where the control in the company lies (Hollensen 2007, 356). In practice, this form of action is more commonly known as foreign direct investment or FDI.

Foreign direct investments can be divided into three different categories on the basis of their nature. These categories consist of establishing a foreign subsidiary; also known as green-field investment, merging with or acquiring a foreign company; which can be brown-field investment and International joint ventures (Vahvaselkä 2009, 81). Equity joint venture was explained comprehensively in the previous paragraph, therefore I am excluding it from further research in this chapter and concentrating only on researching green- and brown-field investments.

3.3.1 Green-field investment

As it was briefly stated earlier, green-field investment is one form of foreign direct investment. Basically, it means that a parent company goes into a new market or country and starts its operations from scratch. This form of action is useful for companies who have clear vision and capacity to establish the kind of subsidiary that it wants, in the new foreign markets (Hill 2011, 487.)

By establishing the whole company from the very beginning the parent company has the ability to influence every part of the new operation. This includes every detail from the facilities to operational
habits and eventually the establishment of company culture. This is an extremely important advantage, if the company's operational methods are in key position in the value creation process. In these cases green-field investments are extremely good ways of venturing into new markets (Hill 2011, 487.)

A disadvantage of green-field investments is the fact that it is a relatively slow way of establishing a company abroad. Especially if the company is operating in a field where all sorts of certificates and other bureaucracy is needed before the company can begin to operate. Naturally it is also a risky way of establishing a new company in a new market, because the responsibility is carried alone by the mother company. Also as with any new venture, the uncertainty with future revenue and profit prospects plays a vital part, when the company managers are making the final decisions of market entry (Hill 2011, 488.)

If a company decides to venture into a new market via green-field investment, it can be certain that the new established company is formed in a way that they want. The ability to integrate operations across border, and to dictate the direction of future international expansion is often the decisive motivation behind green-field investment. By using this method, a company can potentially reduce unpleasant surprises that could come from brown-field investment, therefore shaping the venture into its own image and requirements (Hollensen 2007, 364.)

3.3.2 Merger or acquisition (Brown-field investment)

As another method of foreign direct investment, brown-field investment represents the opposite form of a company's entry into international market, compared to green-field investment. In short brown-field investment occurs when a company acquires an existing company from abroad and starts operating in a new market area (Hollensen 2007, 364).

Compared to green-field investment, growing internationally via acquisition enables the parent company to enter new markets quickly, therefore giving a jump start for the new venture. Acquisition also often provides intangible assets such as quality certificates, an existing customer base, existing management and in some cases established brand names or corporate reputations. The importance of these assets can vary depending on the case, but especially experienced management can provide an essential bridge between the parent company and the new market. This is extremely important for a company with limited international management expertise or familiarity with the new market (Hollensen 2007, 364.)
The brown-field investment is traditionally also considered to be less risky than green-field investments. This is because by acquiring an existing company, the parent company receives a set of assets that are producing a known revenue and profit stream. The received tangible and intangible assets can reduce the risk of mistakes that can be caused due to ignorance of the national culture (Hill 2011, 485-486.)

Despite the arguments for venturing abroad through company acquisition or merger, these investments often produce disappointing results. This happens due to several reasons. To name a few, management of the acquiring company is often too optimistic about the value that can be created through the acquisition. This raises the price of the target company and often leads to disappointing results (Hill 2011, 486.)

Another reason why the investment may fail is if there is a clash between the two company cultures that are involved. The cultural differences may create tension between the companies and their employees, which can lead to resignation of skilful workforce in both floor level and management. This may harm the venture greatly, because often when a company loses its key employees, it also loses irreplaceable quiet information from the company. The situation is bad for the mother company, because it has lost a big chunk of intangible assets that were gained through the acquisition. It can be that the resignation of key employees may mean that the whole acquisition has been made in vain (Hill 2011, 486-487.)

Brown-field investments can also run into difficulties if they fail to realise synergy benefits when integrating the operations of an acquired company with the acquiring entities. This can happen again due to differences in management philosophies and company cultures between the two parties. The radical differences in national cultures can also complicate the integration process, for instance haggling with bureaucracy (Hill 2011, 487.)

Making the choice between green-field and brown-field investments depends on the circumstances that confronts the parent company. In some cases, venturing into new international market requires the parent company to acquire an existing company just to get in to the market. In some other cases there may not be any preferable companies or competitors that could even be acquired. In this case the green-field investment is the only mode available. There is no set way of going into international markets. However if the company relies heavily on specific skills and organisational
culture that cannot be easily copied or transformed into the new company, green-field investment might be more suitable alternative in that case. And on the contrary brown-field investment can be the more viable option if the parent company knows exactly what it receives when making the acquisition (Hill 2011, 488.)

**Theoretical outcomes.** The theoretical part of this thesis focused on researching a company’s internationalisation as a concept and finding out the different theories on how companies can venture into international markets. The theoretical findings consist of different market entry theories as well as the different paths that companies can go to foreign markets.

I would say that the main findings that I had from this research was the versatility of internationalisation for businesses and the different features that it can bring to companies. For instance in some cases a company may need a team of people and multiple offices internationally, in order to achieve a position in the international markets, whereas a technological company, which consists of maybe five people, can run a global company from their homes by using only laptops. Obviously, in my commissioner’s case the first scenario is closer to their operations.

Another finding that I made was that by operating abroad, a company can gain extra benefits and incentives for their operations. If these incentives are something similar to export credits in Finland, I think it is okay, but in some cases these benefits can be in form of tax reduction or operational benefits, which can in worse cases even distort markets. It is no wonder that there can be global conglomerates if the largest companies can avoid taxes, for instance by acquiring new companies with their massive amounts of pre-taxed income. This means that in today’s interconnected markets, companies need to be effective at every level in order to perform well. This is obviously good for customers and a problem for some businesses.

I think that the theoretical research findings represented closely the practical life. Because of this the empirical part and the final output of this thesis are heavily influenced by these theoretical findings. However, I feel that these theoretical outcomes still undervalue the importance of having the right people in the right positions. I understand that it is difficult to include moving objects such as employees in these theories, but still I feel that these theories do not highlight enough the fact that in some cases, the whole internationalisation of a company can depend on just one key employee. Therefore, I was hoping to see more acknowledgements in that aspect as well.
4  EMPIRICAL RESEARCH: CASE STUDY – ANDAMENT GROUP FOUND SKARTA AB

4.1  Introduction to the case study

In the beginning of this chapter, I am going to write briefly about Andament Group’s current situation in international markets, as a background for this case study. After this, I am going to write the case study about the Group’s first foreign based subsidiary. I conducted this case study, by interviewing the chief executive officer of Andament Group Mr. Jari Palviainen and wrote the report based on his answers and my previous knowledge about this subject, which I have gained while working in the Andament Group. I had prepared a few questions for Mr. Palviainen, but mainly my interviews were open discussions with him.

In the year 2015, Andament Group decided to seek growth from new international markets, by founding a subsidiary company in Sweden. The Group had some previous experiences from operating abroad, but on a smaller scale. This time the group actually founded its own foreign company and established a presence in the Swedish infrastructure markets. The company that they founded is called Skarta AB, and it is a direct subsidiary for Maastorakentajat Oy. Just as its mother company, Skarta offers civil engineering services and its headquarters is located in Kiruna, Sweden. The company has been able to secure its first contract, which means that the company is now active player in the northern Sweden’s infrastructure markets.

The research outcomes from the theoretical part of my thesis gave me a basic structure for this case study. I divided the internationalisation process in to pre-operational phase, which included the motives, strategy and trigger for the initiation of Andament Group’s venture to Sweden, and the operational phase, which included starting the operations, adjustments to the new situation and current situation of the operation.
Andament Group’s motives to venture into international markets are similar to the ones that were discussed in the theoretical part of this thesis. As mentioned earlier in chapter 2, the decision to go abroad is a result of a mixture of factors. In this case, the factors were both proactive and reactive motives that eventually lead to initiation of the internationalisation process.

The main proactive motives that pulled Andament Group into internationalisation were obviously profit and growth goals, because almost every business venture is based on profit and growth goals. Another strong motivation for internationalisation was foreign market opportunities in northern Sweden, where a massive infrastructural operation in Kiruna, has opened the need and possibilities for new companies to enter the markets. Also by entering into foreign markets, the Group seeks out economies of scale and the security that comes when the operational area is diversified across national borders. International growth brings more depth and possibilities to the organisations operations.

The main reactive motives that pushed Andament Group into foreign markets were small, saturated and competitive domestic markets, also the current economical state of Finland makes the markets unstable and restricts and hinders potential growth opportunities within the country’s borders. The uncertainty of domestic markets was one of the driving forces behind the Group's urge to branch out to foreign markets. Due to the nature of the infrastructure business the most preferable international markets are Finland’s neighbouring countries. The current economical states of Sweden and Norway makes them the most preferable options for a Finnish Infrastructure Company, due to the nation’s wealth and the amount of investment in infrastructure sector.
4.3 Strategy for this operation

After acquiring Mr. Sidér as a contact person for this particular international venture, the Andament Group started to establish a strategy for the Swedish markets. The Group did not utilise any economic theories or analyses when they constructed their strategy. Also, they did not require any help from Finnish or international export institutions; such as Barents centre or Business Oulu, because they received more specific and accurate knowledge about the target market from their local contact person Mr. Sidér. However, Mr. Palviainen did state that if they would venture into new markets without any contact persons they would likely use some external help that the institutions or theories could offer.

Andament Group wanted to achieve the international growth organically by bringing their core competence to new markets, without acquiring any existing companies. The Group also decided to start their international operations by targeting only the Swedish civil engineering markets, even though the Group offers wider range of services in the Finnish infrastructure and construction sector. The main idea behind this strategy was to reduce risks in the new markets by concentrating the operation in one specific area. Also by establishing one solid company in the Swedish markets that can win contracts, they could eventually pull other subsidiaries of Andament Group into the same markets.

As another method of risk control, Mr. Palviainen highlighted the importance of having an exit strategy, when considering ventures like this. In this particular case, Andament Group had a ready-made exit strategy, which was contained in the shareholders’ agreement. The contents of the strategy is for instance that Skarta AB has certain dates marked as checkpoints for its first operational year. These checkpoints consisted a review of the company’s operations and possible actions to further the successfulness of the venture. The company gave itself a one year timespan to prove that it can operate successfully and secure its position in the markets, otherwise the venture would have been thought over and re-evaluated, before either continuing or shutting down the operations.

4.4 Trigger for initiating international operations

As stated earlier in chapter 2 in the thesis, the triggers for company’s internationalisation can come from inside the company as well as outside the company. The favourable economic situation in Sweden worked as a vital external trigger to initiate the internationalisation. However, the most
important triggers came within the organisation. Mr. Palviainen was hired as a chief executive officer for Andament Group in 2014. His previous knowledge from international operations in the infrastructure business was essential for the Group’s future operations. Another significant internal event happened, when Mikael Sidér was hired to run the operations in Sweden. Mr. Palviainen stated that the infrastructure markets in Sweden and Norway had been considered for a long time, but finding the right person and being able to hire Mr. Sidér, eventually sped up the process substantially and acted as a final trigger to initiate the internationalisation of Andament Group.

Therefore in this venture, the final trigger to initiate this specific internationalisation project was finding and hiring a capable contact person: Mikael Sidér, who is currently the chief executive officer of Skarta AB. Mr. Palviainen stated that in order to go abroad, a company needs to have qualified and trusted contact person, in the target market. In this case Mr. Sidér provided the required knowledge and capabilities that were needed to establish a subsidiary in Sweden.

On the administrative side, this venture was declared profitable by examining the rough business plan for the market that was made by Mr. Sidér and by evaluating different options for business operations. At first, there were other options for operational form, such as different forms of business cooperation. However, eventually the Group chose to found its own subsidiary, take a slow approach for the new market, reduce the amount of people involved, and target only small contracts at first. This strategy reduced the amount of risk for the venture and enabled Skarta AB to secure its position in the target market.

4.5 Starting the operations

The operational phase of Andament Group’s internationalisation process began when the Group purchased Mr. Sidér’s former company that was registered to Sweden. As I stated earlier the Group wanted to achieve the growth organically and without company acquisitions. Technically this was a business acquisition; however, Mr. Sidér’s previous company was a so called shell company, which means that it did not have any active operations at that moment. Therefore, the old company served only as a base for the new company that was going to be set up and the acquisition was only a formality. The reason why Andament Group decided to purchase Mr. Sidér’s former company was its intangible assets, which eased administrative factors and committed Mr. Sidér in the new venture. The administrative factors covered for instance the time saved from unnecessary bureaucracy, and also the new company received the old quality certificates, agreements with local actors and references from the old company.
The newly formed Skarta AB was attached as a subsidiary for Maastorakentajat Ltd., rather than directly under Andament Group Ltd. this was due to these two companies offering similar services. Therefore, through this business arrangement, the companies do not compete with each other; on the contrary, they aid and support each other. The two companies together form a gate to both markets, by offering similar services in Finland and Sweden, which creates more opportunities and synergy benefits for the whole Group.

By being a member in Andament Group, Skarta has strong backing, which brings stability and credibility in its operations. Often in the infrastructure sector, a company needs to be a certain size, in order to begin to get into the offer bidding process. This also happens progressively when the contract sizes go up. This makes it difficult for new companies to win contracts and enter into the markets. However, in Skarta’s case the company can ensure the potential clients that it can complete even larger projects, by having a larger Group behind it.

4.6 Needed adjustments to the new situation

Now that Andament Group has subsidiaries in two countries, the biggest adjustments that it has made have been in the administrative side, for instance managing the currency fluctuations in the bidding and contract agreements. In practice however, the administrative burden from this new arrangement between the two countries have been insignificant. Obviously, there are differences in people’s working habits, laws, and regulations between the two countries. But as mentioned earlier, due to the fact that these two companies are established individually, they can concentrate on their own operations, which makes the current situation as easy as possible for both companies and the whole Group.

4.7 Current status of the internationalisation operations

Skarta AB is technically still in its first year’s trial period, however Mr. Palviainen stated that the company has already been so successful in its venture that it will continue its operations in Sweden after the first year. The low risk low reward strategy has proven to be working, since the company has been able to win contracts and secure work and foothold in the new area.

The chosen strategy has also been working in favour of the Andament Group, since the company has been able to get work for other subsidiaries as well through Skarta’s contract. For instance
Weldone Ltd., one of the subsidiaries of Andament Group, is providing steel works for Skarta’s first contract in Kiruna, therefore bringing more work for the Group and proving that the synergy benefits can exceed across borders.

The market situation in Northern Sweden has not been as active as was predicted a few years ago. This is because the mining company and the most important subscriber in the region LKAB has not been able to place as many orders as was predicted. This is simply because the ore price has been declining therefore, LKAB has not been able to make additional investments in the region. However, Mr. Palviainen stated that this situation has actually worked in favour for small Skarta AB, because decline of contracts has scared the largest competitors away from the markets, which has then made the recruitments easier for small Skarta AB. But generally the market status in Northern Sweden is expected to be good and prosperous for many years to come, and also expanding into Sweden’s southern markets is not precluded either.

**Empirical outcomes.** The empirical part of this thesis was a case study on my commissioner’s international venture. I conducted this study after I had finished the theoretical part of this thesis, therefore it was interesting to see how theory meets practice in this very case. Due to the current successfulness of this particular venture, I think that it is safe to say that there are at least a few good ideas and modes of operations that can be learned from this venture and possibly be used in the future as well.

Probably one of the most significant findings that I made was the realisation of the complexity of international ventures. Theoretically a company can venture abroad through methods that may seem set and limited, but in practice companies have numerous different options for their operations. This means that companies should check and maintain their operations before, during and after the venture has started. Also the fact that in real life there are so many variable factors in the organisation and in the global markets, where even the best companies cannot have any influence. These issues can bring uncertainty in every international venture, for instance in this case the decline of ore price has slowed down the infrastructure markets in Northern Sweden and this has resulted in many companies actually leaving the markets.

The unpredictability of global markets can also bring opportunities for companies that can analyse the markets well enough and prepare themselves for potential future events. This obviously means that companies need to have excellent and trusted employees in their ranks. As a matter of fact,
Mr. Palviainen stated that finding a key employee was probably the most important factor that made the Group’s internationalisation in the current form possible in this case study. On the basis of these comments and research findings, I would say that the most important aspect of a single internationalisation venture is finding the correct person or a team to manage the process.
5 CONCLUSION

The objective of this thesis was to study the most important aspects that companies; especially the ones who operate in the infrastructure sector, need to take into account, when they seek growth from abroad. The goal of the thesis was to gain comprehensive knowledge about the different phases of a company's internationalisation and study the commissioner's current ongoing venture in Sweden. On the basis of these research findings I then constructed a roadmap for the commissioner's use, which will possibly be used to evaluate and develop the Group's future operations in international and potentially domestic markets as well. This roadmap can be found in the appendix section at the end of this thesis.

Essentially the theoretical part of this thesis comprised of the following aspects: what is internationalisation, possible motives, paths and triggers for internationalisation of a company along with a study about different international market entry modes. These topics were studied so that the answers could be aimed to benefit specifically my commissioner but also other companies who operate in the infrastructure sector.

The findings from the empirical research were interesting, due to the possibility to compare how theory meets practice in this case. I was pleased to see that my commissioner's internationalisation process had plenty of similarities with my theoretical research, such as sources of motivation and used internationalisation path. However, in this case, the most important part of the internationalisation process was something that was not mentioned or at least highlighted in any of the theories: finding the right person for the job. Mr. Palviainen highlighted the fact that their venture depended almost completely on finding and hiring Mr. Sidér to run the operations in Sweden. With him the Group avoided or at least bypassed multiple different phases in their internationalisation process, due to Mr. Sidér's ability to provide the needed knowledge.

Another significant finding was the versatility and complexity of operating internationally, even in the interconnected markets within the European Union. I think that this should be seen as both a problem and opportunity when companies construct their strategies in the new markets. For instance, my commissioner wanted to achieve growth in an organic fashion, which typically means slow growth pace and low risk low reward strategy. In order to speed things up, the Group acquired Mr. Sidér's old company, which technically makes this venture inorganic, however the old company
was a so called shell company and the acquirement was only a formality. This acquirement still gave quality certificates and a good base for the new company, therefore saving a lot of time from dealing with the bureaucracy and giving a jump start for the venture. This is just one example how clever managers can provide better surroundings for their ventures, therefore increasing the successfulness of their operations. And this again highlights the importance of finding the right people in key positions within the company.
6 DISCUSSION

The topic of this thesis was extremely interesting for me, due to the fact that I have been working for the company that was my commissioner, and actually witnessed first hand parts of the process of founding Skarta AB. However, the process of deciding upon this topic and being able to find time for this thesis has proven to be challenging for me. As in many other cases as well, I think that getting started and finding the right direction for this work were the hardest parts of the process. Also finding spare time between school, work and personal life proved to be a tougher challenge than I originally anticipated. But all in all I think that the lengthier process actually worked in my favour in a sense that since Skarta AB was founded in August of 2015. If I would have done this thesis last autumn, there would not have been that much to study. But now that the company has been operating for a year, there is much more to base my research on.

I feel that the relationship between me and my commissioner worked well and I am really pleased that I was given the opportunity to do my thesis for the Andament Group. From the authors point of view, the interviews with Mr. Palviainen and e-mail conversations between me and Mr. Sidér were very fruitful. I was given instructions whenever I needed them and I was also encouraged to contact the commissioner whenever I needed assistance.

Internationalisation as a topic was a relatively easy one to conduct theoretical research on. However, internationalisation of a Finnish company that operates in the infrastructure sector, was a bit challenging due to a lack of source materials to suit my purposes. Also, even though I have worked in the company for two summers, there is still a lot of industry specific information that I do not know about. Therefore, in some cases I felt that I should be an engineer in order to conduct this study properly. But, considering the circumstances I believe that I performed well. The sources that I used were relevant and I managed to gather comprehensive information about internationalisation that can be used for the wider infrastructure sector as well.

As for the empirical part of this thesis, I realise that my data gathering audience was not large enough in order to extract as diverse information as I originally hoped. However, I think that for the purposes of this work, the audience was diverse enough and from the author’s point of view, the interviews were reliable, honest and provided enough information in order to finish this work.
I think that as a topic: internationalisation of Finnish companies who operate in the infrastructure sector, is not researched well enough, therefore making the topic fruitful for any researcher. I think that I proved with this thesis that you do not necessarily have to be an engineer in order to study their operations. The domestic market of the Finnish infrastructure sector is interesting as well. Especially since the recent discoveries of the notorious asphalt cartel and its effects on the Finnish pavement industry. Also one interesting topic related to this is how there are so many foreign companies operating in Finnish domestic infrastructure market, and also how come almost all of them are from Sweden, for instance: Skanska, NCC and PEAB. If they have been successful branching out in our market, how come Finnish companies have failed to do the same in Sweden's domestic market?

If I would conduct further research related to this topic in my future studies, I would be interested to research what is needed for Skarta AB to stabilise its position in the Swedish market and how it can benefit from Andament Group's other subsidiaries in their efforts to internationalise and spread into the Swedish market. Also studying how the parent company Andament Group can benefit indirectly from this venture and its position as an international company. For instance in terms of recruiting skilful employees, learning new things or achieving cost reduction or synergy benefits by operating in two countries. Overall, from the author's point of view, I feel that there are lots of good subjects related to the internationalisation of Finnish infrastructure companies, which should not be neglected even if they are difficult to research. The lack of public source material from this matter is a clear reference that there have not been any significant studies made in this area, at least not yet.
REFERENCES


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APPENDIX

ROADMAP

As I have mentioned earlier in the thesis, the final output of my work is a roadmap that is visible in the next page. The roadmap was constructed on the basis of the theoretical findings and the empirical research. The purpose of this roadmap is to be sort of a checklist for a company manager who considers venturing into a new market. By checking this roadmap, he or she can better evaluate different phases of the internationalisation process and raise awareness of different options in different phases.

I chose to construct the roadmap as an infographic poster, due to the convenience of this method. If they are done correctly, infographics are easy on the eye and the author can include lots of information in just one sheet of paper. I wanted to make this roadmap in a form that fits on one piece of paper but still includes lots of information. Therefore, choosing an infographic poster was natural in this case.
INTERNATIONALISATION PROCESS

WHY EXPAND
- INCREASE SALES
- CUT COSTS
- MANAGE RISKS
- LEARN NEW THINGS

WHERE TO EXPAND
- GEOGRAPHIC
- CULTURAL
- ADMINISTRATIVE
- ECONOMIC

HOW TO EXPAND

INITIATING EXPANSION
- KEY PERSONNEL
- INFORMATION
- EXPERIENCE
- PERCEPTION

PROCESS OPTIMISATION
- DIVESTMENTS
- STABILITY
- INVESTMENTS

Proactive motives
- Profit and growth goals
- Managerial urge
- Technology competence
- Foreign market opportunities
- Economies of Scale
- Tax Benefits

Reactive motives
- Competitive pressures
- Small and saturated domestic market
- Overproduction
- Unsolicited foreign orders
- Extend sales of seasonal products
- Proximity to international customers

Which foreign market to enter
Timing of the entry
Scale of the entry

Market entry modes
- Contractual entry modes
- Investment entry modes
- Turnkey projects
- Subcontracting
- Strategic alliances
- Green-field investment
- Brown-field investment
- International Joint Venture

Internal triggers
- Enlightened management
- New management
- Significant internal event

External triggers
- Market demand
- Competing firms
- Trade associations
- Outside experts

DOMESTIC FOCUS

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