

INTERNATIONALIZATION OF SOFTWARE SME'S

CASE IMS Business Solutions Ltd.

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Bachelor's Thesis
March 2010

Degree Programme in International Business
School of Business Administration



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Tekijä(t) KARI, Marko	Julkaisun laji Opinnäytetyö	Päivämäärä 27.03.2010
	Sivumäärä 46	Julkaisun kieli Englanti
	Luottamuksellisuus () saakka	Verkkojulkaisulupa myönnetty (X)
Työn nimi OHJELMISTOALAN PK-YRITYKSEN KANSAINVÄLISTYMINEN: TAPAUKSIKSI BUSINESS SOLUTIONS OY		
Koulutusohjelma Degree Programme in International Business		
Työn ohjaaja(t) NEUVONEN, Heidi		
Toimeksiantaja(t) IMS Business Solutions Oy		
<p>Tiivistelmä</p> <p>Pienten ja keskusuurten ohjelmistoolojen yritysten kansainvälistyminen on haaste dynaamisen liiketoimintaympäristön ja niukkojen resurssien puitteissa. Tämän työn tarkoituksena esittää ohjelmistoolan pk-yritysten kansainvälistymisprosessi niiden matkalla kansainvälistymiseen. Työ toivoo vastaavansa kysymykseen mitkä ovat ne kansainvälistymisen kriteerit kansainvälistymiseen ja minkälaisen toimintamuodon yritys valitsee uudelle markkinalle. Työ on jaettu kahteen osuuteen; teoriaan ja empiiriseen osuuteen. Teoriaosuus käsittelee päätöksenteon vaikuttavia tekijöitä liiketoimintaympäristön, yrityksen johdon ja organisaatioiden piirteiden näkökulmasta. Empiirinen osuus koostuu ohjelmistoolan yrityksen IMS Business Solutionsin kansainvälistymisestä.</p> <p>Yleensä ottaen kansainvälistymisen taipaleeksi valitaan joko kiihdytetyn kasvun polku /Born Global - tyylinen, Yhteistyön polku tai Orgaaninen polku. Case tutkimus keskittyy siihen, miksi IMS valitsi valitsemansa metodin kansainvälistymiseen. Työ huomioi niitä tekijöitä, jotka vaikuttivat metodin valintaan. Tekijät kuten riskitaso, kansainvälinen kokemus, tuoteorientoituminen ja kuinka kietoutuneita ovat tuote ja palvelu ja erityisesti mitä yrityksen tulee kansainvälistää; koko konsepti vai pelkkä tuote.</p> <p>Esittämällä molemmat; teorian ja empiirisen osuuden työssä yritettiin tuoda esiin mitä tapahtuu, kun organisaatio muuttaa teorian konkreettisiksi toimenpiteiksi.</p>		
Avainsanat (asiasanat)		
Kansainvälistyminen, pk-yritys, vaatimukset, ohjelmistoolan pk-yritys		
Muut tiedot		



Author(s) KARI, Marko	Type of publication Bachelor's Thesis	Date 27.03.2010
	Pages 46	Language English
	Confidential ()	Permission for web publication (X)
Title INTERNATIONALIZATION OF SOFTWARE SMES: CASE IMS BUSINESS SOLUTIONS LTD.		
Degree Programme Degree Programme in International Business		
Tutor(s) NEUVONEN, Heidi		
Assigned by IMS Business Solutions Ltd.		
<p>Abstract</p> <p>Internationalization is a challenge for small and medium sized software companies because the dynamic business environment and scarce resources. The purpose of this study is to describe the internationalization of software SMEs and their path towards international business. The study hopes to answer the question what are the prerequisites companies need to meet according to internationalization and what is the form of entry it uses on the new market. The study is divided to two parts; theoretical and empirical. The theoretic part focuses on factors behind the decision making from the business environment, management and characteristics of organizations. The empirical part consists of case study about internationalization of software SME company IMS Business Solutions Ltd.</p> <p>In general the path internationalization is based either on accelerated growth/Born Global pathway Collaborative pathway and Organic pathway. The case study gives examples about the internationalization in the case of IMS Business Solutions Ltd. The study focuses on factors affecting the international pathway decision. Factors such as Level of risks involved, amount of international experience, product orientation and how entwined were products and service and especially what should the company internationalize; the whole concept or the actual product.</p> <p>By presenting both; theoretical and empirical part as part of this study, an attempt was to be made to present what happens when organization transform theory to concrete actions.</p>		
Keywords Internationalization, SME, prerequisites		
Miscellaneous		

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1 NEED TO INTERNATIONALIZE

There are various reasons why companies are starting to internationalize. Home markets can be already saturated, there is no competition on foreign markets, competitors are already doing it, we have to go global to survive etc. No matter the subject, internationalization always has a reason and in most cases, it is more of a necessity than a matter of choice. Such is also the nature of software companies. Worldwide the software industry is one of the largest and fastest growing industries and can be viewed as global by nature. Since the Finnish domestic market is small and limited, most companies consider international markets in order to gain a bigger market share.

Companies planning to enter global markets usually lack the skills and knowledge for successful internationalization. In case of small and medium sized companies, when resources are scarce, it is especially critical. In order for a company to reach its full growth potential, there are several tasks and phases that need to be done. Because of that, the whole internationalization process should be examined and carefully analyzed. The internationalization process requires lots of time, work and research.

This thesis is divided into a theoretical and empirical part. The theoretical part focuses on factors behind the decision making from the point of view of business environment, management and characteristics of organizations, and the empirical part consists of a case study about the internationalization of software and Business Intelligence Company IMS Business Solutions Ltd. In the beginning of the research, the case study methods and data collection are explained before moving on to the theory of the internationalization process; What challenges it imposes and especially what are the basic prerequisites that are needed for the whole internationalization process from the case company's point of view. The final part includes the implementation and evaluation, of the case company, putting those theories to concrete actions. The purpose is to bring out the best practices present and demonstrate the possibilities to choose from when starting to sell the product in new markets

1.1 Thesis purpose

When a company grows, it starts to seek new opportunities from every aspect. IMS Business Solutions has been growing rapidly for the last five years and is now on the verge of internationalization. Considering the present situation, it is only a natural step that IMS Business Solutions is going to internationalize. Know-how and skills are still lacking in the organization. This thesis hopes to fill that gap from the know-how perspective.

The case study is about IMS Business Solutions Oy with the intention of creating a model for internationalization, which can later be implemented when executing the actual internationalization process. The objective is that this thesis will provide the company understanding about possible strategies and pathways in order to help it with choosing the right model for the company. The case company's present situation creates the need and makes the thesis topical and valuable.

IMS Business Solutions started the Go Global –project together with Finpro in August 2009, which lasts until March 2010. The project goal is to create a framework for internationalization and test-drive it on one market. This thesis will present the tasks and prerequisites which have to be done before the framework can be tested. Although the study will not collect primary data in a form of market research or customer screening, the study will give essential information to make preliminary decisions on whether to go international or not. The whole purpose is to give IMS Business Solutions a better understanding of its current situation according to internationalization and prepare and help the company with the possible obstacles and challenges .

1.2 Research questions

1. What are the prerequisites of internationalization for IMS Business Solutions in order to be able going through the internationalizing process?
2. How should the internationalizing process be carried out?

There are two big issues from which the essential questions are formed. First there is need to identify, what is the current situation in the company and what shall the company need in order to be able go through the internationalization process. Vital knowledge covered here is that is the company ready for internationalization. Does it have enough strategic resources available to pull through, does it have enough information to understand the international markets and does the company really have what it takes to internationalize. Second, this study concentrates on the issue how to begin internationalizing, examining the entry modes, how to build the right kind of market channels and examine the nature of potential partners.

2 RESEARCH METHODS

2.1 Case study

“The case study method is a technique by which individual factor whether it be an institution or just an episode in the life of an individual or a group is analysed in its relationship to any other in the group.” H.Odom

According to consultant Martin Shuttleworth (2008) and author of Case Study Research: Design and Methods, Robert K. Yin (1994), a case study is a deep examination of a particular situation with many information sources both, qualitative and quantitative, can be both used or just a single entity bounded by time and space to investigate a contemporary phenomenon (Yin 1994, 1). With the case study research method you are able to narrow a broad field of research to one or more approachable topics. The research design is useful

for testing the theories and modes in the real world. (Shuttleworth 2008, Yin 1994, 5.) So the case study involves complete observation of a social unit which can be in various forms i.e. a person, a family, institution, cultural group etc. According to Kothari, the case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. Thus, the case study is an intensive investigation of the particular unit under consideration. (Kothari 2004, 113). There is much criticism against case study methods since the results cannot be extrapolated to fit an entire question, and they only focus on one narrow example. However, Shuttleworth (2008) states that it is argued that the case study many times is better than the statistical method since it provides more realistic responses of the studied subject. Yet, the best results according to Shuttleworth can be obtained when a synergy of statistical and case study method is found. One complaint against case studies is that they take too long to be completed and often result in massive documents. (Yin, 1994, 10.) One peripheral point is that case studies make more interesting topics than statistical surveys due to lack of general interest on pages of statistical calculations. Shuttleworth states that well placed case study can have a strong impact. Shuttleworth (2008).

2.2 Components of the study

There are several components that are needed to conduct a successful case study. The first thing is to form the situation and what are the essential questions in order to find the purpose of the study. Typical questions are – “how” and “why” type of questions because one of the foundations is the subject and its relevance. The intention is deliberately isolate one particular case to demonstrate the handled subject. In his book Yin also points out that case study’s theoretical proportions are to point attention, limit scope and suggest possible links between phenomena. It is also important that study’s main units of analysis must be at the same level as the study questions and comparable to those previously studied. There has to be logic linking the data to the proportions by matching the information to patterns that can be derived from the proportions. (Yin 1994, 79-81.)

Multiple sources of information is a strength of a case study. Such information sources as observation, interviews, records and documentation gives several viewpoints and perspectives to the case. Therefore the research design embodies a theory of what is being studied. Research design links the collected data to the initial questions of the study providing framework and possible action plan from questions to conclusions. (Yin 1994, 83-86.)

According to Shuttleworth you can avoid to making irrelevant case study by creating a bullet points of 4 or 5 subjects that you are going to try and address during the study. By making sure that all research refers back to those points, you will make sure that your case study's relevancy will not be far wrong. (Shuttleworth 2008.)

2.3 Data collection

After the research problem has been defined and essential questions have been formed, the task of data collection commences. Collector of data should keep in mind two types of data and how to collect them; primary and secondary data. Primary data is that data which is collected for the first time and is original because of that. The secondary data is the opposite, that source of knowledge is already gathered by someone else and it has already been through the statistical process. The methods of collecting primary and secondary data differs and they both have their pros and cons. (Kothari 2004, 95)

In his book *Case Study Research: Design and Methods* Robert K. Yin states that there are six sources of information available for case studies. Documents, archival records, interviews, direct observation, participant-observation and physical artifacts. A researcher should know how to use these sources to research's benefit. Yin points out the importance of multiple sources to demonstrate that the same results can be found in different sources. (Yin 2003, 83.)

2.3.1 Three approaches to research

Qualitative and quantitative research both can be included in the case study method as well as a third method which is a mix of qualitative and quantitative approach rightly named mixed method. The reason behind this is that case study doesn't need but can include direct observations. (Yin 1994, 14, Creswell 2003.)

Quantitative method is a method where the researcher uses postpositivist claims for developing knowledge, employs strategies of inquiry in form of experiments and surveys and collects data on predetermined instruments that yield statistical data. In other words it produces numbers and figures and seeks to measure factors for statistical analysis. (Yin 1994, Creswell 2003, 1.)

Qualitative method is almost the opposite. It researches ideas and attitudes and focuses on what affects on the made decisions of people. The inquirer often makes knowledge claims based on perspectives, theory or other case studies. The researcher using qualitative method is aiming to find patterns and themes from the data. (Creswell 2003, 1.)

The Mixed Method combines qualitative and quantitative methods. The data collection includes numeric information as well as text information so that the final presents both qualitative and quantitative results. Here the researcher tends to base knowledge claims on pragmatic grounds. (Creswell 2003, 1.)

2.3.2 Primary data

Primary data is that data which is collected for the first time. Primary data is collected during doing experiments in experimental research, but it can also be done in form of surveys thus we can obtain primary also through observation or direct communication through personal interviews. This can be done in sample or census surveys. This summarizes that there are several methods of collecting primary data in descriptive surveys and researches: (Kothari 2004, 95.)

- Observation method
- Interview method
- Questionnaires
- Through other methods which include
 - Schedules
 - Warranty cards
 - distributor audits
 - Consumer panels
 - Mechanical devices
 - Projective techniques
 - Depth interviews
 - Content analysis

Although the above methods provide good results, the cost of collecting primary data is less cost effective way like collecting secondary data is. Going through various interviews, in person or in telephone and waiting questionnaires to be filled is a time-consuming action which requires resources. (Kothari 2004, 95-110.)

2.3.3 Secondary data

Secondary data referred to data which is already available i.e. data that has been collected and analyzed by someone else. When secondary is used in a research, researcher has to look for various sources where to find it. The use of the secondary data is much faster, since unlikely to primary data collection, a little problems may rise during the data collection.

Secondary data can be either published or unpublished data and it is usually available i.e. publications of government and its subsidiary organizations, technical and trade journals, books, magazines and newspapers, reports and publications of various organizations and associations connected with businesses, reports, research results by scholars etc. the list continues. The unpublished data may be in form of letters, e-mails, diaries, unpublished

biographies etc. Some of the researches and reports can be acquired from labor unions which offer reports only to their members.

The usage of secondary data has its own risks. Researcher has to be very careful when he is using secondary data, since the data may be unsuitable, inadequate in context with the research problem. The content has to be critically observed. As a summary, secondary data faces three problems:

1. Reliability. When evaluating the reliability of data researcher must know who collected the data, what were the sources and were they collected by using proper methods. Did the compiler have certain bias when establish the data and what was the level of accuracy in the data.
2. Suitability. Data used in one enquiry necessary is not fit for another so if the data is unsuitable, it should not be used. Researcher should carefully approach the object, scope and nature of the original data and if researcher finds differences what he has found, the data is considered unsuitable and should not be used.
3. Adequacy. The data's level of accuracy should be appropriate for the purpose of the research. The data is also considered inadequate if it is related to narrower or wider area that the present task.

So the available secondary data should only be used if the researcher finds it reliable. (Kothari 2004, 111-112.)

2.4 Conducting the study

Case studies provide explanatory focus on a particular case making it possible to generate a theory or list findings from other sources. In the case of IMS Business Solutions Oy, the case study research method enables real-life phenomena to be used in order to give deeper understanding about the internationalization for the company in order to create a more coherent plan of action.

The single case study method is used in this study to establish a clearer image of the internationalization process for IMS Business Solutions Oy. The study will use both primary and secondary data to its advantage and is in view of the company's current situation. The primary data is collected by interviewing the personnel available from the company and participating in Go Global seminars offered by Finpro Ltd. A considerable part of the information is from the author's own work experience and knowledge gained working for IMS Business Solutions Oy. Consequently, the information is from the author unless other sources have not been mentioned..

The secondary data used in this thesis has been carefully analyzed and found suitable to the purpose of this study. All the necessary actions to guarantee maximum adequacy and validity have been done to ensure the quality of this work. This means that all the information have been checked for reliability, suitability and adequacy. All the findings in this thesis should be accurate and valid.

In the case of IMS Business Solutions, the data was collected with mixed methods and combining the best of two worlds. the primary and secondary together form an offering, which helped the researcher to see the big picture. A great part of the primary data was gathered from of interviews with the key personnel within the company. The company has been trying to internationalize previously, so some of the work and analysis had already been done. The key issue in finding the information to the case study did not, however only rely on the reports of previous work, but on content analysis, depth interviews and observation combined all together.

2.5 Abbreviations & definitions

Term:	Meaning:
Born Global	Born Global is a term describing accelerated international growth pathway.
Global	A company is considered global when over 50% of its sales come from its international activities outside of its home country
ICT	Information and communication technologies
Internationalization	Internationalization as a term means the adaptation of products or services for potential use basically anywhere in the world. It also refers to adaptation of skills and resources in an organization to meet the challenges of selecting and servicing customers and customers segments through optimal sales channel selection.
ISO	International organization for standardization
Internationalization pathway	International pathway describes the process of internationalization measured by various indicators. Internationalization pathway has different stages and the different pathways differ in the amount of time to go through the stages.
SAAS	SaaS is abbreviation for Software as service.
SME	Small or medium sized enterprises
SWOT	SWOT is an abbreviation for Strength, Weakness, Opportunities, Threats. The term is typically used in SWOT analysis which is a efficient tool for strategic planning.
VAR	VAR is abbreviation for Value-added reseller which is a company that takes an existing product and adds its own value to it and resells that as a new product or package.

Table 1: Abbreviations and definitions (Äijö et al. 2005, xvi).

3 PARTIES

3.1 IMS Business Solutions Oy

IMS Business Solutions Oy was established in Helsinki Month 2001. The company develops and offers integrated management system software applications to industry, public and service sector organizations. The software supports operational development, strategic and decision making process. The whole solution is developed to respond the needs in management and operating environment. The company also provides training and consulting activities so IMS Business Solutions can offer their customers the whole comprehensive integrated management system concept which combines consulting on management systems, communication technology and required support services.



FIGURE 1. IMS Business Solutions business concept

The founders of the company, including the CEO have strong experience from quality management and certifications. As it happens, many of the

customer companies are aiming for the certificate as a result of implementing an integrated management system.

After working years as main auditors at SFS sertifiointi, today more commonly known as Inspecta, Jussi Moisio and Ossi Ritola decided to establish Qualitas Fennica Oy, which offered consultancy about quality management and integrated management system. After few years, they decided that the real solution to the problem they were consulting about could be solved with a computer software. So IMS Business Solutions was established year 2001 and after that, it has been steady growing during the last years. (Houttu, IMS Business Solutions 2009).

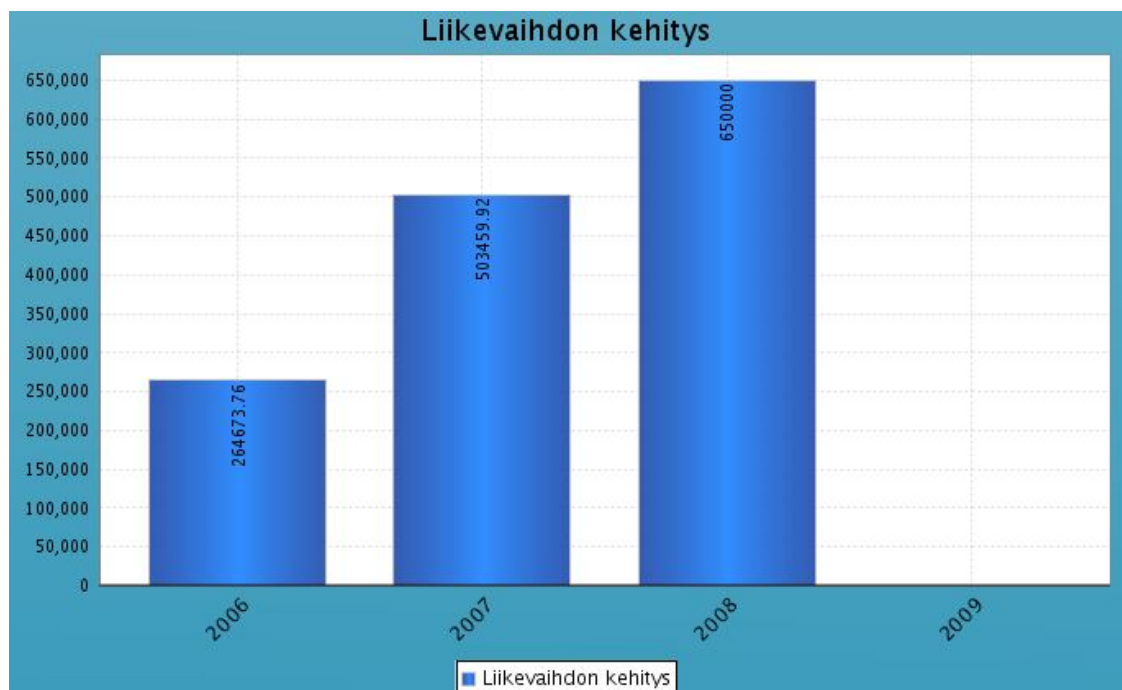


FIGURE 2. Development of Revenues during years 2006 to 2008

3.1.1 Personnel

Currently IMS Business Solutions has 14 employees from different business sectors. The CEO Ossi Ritola owns the company together with Jussi Moisio who also runs Qualitas Fennica, a company which plans and implements consulting projects and assignments to support customer success and competitiveness.

The personnel in the organization can be divided to five segments: the management, marketing, sales, customer coordination and R&D. (Ritola 2009.)

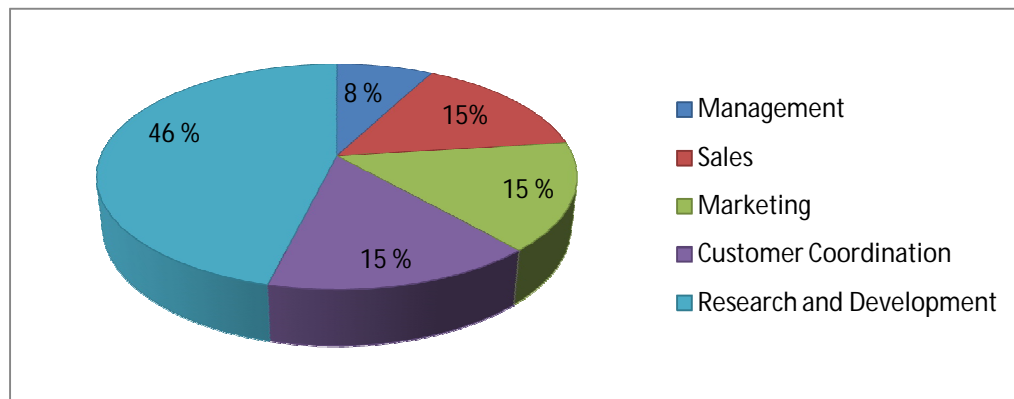


FIGURE 3. Personnel structure of IMS Business Solutions Oy

The figure above shows us the majority of the employees are in Research and development in order to keep the product modern and constantly evolving.

3.1.2 IMS solution

IMS solution is a comprehensive and process-based integrated management system application platform which helps organizations to manage and control their daily operations. The software is using browser-based interface which makes it easy to use and it serves widely different kinds of organizations. IMS solution can also be integrated with other software. The solution enables to create and maintain IMS with “one workstation principle” and show everything needed in the same interface. Descriptions, instructions, information, feedbacks and indicators are gathered into one place to support the controlling and decision making process.

As you can see in the figure 4. The IMS solution brings together the essential parts for developing a integrated management system. With the help of such organized systems it is easy to go for the certificate and improve efficiency since all the necessary information has been gathered to one place.

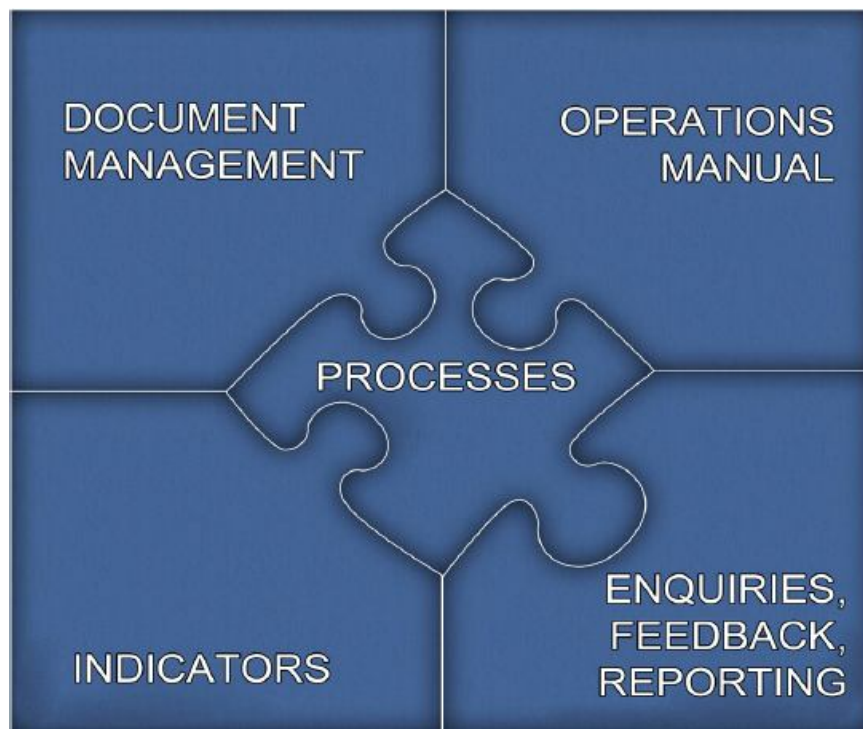


FIGURE 4. The IMS solution in a nutshell.

3.1.3 Motive for internationalization

Due the nature of the software industry, the need to adapt to collapsing markets is great – the planning of the future of the product and markets should be a constant action and follow the innovation stream. In addition the company should have a flexible structure to adapt to new challenges. (Äijö 2005, vii).

Michael Hollensen has stated in his book that the ultimate reason why organizations internationalize is to make money. (Hollensen 2007, 42) This and obvious growth opportunities in mind, IMS Business Solutions has now decided to go through the internationalization process.

3.1.4 Current situation

IMS Business Solutions already has a few international customers, but none of them have been directly sold. In these cases, the parent company has first

implemented the system in Finland and then noticed it works and thus expanded it to foreign countries as well. IMS Business Solutions has seen this as a opportunity and now wishes to see is it possible increase revenue through foreign markets and if it is possible, the goal is to find out where and set a plan how to get there. As a business to business company, IMS Business Solutions' product can be used universally regardless the country of origin. Everywhere in the world, there are companies who wish to improve and develop their activities, efficiency and possibly gain a certificate. Since IMS Business Solutions does lack the skills and knowledge of foreign markets, a partnership is most likely to be one solution to internationalize. To find a partner who wishes to gain from IMS Business Solutions products and concept is challenging but achievable task.

3.2 Finpro

Finpro is a network of global experts established by Finnish companies. Organization's purpose is to promote the growth and competitiveness of Finnish companies through internationalization. Finpro offers access to high quality internationalization services around the world. Its clients are mainly SME Finnish companies. Finpro's people act as consultants and specialists especially for growing companies in particular. (Finpro 2009).

3.2.1 Go Global program

IMS Business Solutions and Finpro started a Go Global project August 2009. The goal of the project is to guide IMS Business Solutions Ltd in their path to internationalization. Finpro and IMS Business Solutions together go through the internationalization process. (IMS Business Solutions. Finpro. 2009 Project plan for internationalization.)

4. INTERNATIONALIZATION

The process of expanding production, sales or other business activities to international markets is called internationalization. The internationalization of SME companies is a discrete process where companies go through various pre-internationalization stages over a period of time and in order to reach global actions. (Hollensen 2007, 41). The limited resources and the number of international contacts, knowledge about internationalization are critical constraints to SME internationalization. These limitations, especially the financial kind are one of the biggest prevalent factors among smaller SMEs. OECD (2009.)

So the first matter for any company to take is to ponder the issue should they internationalize or not. Analyze the company's situation is it ready for it or not, does it have enough resources and knowledge and are the company's goods or services such by nature that they will succeed in international markets and where are the hotspots are where to go? Since there is always the alternative to stay at domestic markets, it is crucial to analyze and observe every step of the internationalization process and always consider the advantages and disadvantages at each stage. Finally, it is important to know how will the company will enter the chosen markets, since it affects the long-term effects.

The internationalization of IMS Business Solutions is conducted in stages, starting from the bottom and deciding the strategic decisions and moving from channel preparation actions. The early stages will quickly and efficiently show if the company have what it takes to internationalize in the form of resources; tangible or intangible. The following figure demonstrates what the internationalization takes, and IMS Business Solutions is not an exception.

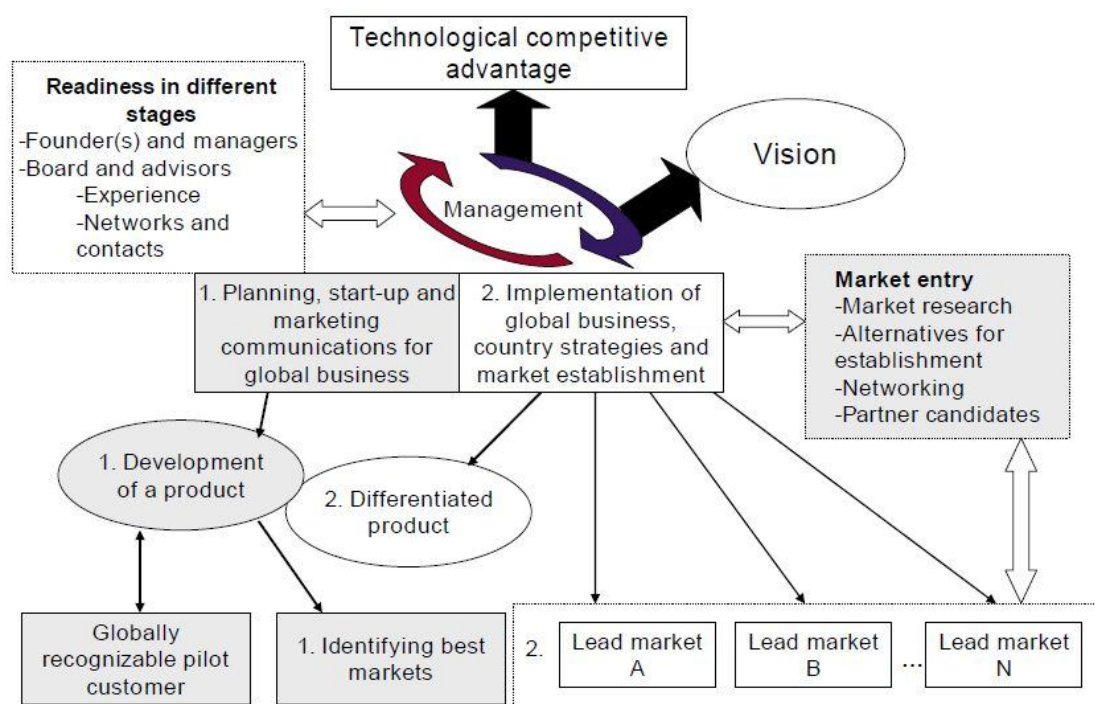


FIGURE 5. Elements of growth and global business (Äijö et al. 2005, 5).

The figure 5 demonstrates a good framework to various elements and tasks in international business. According to figure 5, Company's readiness, Vision and competitive advantages are basic enablers for the actual planning and starting-up to begin. It is vital to know is the company internationalizing all of its products or has preferred adjustments been made.

After the planning has been done, the next step is the implementation of global business, developed strategies and market entries. Here the knowledge about the foreign markets is a crucial factor in order internationalization to succeed. Powerful tools such as market research, networking and possible co-operation with potential partners helps a lot.

4.1 Motives of SME internationalization

According to OECD's study on SME Internationalization, the key motives for internationalization are:

1. Growth motives
2. Knowledge-related motives
3. Networking and Social ties
4. Regional and domestic market drivers

Growth opportunities in international markets can be identified as a key driver in SME internationalization. The increased profits and growth due international expansion is highlighted as a major stimulator for exporting among various countries. Overseas venturing is also motivated by growth opportunities, increased market size and stronger market position. One important aspect is that by international expansion, a company is less likely to depend on one single market.

One of the key findings in OECD's study was that knowledge-related motives seemed to push and pull SMEs to International markets. The study explains that the push factors refer to the importance of managers and their capabilities and experience in international markets. The pull factor is in motion when firms that are wishing to internationalize search for missing know-how to maintain their technological development and advance.

Networking and social ties carry a great importance in triggering SME internationalization and extending current internationalization processes. These networking and social ties can be acquired through managers with associated links. Taking advantage of these collaborative links is a common motive among SMEs.

Regional and domestic market drivers: The OECD's study reveals that one of the factors affecting SME internationalization is the push from stagnating or declining domestic market. Domestic regions with less favorable conditions works as an incentive to internationalization. The image also is a stimuli to internationalize since favorable country/region image can work to company's benefit in international markets. The presence of foreign buyers also can work as a enabler for internationalization. (OECD, Top Barriers and Drivers to SME Internationalization report 2009, 12-15.)

Michael Hollensen, author of *Global marketing: a decision-oriented approach* (2003) categorizes the motives to internationalize to proactive and reactive reasons. Proactive reasons include

- Profit
- Managerial urge
- Technology competence
- Market opportunities
- Economies of scale

Reactive reasons are competitive pressure and small and saturated domestic markets. (Hollensen. 2007, 42-46.)

Important external issues such as market development and regulation of the markets are also factors to be noticed. If the market is mature, there is not much to benefit from. One important external motive which pushes companies to international markets is competition. Good knowledge regarding the competitors needs to be in-house and the company's strategy should also take in to consideration the actions of the competitors.

The following table adapted from Äijö et al. and OECD's report summarizes internal and external motives of SME internationalization.

Internal motives	External motives
<ul style="list-style-type: none"> • Management, owners and personnel; their characteristics & skills • Product, production • Financing, financial resources; need in external funding • Relationships; networking and social ties. • Image; favorable image and credibility 	<ul style="list-style-type: none"> • Market development • Regulation • Business life-cycle • Customers • Relationships; networking and social ties • Competition

TABLE 2. Internal and external factors pushing SMEs to internationalization (adopted from Äijö et al. 2005, 16).

When we analyze the key motives for IMS to internationalize, we can summarize, that the key drivers shown in the OECD's research are also the drivers driving the IMS internationalization. The product of IMS is heavily connected to the quality management of the companies and thus to the ISO trend within the countries. Naturally countries where ISO trend is growing, there is a opportunity for IMS. While there are people with good connections, IMS has seen the internationalization as an opportunity to quickly expand and grow. If to choose from the table 2, IMS' internal motives are especially relationships, image, and product itself. External motives are market development and competition.

4.2 Internationalization process

The internationalization process (figure 6) can be divided to four stages where the concrete steps reside. These stages include Strategic decisions, channel preparation, finding partners and finally co-operation. Although the figure isn't absolute with every company, it does give a solid picture about the concrete actions of the internationalization process.

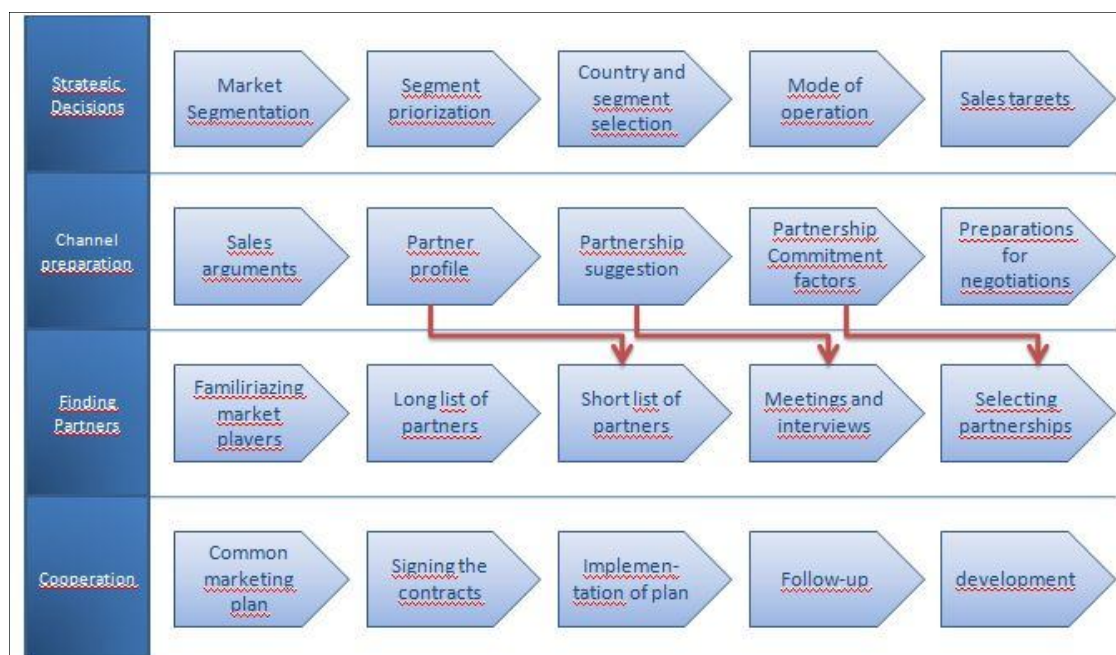


FIGURE 6. Steps in Internationalization process (adapted from Finpro: Go Global koulutuspäivä 24.9)

When a company has decided to internationalize, the planning phase begins as we stated already stated in figure 5. The planning phase and strategic decisions include the following steps in the path of internationalization: Market Segmentation ,where the customers are to understand the potential customers and satisfy their needs more efficiently than the competitors do. Segment prioritization: The company should know what segments are the best. Where does it have more competitive advantage and appeal than others. It is rarely possible to satisfy all. Thus segments have to be evaluated. Once the market segmentation has been done and decisions made, the company has to know the mode of operation how it is going to establish its business and then set the sales targets. (Go Global 2009.)

With the strategic decisions made, the channel preparation process begins. The company has to develop sales arguments for customers or partners. If the chosen mode of entry includes partnership, which it in the case SMEs many times does, the concept has to be sold not only to the customer , but to the partners as well. Before the company can present its sales arguments to potential partners or customers, they have to know what kind of partners would be potential. According to Finpro's consultants, making a potential partner profile, companies can save much time and travel expenses. The partner profile also helps to shorten a long list of partners, which saves lot of futile effort. After the sales arguments have been done and the potential partners have been profiled ,it is time to create a partnership proposal. The actual partnership proposal should not only include a presentation about who you are, but an appealing business case, which states where the money comes from, and the crucial factors in the partnership commitment. After these, a company can prepare for negotiations. The channel preparation process carries great importance since it actually enables a smoother partner screening process.

In figure 6, one of the swim-lanes is dedicated to the partner finding process. First organizations familiarize themselves with the stakeholders in the field. After we know who the major players are, it is easier to start developing the long list of partners. According to Finpro, the partner finding process is

significantly faster and more efficient if a solid partner profile is made before searching partners. As seen in figure 6, a partner profile helps organizations to see in an early stage if the potential partner is beneficial to the organization. After the screening, you have a short list, from which the organization chooses which companies it wants to meet. According to Finpro, the above method is more cost effective and faster.

When the partner screening process is over, it is time to move to investigate the elements in the actual cooperation process. Here the highlighted ones are common market plans, contract signing, plan implementation, follow-up and development. The common market plan could be linked to the actual contract as an appendix to clarify i.e. the sales targets in order for the partnership to continue. This plan includes all the necessary information about who is responsible for the marketing material etc. After a solid market plan and clear contract, the companies sign them and the plan is implemented. After that, it is only to follow-up and deepen the relationships between those companies. (Finpro ry. Go Global 2009.)

The above step work as a guidelines for deciding e.g. on new markets and beginning the internationalization again. When expanding to nother countries, it is more or less copying the previous work and doing it better. IMS Business Solutions follows these steps to learn the process of internationalization to be able to gain internationalization skills within the company itself. Finpro and the Go Global project had greatly influenced and helped IMS to follow the steps of internationalization shown in figure 6.

4.3 Top barriers of internationalization

Rank – Weighted factor	Description of barrier
1	Shortage of working capital to finance exports
2	Identifying foreign business opportunities
3	Limited information to locate/analyse markets
4	Inability to contact potential overseas customers
5	Obtaining reliable foreign representation
6	Lack of managerial time to deal with internationalisation
7	Inadequate quantity of and/or untrained personnel for internationalisation
8	Difficulty in matching competitors' prices
9	Lack of home government assistance/incentives
10	Excessive transportation costs

TABLE 3. Top barriers to internationalization (OECD, Top Barriers and Drivers to SME Internationalization report 2009, 8).

According to OECD's study on Top Barriers and Drivers to SME Internationalization, the biggest barrier SME companies face is the shortage of working capital to finance export. The lack of skill and capable personnel is - in form of financial limitations – a constant barrier SME companies face. Hiring consultants constantly and relying on their service is costly, but hiring a person only for the internationalization is also a big investment.

Inadequate knowledge has also emerged as a top barrier for internationalization. The information SMEs have is too limited to fully analyze or locate foreign or overseas markets. Information gaps such as these remain and create a motive and need for consultancy and cooperation (OECD Top Barriers and Drivers to SME Internationalization report 2009, 5).

OECD's surveys reinforce the importance of ability to contact overseas customers which is one of the major barriers of internationalization. Studies identified that finding an appropriate foreign market partner is a key impediment to the internationalization. Difficulties involve not only customers,

but overseas distribution channels as well in international markets. (OECD Top Barriers and Drivers to SME Internationalization report 2009,5).

The remaining subjects in the table 2, summarizes in the lack of managerial time, skill and knowledge about internationalization. OECD's study reveals that managerial risk perceptions and inadequate knowledge about international markets and operations were one of the major reasons why organizations did not engage international trade. The differences in managerial perceptions also affected internationalization in various organizations. (OECD Top Barriers and Drivers to SME Internationalization report 2009, 5.)

According to Sven Hollensen, author of Global Marketing: A decision-oriented approach (2007) the barriers of internationalization can be divided to three groups that are: General market risks, Commercial risks and Political risks. The table below summarizes those groups

General risks	Commercial risks	Political risks
Market distance	Exchange rate fluctuations	Government restrictions
Competition in international markets	International payments	National export policy
Differences in product usage in foreign markets	Delays and damages in the product during shipment	Lack of tax incentives
Language and cultural differences	Difficulties finding export financing	Political state of the nation, wars, revolutions
Difficulties finding right distributor or partner		High value of domestic currency relative to those in export markets.

TABLE 4. Three groups of international barriers (adapted from Hollensen. 2007, 54)

The internationalization process of IMS Business Solutions is also hindered by the barriers of internationalization. The lack of managerial time, the lack of resources guided to the internationalization. Small companies such as IMS will heavily ponder how long it takes to return the investment. These barriers IMS already suffers, however will not affect the whole internationalization. The real barriers of internationalization come in to play, when the next stages of internationalization has been commenced.

4.4 Prerequisites of SME internationalization

While there may be lots of motives to internationalize, there are various challenges and prerequisites companies face before establishing their business globally. To respond to these challenges companies have to meet those requirements, develop solutions and actions how to respond to challenges among the road of internationalization. The prerequisites have been divided to internal and external factors to clarify their meaning.

There several internal requirements that company should be able to tackle. One of these is the Human Resources which include the owners, management and the personnel of the company. The preferred characteristics and needed knowledge for the internationalization process consist of:

- Experience: The business and international experience of the managers and personnel.
- Competence: The skills required in the process such as language skills, planning skills, technological skills, innovativeness, sales and marketing skills
- Knowledge: The depth of tacit knowledge about internationalization, dependency on key people.

Then again, HR isn't the only thing firm has to have. Product and production for example, since the product itself has to be appealing to the customers and company should have a strong evidence of customer interest. Production

of the product has to be handled so that it fits the internationalization. I.e. if a product is sold with SaaS model, the internationalization is easier than software that has to be installed. (Adopted from Äijö et al. 2005, 17.)

Michael Cusumano has gathered a list what should software companies possess when they start to internationalize (Cusumano. 2004).

1. A strong management team
2. An attractive market
3. A compelling new product, service, or hybrid solution
4. Strong evidence of customer interest
5. Plan to overcome the “credibility gap”
6. A business model showing early growth and profit potential
7. Flexibility in strategy and product offerings
8. The potential for a large payoff to investors

When we carefully analyze does IMS Business Solutions qualify against these criteria; it does. IMS has attractive markets, compelling product to fill the need of the customer companies, strong references such as Stora Enso and some international companies to overcome the credibility cap and flexibility in strategy and big amount of consulting and training to be offered with the core product. The potential for large payout for partners will work also as an incentive for the potential partner VAR companies and consultants to work together for the bigger revenue.

5. PATHWAYS OF ENTRY

According to Toivo Äijö, author of Internationalization Handbook, choosing the right internationalization strategy and pathway to internationalization is not only a collection of isolated decisions from operation modes, partners, channels, products and markets. Instead it forms the core for a competitive strategy. The competitive success depends on appropriate framework for the growth and internationalization and because of that, the choice of pathway is

preliminary part of defining the strategic principles and actions for achieving successful internationalization. (Äijö et al. 2005, 19-28.)

Choosing the right pathway is an important part defining the strategic principles and actions to achieve growth and successful internationalization. According to Äijö, pathway depends heavily on business model since it must lead to perfect match between firms' capabilities and available resources and challenges and opportunities in the external environment. (Äijö et al. 2005, 19-28). To present a planning model to fit every situation is a impossible task since the scope and content of planning vary greatly according the firm's life cycle, stage of internationalization, planning and situation. Äijö states that often the first question that needs to be asked is: *"What is the strategic planning stage of the company and what are the special challenges of the company's current situation?"* (Äijö 2005, 7). which is one of the essential questions in this study.

Choosing the right pathway for the internationalization for IMS Business Solutions was dictated by the resources which could be directed to the internationalization. While the resource question will narrow the choice of the pathway, it does not mean that the choice of pathway is somewhat poorer choice for the internationalization of IMS.

5.1 Pathways of internationalization

There are three major pathways that are introduced in this study. Organic Growth pathway, Collaborative pathway and Born Global pathway.

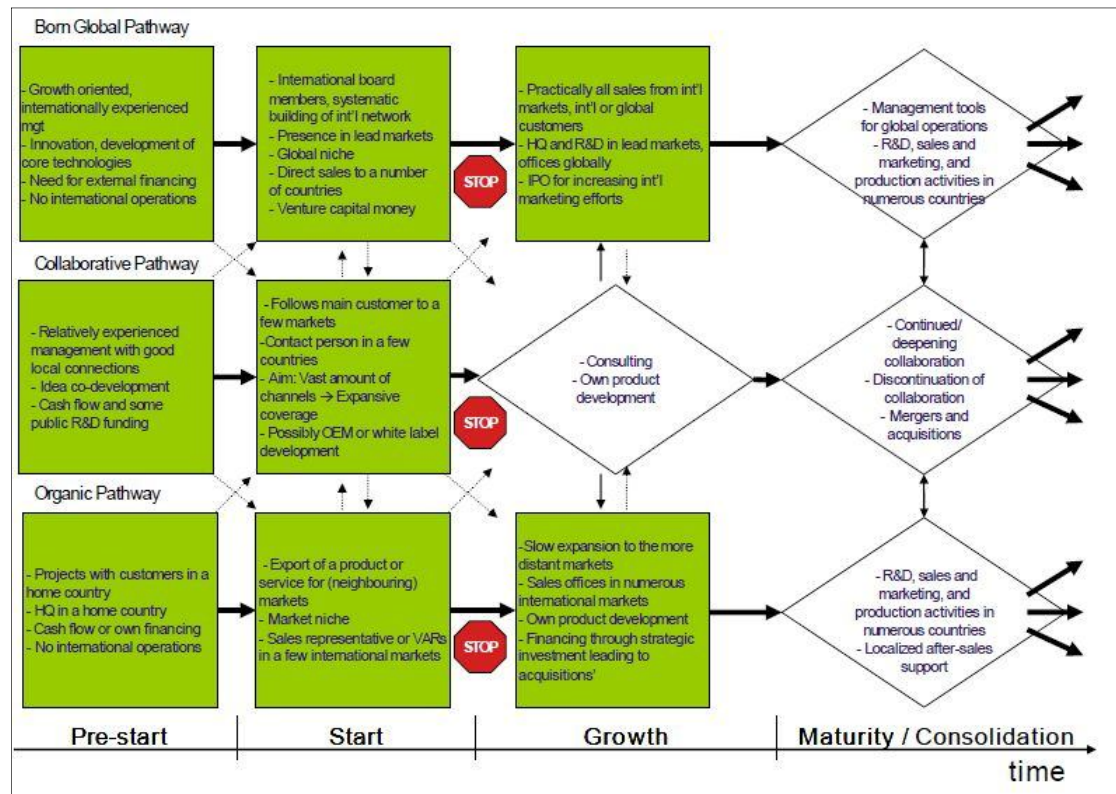


FIGURE 7. Internationalization Pathways (Äijö et al. 2005, 29).

In Born Global pathway, firms undergo rapid growth through internationalization. Company which falls under Born Global company characteristics usually are growth oriented and experienced, innovative and core technology is in-house. High degree of specialization and very intense competition are typical factors for Born Global companies. Needs to reach new markets rapidly i.e. to benefit first mover advantages, to reach sufficient size immediately are examples of the factors which force some organizations to internationalize rapidly. The fast growth require finance and therefore they are often externally financed companies. In order for a company to use Born Global pathway, the organization should have: (Äijö et al. 2005, 19-28).

- A strong and experienced management team with global mindset
- Strong product or service with market potential

- Possibility to external funding

According to Toivo Äijö, Collaborative Pathway is well suited for dynamic software industry which is often pursued through co-operation with different players in the field. Since the burden of internationalization is shared, the collaborative pathway often is seen as the easiest way of reaching international markets. The co-operation is useful tool to fill the gaps in firms own resources and competences. It also can greatly speed up expansion and development. Companies which often choose the collaborative pathway as their pathway of internationalization do lack some key resources needed in internationalization. Such organizations also have a systemic product, idea with co-development or complementary product offering to the potential co-operative.

The collaborative pathway however faces a challenge: Finding the suitable partner and actually co-operating with them. A typical partner for a software company is a local distributor like VAR. A partner usually is responsible for sales and customer support in the chosen market. The selection of the partner may be a tough task since it is both should have product and market specific knowledge and also interest supporting customer base beneficial to both participants. Thus companies often have to give a way some power and keep the core to themselves and because of such nature, a clear partnership and channel strategy is essential in order to succeed. (Äijö et al. 2005, 19-28.)

Since the case company in this study is IMS Business Solutions it is also beneficial to take a look at its competitors. QPR software is the biggest competitor of IMS Business Solutions, offering similar products with few main differences. It was established in 1991 with a mission to create software applications that support corporate-level decision making. From the early stages, QPR has put heavy support in R&D by starting their whole operations in collaboration with ten pilot companies with whom the first product was created. Collaboration with customers and partners has brought QPR Software to the point where it stands today. Now, the firms has a global community of partners around hundred value added resellers and consultants doing cooperation with QPR.

TABLE 5: Real-life example: QPR Software using co-operation (QPR Software 2009).

Organic pathway may be the most common pathway of internationalization since common situation in companies is that they do not have any international experience. Internationalization can be achieved through somewhat slow internal process of learning while doing. The knowledge factor about international markets, especially the lack of it, makes companies focus first on their home markets thus postponing the internationalization. The risks in internationalization must first be at tolerable level.

Organic Growth pathway thus follows the more traditional stages of internationalization:

1. Start of the internationalization in one or few neighboring countries
2. Continue, evaluate and invest. Inexperienced managers learn the process of internationalization.
3. Stop internationalization or enter new and more distant international markets

In order to achieve internationalization with organic growth pathway, a firm needs a efficient management team and strong product and established and strong position in domestic markets. (Äijö et al. 2005, 19-28.)

PATHWAY	LEVEL 1 PRE-START	LEVEL 2 START	LEVEL 3 GROWTH	LEVEL 4 MATURITY/ CONSOLIDATION
ORGANIC	<ul style="list-style-type: none"> • Idea, development of technological know-how • No previous international experience, learning by doing 	<ul style="list-style-type: none"> • Tailor-made product • Reactive, Ad hoc internationalization, opportunity rather than plan • Nearby markets 	<ul style="list-style-type: none"> • Slow growth, bootstrapping to new markets • Transition from project-based to product business 	<ul style="list-style-type: none"> • Building and growing the international network • Possible transformation to Born-Again-Global firm
COLLABORATIVE	<ul style="list-style-type: none"> • Idea co-development, piloting with other (large) firms • Social networks 	<ul style="list-style-type: none"> • Customer followership (possible OEM or White label) • Systemic product? 	<ul style="list-style-type: none"> • Productization and leap-frogging to born global pathway, or drift to organic slower growth 	<ul style="list-style-type: none"> • Continuing collaboration vs. dissolution
BORN GLOBAL	<ul style="list-style-type: none"> • Innovation, development of core technologies • Internationally Experienced management • Growth orientation 	<ul style="list-style-type: none"> • Packaged product and/or global niche • Proactive, systematic building of international network • Lead markets 	<ul style="list-style-type: none"> • Fast growth, external resources for marketing and financing the growth • Growing the international network 	<ul style="list-style-type: none"> • Active management and maintenance of international network • Expanding product range, continuous innovation

TABLE 6. Summary of Internationalization Pathways. (Äijö et al 2005, 33).

The pathway for the IMS Business Solutions was the same as for its competitor QPR software. That is the reason why IMS has taken great care, in its internationalization process, to make sure that the potential partners are local VARs and the cooperation works smoothly. How to find the balance between the power levels with the partners is a challenge which will be covered with issues included in the contracts such as reporting and pricing. Collaboration with customers and partners will be one of the key issues in the internationalization of the company.

5.2 Entry strategy and target selection

Once the company has decided to internationalize and has met the requirements in internationalization at some point, it is time to develop entry strategy. When developing the entry strategy, companies have to carefully analyze where does it want to go; the selection of right international market. This often requires a global marketing research. (Hollensen 2007, 152).

Finpro and IMS Business Solutions together have developed action plan to see the most attractive markets and then go through a market research to see the actual potential. The process will help IMS to understand the real potential within the country and narrow the possibility of failure if the challenges are shown before the company has made any efforts to really move towards the country.

“Selecting the target country and product for internationalization is a crucial decision that may ultimately make or break the company.” Toivo Äijö.

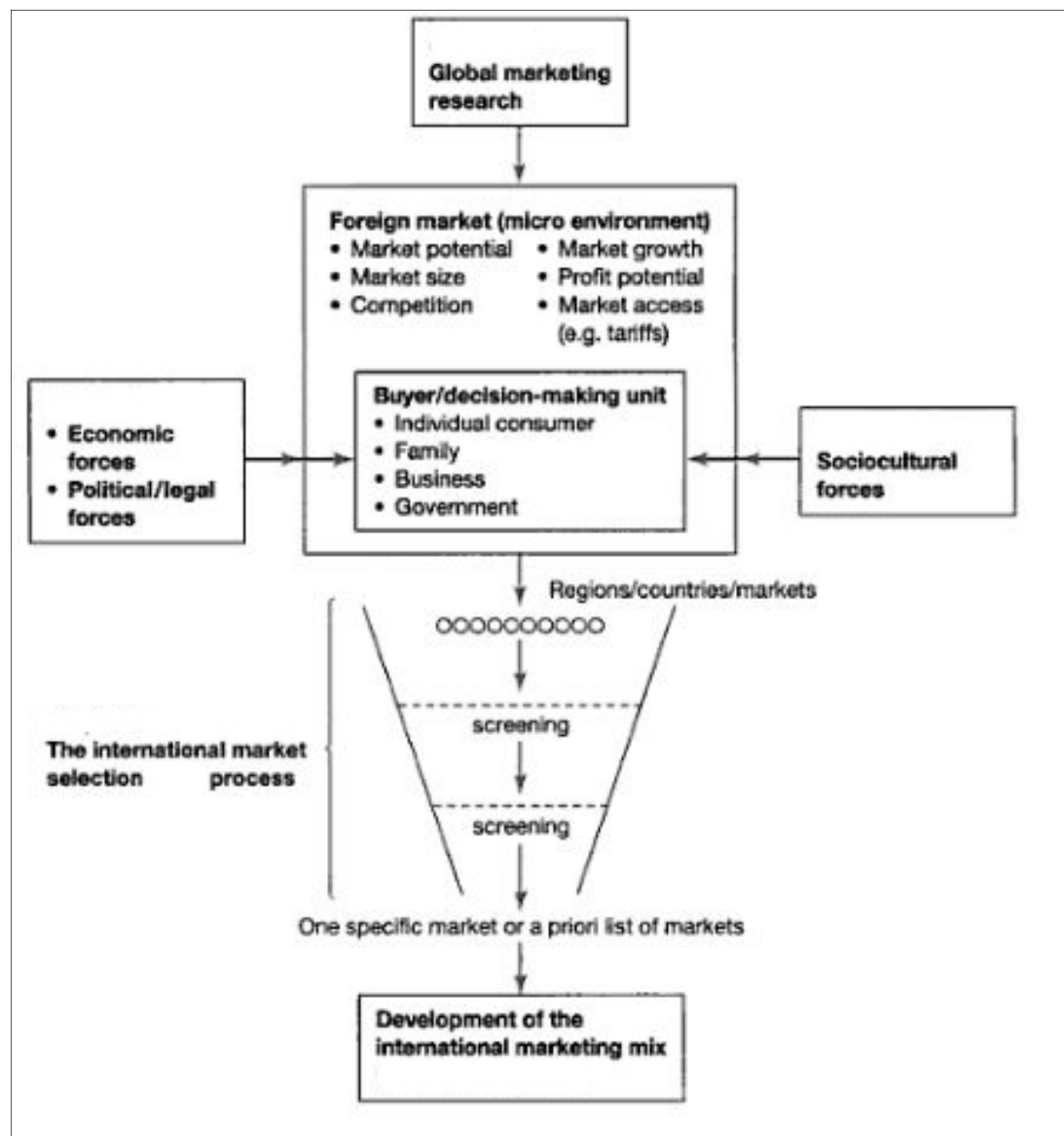


FIGURE 8. International market selection process (Hollensen. 2007, 152)

Organizations need information to develop strong international marketing strategies. Information is a key element, which helps organizations to find the most potential countries and segments thus revealing which markets to enter. Lack of knowledge about the customers, other players in the field and the dynamic nature of international markets is a factor every company should take to consideration when starting to internationalize. Global market research is a challenging task, since researcher has to take into consideration many different countries, which may differ greatly from the company's home country. Therefore the international marketing decisions are concerned with priorities and resource allocation between countries. (Hollensen 2007, 153.)

5.2.1 Country selection

The country selection is a task that can make the company or break it. Choices serve as distinguishing factors in terms of internationalization path. Depending on the path the company is going to take, the selection will differ due to the most critical factors on each pathway. (Äijö et al 2005, 90).

Since there are about 195 countries in the world and the challenge is to find “the best” for the internationalizing company, an international market selection screening process is required. The international market selection process is a challenging task, but still achievable.

Roughly considering a group of countries - according to which pathway the company is going to take – is a good way to start screening. Finpro has developed a tool to reveal the country potential in the country and segment selection. The tool takes into consideration all the factors affecting the micro-environment of foreign markets by assigning criteria and giving weights to these criteria according to the importance of the criteria to the company. After that the selected countries are graded and final score is received by multiplying weight with the grade. *Weight x Grade*. (Riippi. Go Global Workshop 4. 2009.) The criterion has to be generated in relevance to the company wishing to internationalize. Examples of the criteria may be i.e.

- Distance
- Culture
- Business language
- Availability of partners
- Economic situation of the country
- Competition
- Market size
- Market growth

Developing the criteria is the easy part in this task, since the country related knowledge may be hard to get. As we have discussed before, generating primary data may be expensive so many times the use of secondary data is

essential for SME companies, <Thus the fewer countries there are, the easier the job is going to be. Using the tool presented by Finpro is one way to advance in the international market selection process as presented in figure 7.

5.2.2 Case example: IMS Business Solutions

Since IMS Business Solutions offers Integrated Management System solution, many of its customers buy the product because their goal is to achieve certification for the company. That is why it is important to take a look one of the criteria affecting the market selection with IMS which is ISO certification trend in global economy.

ISO (International Organization for Standardization) is the world largest developer of voluntary International Standards for business, government and society. In its portfolio it has more than 17 400 standards that provide solutions and achievable benefits for almost every sector of economic activity. ISO 9001:2000 and ISO 14001:2004 are the most well known and used and they give the requirements for quality management and environmental management systems. They are used worldwide by many businesses regardless of size. (The ISO Survey. 2007.)

The ISO survey 2007 presents the figures about the number of companies with certain certificate in various countries. Just by looking the certification trends, IMS can see and analyze “does the selected country have companies who are also going for the certificate?” and grade them accordingly.

ISO 9001: number of companies						ISO 14001: number of companies			
	2003	2004	2005	2006	2007		2005	2006	2007
Finland	1861	1784	1914	1986	1804	Finland	923	935	822
Sweden	3107	4687	4744	4839	5233	Sweden	3682	3759	3800
Denmark	935	1050	1219	1840	1795	Denmark	837	995	982
Norway	1171	1368	1410	1467	1703	Norway	452	566	618
Estonia	261	438	489	577	625	Estonia	148	173	169
Germany	23598	26654	39816	46458	45195	Germany	4440	5415	4877
UK	45465	50884	45612	40909	35517	UK	6055	6070	7323
China	96715	132926	143823	162259	210773	China	12683	18842	30489

TABLE 7. Number of certified companies. Adapted from The ISO survey (2007).

5.2.3 Market and segment selection

After the target country (or countries) are chosen, the target market has to be selected in the chosen country. That specific market is most commonly called segment since companies do not always sell i.e. people of certain age if their product does not serve them at all. According to Äijö et al. and Pekka Riippi from Finpro, it is helpful to differentiate the terms target market and segment. In another words, subcategory of your chosen market. Of course, this is not always a must, but companies should ponder should they segment the market or not. In fact, the product chosen to be exported, often makes the segment selection automatic. So both, the target product and target country are selected on the basis of total market potential and the potential is estimated on the criteria from which we talked about earlier. (Äijö et al. 2005, 90. Finpro. 2009.)

In the selection of target market, you can use similar tool like the one presented in the country selection, but with some minor differences.

To decide the target segment, companies have to first find out the most potential target and then analyze in which segment they have the most

competitive edge. (Finpro. 2009) So the process of deciding the target segment comes in two steps. (1) Finding the most potential segment and (2) evaluating in which segment the company has most competitive edge. When setting the criteria for the potential segment, a company set the criteria “selfishly” and the criteria for the competitive edge is thought from the customer point of view, in other word “unselfishly” with the question in mind “How well do we serve in this segment?”. (Riippi. Go Global Workshop 4. 2009.)

After both of them have been evaluated, the results are allocated according the example in the following figure 9.

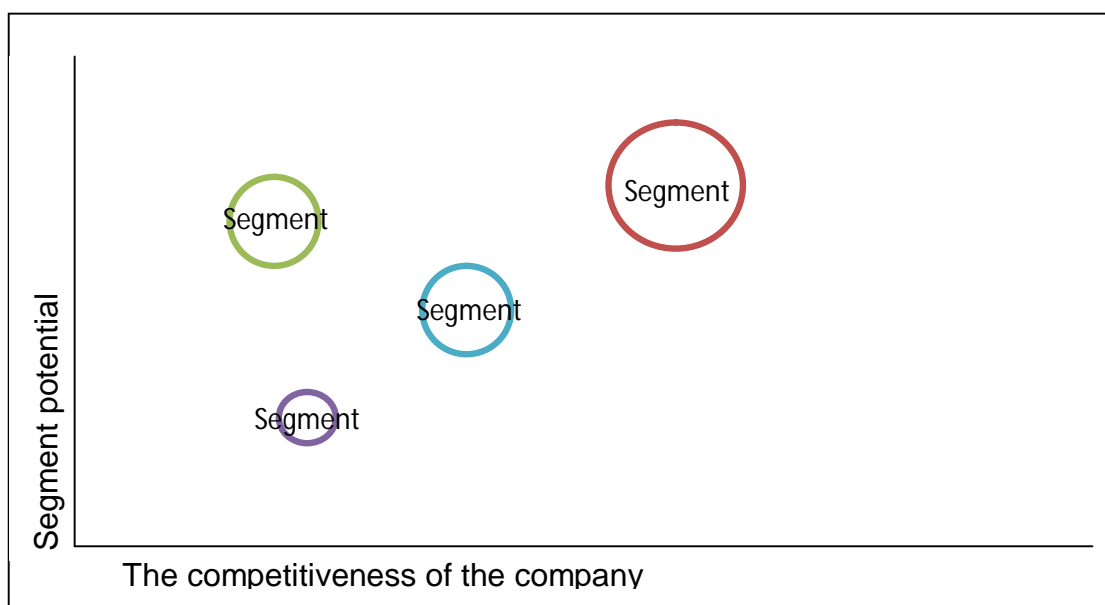


FIGURE 9. Tool for analyzing the “right” segment (Riippi. Go Global Workshop 4. 2009).

5.3 Entry modes

How to get the products to the chosen foreign market is a crucial question and it involves analyzing the suitable entry mode for the company. The entry mode selection process includes market, sales and distribution channels and partners. The typical entry modes of Finnish software companies are direct export and foreign retail through VARs. (Äijö et al. 2005, 98). Once the country and target market(s) have been selected, the choice of entry-mode

comes relevant, in other words; the best way how to get to the chosen market. International market entry mode is necessary for the entry of company's products and services to the foreign country. In case of many SMEs the entry mode decision is the critical first step in their path to internationalization. (Hollensen. 2007, 291-293.)

There are various different export modes for a company to consider and each has their own characteristics. The figure 10 below presents common entry modes and demonstrates the level of risk included. Common situation is that in the beginning company wishing to internationalize lacks resources or experience thus making it normal for a SME to resort to less demanding modes of entry such as indirect or direct exporting, which are seen as relatively safe options and doesn't require lots of capital. (Äijö et all. 2005, 96.)



FIGURE 10. Entry modes with required investments and risks involved (Äijö et all. 2005, 100).

5.3.1 Factors affecting entry mode decision

Organizations international entry mode decision is result of many important factors presented in the demonstration of Michael Hollensen in figure 11. Hollensen states that the general decision of entry mode should be considered in light of expected contribution to profits. This however is a challenge since common situation is that lots of the necessary information is missing or hard to get. (Hollensen 2007, 297.)

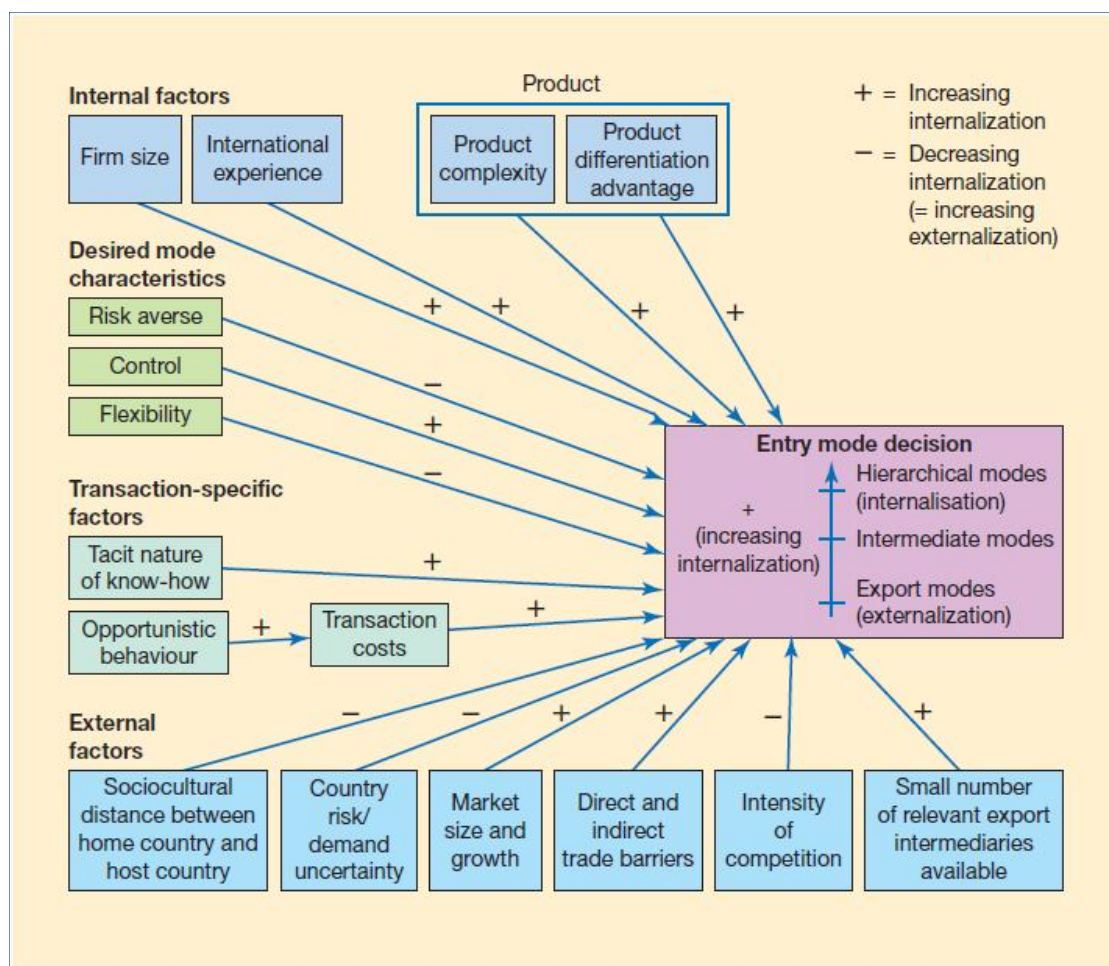


FIGURE 11. Factors affecting entry mode decision (Hollensen 2007, 298)

Internal factors affecting the entry mode decision are company's size, international experience and the product offered. The company's size demonstrates the availability of resources which enables more resources to gradually expanding internationalization process. In the case of SMEs they tend to choose export modes which require lesser amount of input from a company itself. International experience of managers is also a factor affecting the entry mode decision which in case of SMEs is also a factor that guides software companies to cooperation or distributors. The international experience also reduces costs and uncertainty which speeds up the internationalization process. Yet the product itself can also affect the choice of entry mode since products vary in their characteristics and usage thus making the sales process altogether different in many cases. (Hollensen 2007, 298-299.)

External factors affecting the international entry mode are sociocultural distance, country risks, market size and competition. Sociocultural distance refers to similarity of countries. It is easier to do business with who share the similar mindset and culture. Country risks include the assumption that foreign markets are more uncertain than domestic ones. It is also a risk to the inventories and company's receivables which affect the entry mode decision. There is also the factor of political uncertainty which may harm the company if things go awry. Market size affects the choice of entry mode since if the market is growing, the more likely is that managers continue to invest in it. If the market is already full of competition it makes the market less profitable, so there is little for a company to gain in those markets which thus affect the choice of entry mode. (Hollensen 2007, 299-301.)

One major factor affecting the choice of entry mode is the desired mode characteristics. Those characteristics include risk averse, control and flexibility. Depending on the company and the availability of resources, companies may want to be risk averse, thus naturally tending to choose export modes which do not require heavy investments or experience. This mindset can offer solutions such as joint-ventures and cooperation between firms. One factor which affects is the amount of control company wishes to maintain in their global actions. Control however is closely linked to the resource commitment so entry modes with low cost are usually with little control. And finally there is flexibility which can be acquired with lots of control. (Hollensen 2007 301-302.)

IMS choice of entry mode is clear since the nature of the business favors value added resellers and consultants as partners since the product needs substance skills in the consulting parts. The product itself is a tool for the management and requires consultants and experts to deliver the best results. So the entry mode for IMS Business Solutions would be somewhat typical, foreign retail through VARs and consultants.

6. RESULTS

IMS Business Solutions is a small company consisting of fourteen employees with clear vision where they want to be in the future. Due the challenging nature of the business environment of the company has faces forced IMS Business Solutions to learn and develop in a rapid pace. The personnel possess unique skills and experience from the related business field which has now transformed to the current output of IMS Business Solutions in relatively short time. The collaboration with Finpro and efficient R&D of the company enable the internationalization process to commence.

The internationalization process is no doubt very challenging for most SMEs because of the lack of resources smaller companies have, but IMS Business Solutions is able to adapt its current situation by making the right strategic decisions, with the help of Finpro. Building the international sales channel may be one of the most challenging subjects in IMS Business Solutions history. The strong customer base of IMS Business Solutions has in Finland will help the internationalization process in form of credibility. The lack of international experience will most likely to slow down the company's internationalization process, but once again with right strategic actions, those gaps can be filled and IMS Business Solutions will learn by doing.

IMS Business Solutions has thought about internationalization for a considerable time and slowly it has prepared to its arrival. After participating in Globaali in 2008 (A intensive internationalization course provided by TE-keskus) all the necessary marketing material is already or almost done, the right personnel for the job has been hired, so the prerequisites for the internationalization are now somewhat met. To fully understand its current situation in light of the internationalization, a SWOT-analysis has now been made, shown in figure 12 to form further strategies for internationalization. The SWOT analysis is a summary of the company's current situation and it will work as a basis of success and strategy choices.

<p>Strengths</p> <ul style="list-style-type: none"> • Know-how in Integrated Management Systems • The Ease of use of the product • The extent of the software • Existing References • Pricing 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of international experience • Customer service • Partners • Lack of resources • Lack of International pricing
<p>Opportunities</p> <ul style="list-style-type: none"> • Revenue growth • International references • Development suggestions from International actions 	<p>Threats</p> <ul style="list-style-type: none"> • Channel preparation • Competition • Partnership selection

FIGURE 12. SWOT-analysis of IMS Business Solutions

The product, IMS software is browser based solution so the importance of world wide web has become a clear choice as a distribution channel. Therefore, the SaaS model work to the company's benefit and is a natural choice to keep the costs of distribution low and easy. Internet alone is a poor sales channel, and with the product such as IMS solution, the sales process is long and time consuming process since the quality manager of the customer organization has to "sell" the benefits of a integrated management system to the whole company. So what IMS Business Solutions actually sells is not only a software to support manager level decision-making, but instead a whole way of running business. While the software is browser based, a physical presence of IMS Business Solutions is still required in the foreign country. Because of that, and the sheer lack of resources, a collaboration pathway will work and serve the best interests of the company. It is quite clear, why the similar companies around the world all seem to choose this internationalization path.

The customers of the company vary in size and industry. This has lead to a situation of careful customer segmentation, where factors like the ease of sells process has influenced the final outcome. The most potential customers have now been segmented, and therefore it is clear to which segments IMS

Business Solutions should target in the foreign markets. The country selection should take into consideration the amount of resources the company has sociocultural factors. The choice of foreign market segment is thus based on careful analysis of the domestic and foreign markets. The potential segment in mind, it is easier to set strategy accordingly and make the necessary adjustment for example to the company's web page which is a process that is currently already underway.

The collaboration pathway is well suited for software industry which is often pursued through co-operation with different players in the field. The collaborative pathway is also seen as one of the easiest way of reaching international markets thus making it useful to fill the all the necessary gaps IMS Business Solutions lacks. It will most likely also speed up the expansion and development. The collaborative pathway however does not come without challenges. Finding the suitable partner and actually co-operating them has been challenge to IMS Business Solutions already in Finland, so the subject have to be tackled in order to internationalization to succeed. It is likely, that IMS Business Solutions have give a way some power still keeping the core to themselves. A typical partner for a software company is a local distributor like VAR which will work in the case of IMS Business Solutions if the right kind of VAR is found. To partnerships to work, the company has to develop a clear partnership strategy which shows clearly from where the partner and IMS Business Solutions are going to make money.

7. CONCLUSION

This thesis hopes to clarify the whole internationalization process to help the decision making process of IMS Business Solutions considering the company's internationalization plans and demonstrating solutions and possibilities of how to achieve the wanted results. The aim of the author was to fill the knowledge gap considering the internationalization of SME sized software companies, what it requires and how to continue the actual internationalization process. While the company may have had some of the information through the previous preparations with internationalization, a

stronger base of theory hopefully clarifies the further steps of how to continue. IMS Business Solutions has all the potential to grow and establish global actions, and the importance of managerial skills about internationalization becomes more important each passing day. With this in mind, IMS Business Solutions has to be careful to keep its key personnel since the managerial knowledge about internationalization usually falls under one individual in smaller companies. Key personnel leaving the company thus imposes a threat to the company and hinders the internationalization process. Hiring outside help, like in the case of Finpro's Go Global program, may prove to be vital in order for the company's internationalization to succeed.

While IMS Business Solutions Oy has a technologically competitive product, the author still believes that the full capacity of the company is not in use. At the moment, the majority of the resources have been directed to the development of domestic actions and customers, thus making the internationalization process a somewhat secondhand objective. Growth happens when opportunity arises and there are employees committed to the task, that is the reason why keeping those managers in the company and assigning resources to the internationalization is crucial.

Enhancing customer base through partnerships requires work in the form of partnership offerings in international markets as well as altogether remaking pricing in the global atmosphere. It may be that the establishment of partnerships with foreign VARs is the key component to the company's internationalization. Because of that, the partner screening process should be done with extreme care, and the company should come up with solutions of what it is willing to share and what it wants to control. Therefore, the input of the managers and owners into the channel preparation process is required, and cannot be done with one individual committed to the task at hand. It is clear that internationalization requires the attention and full support of the whole company to succeed.

By carefully following the concrete steps in internationalization as shown in figure 6., IMS Business Solutions will sooner or later have established its first global actions outside of domestic markets.

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