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INTERNATIONALISATION OF FINNISH SMEs TO DEVELOPING MARKETS,

Case: Viope Ltd and Ho Chi Minh City, Vietnam

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ABSTRACT

Internationalization is a common trend for small and medium sized software companies to expand out of the saturated domestic markets. The purpose of this study is to describe the internationalization planning of the case company, Viope Ltd, towards developing market of Vietnam. The study hopes to answer the question what are the prerequisites companies need to meet according to internationalization and also desk research about the reaction of target market towards company's product. The study is divided into 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 Viope Ltd. The study focuses on factors affecting the international pathway decision. Factors such as level of risks involved, amount of international experience, product orientation are presented.

Keywords: internationalization, internationalization planning, internationalization process, developing market, SMEs, software company, Viet Nam

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1 INTRODUCTION

This chapter aims at presenting the main idea of the study and the reason why this topic is chosen. Firstly, in section 1.1, a little bit about the background of the study is mentioned. Secondly, research objectives and questions are given in section 1.2 while the research methodology continues in section 1.3. Lastly in section 1.4, thesis structure is described with a clear illustration.

1.1 Background for thesis

Internationalization is something that most companies must face nowadays at some point, at some level. Global mergers, acquisitions and expanding markets are only some of the situations a company has to be able to adjust its operations from local level to international level to be successful. (Ducuing & Gallo 2010)

Internationalisation among small and medium-sized enterprises (SMEs) has been an emerging topic in the global business. It is considered as an option for companies to continue their future growth and expansion of their business.

The final report of European Commission about Internationalisation of European SMEs clearly states that the act of going global has many positive effects on SMEs themselves as well as the economies involved. There is higher turnover growth of internationally active SMEs and a higher employment development. Moreover, the relationship between internationalization and innovation is stronger in an international firm. The percentage of new products and services introduced to the market is 28% compared to 8% of SMEs with less international involvement. (European Union 2010). Therefore, internationalisation of SMEs is regarded as an outstanding strategy for every firms and organizations.

During a practical training period with Viope in 2012, the author had an invaluable chance to get access to the current cooperation topics between the case company and some African partners. Through the author's own observation, there are a big chance for the case company to participate in the internationalization process and choose Vietnam as an investment destination.

One of many obstacles faced by Finnish company is the serious lack of information about the target market since they do not speak the same language and there are rare English resources about companies as well as their products in the virtual network. However, if the company can get hold of the right information, go on the right way, there are big chances for Finnish environmental enterprises to be successful in any challenging markets.

Keeping all that in mind, the author conducts this study with a hope to assist the case company reaching its pathway of internationalisation to developing market like Vietnam.

1.2 Research objectives and questions

This study aims at analyzing and evaluating Vietnam as a new market for the case company to export their products. Hereby various analysis methods as well as information sources are used so as to give a solid understanding about the market and the future prospect of the case company's internationalization. In the pursuit of study's objectives, the following research question is formulated:

“ Is Ho Chi Minh city of Vietnam considered as a potential market for the case company to export their business? ”

To provide a sufficient answer to the above question, four sub-questions are raised:

1. What are the characteristics of the case company's products?
2. What is the need for the case company to go global ?
3. How competitive is the e-learning market in Ho Chi Minh city?
4. What are the case company's internal resources for the internationalization process

1.3 Research method

Table 1 summaries the methodology pursued by the researcher.

TABLE 1: Research methodology

Research approach	Deductive
Research method	Qualitative research method
Data collection	Primary sources : practical training data, interviews Secondary sources : Books, articles, journals

The research approach applied in this study is deductive, which means that conclusions are made based on the data that is collected and analysed. There is a different research approach, which is inductive.

Deductive approach starts at a theory or hypothesis, a study or research is carried out to test the validity of that theory or hypothesis. (Saunders et al, 2009) The purpose of this study is to explore and conclude on the research question through literature and interviews.

The research method used in this study is qualitative. Qualitative data refers to non-numeric data, which can be obtained through interviews and written reports. In qualitative research the aim is not to measure statistically but to understand and interpret the reasons and meanings of the phenomenon. Hence, the researcher plays an important role in analyzing the data in qualitative research approach. There are different techniques for carrying out a qualitative study, for example group interviews, structured interview, and participatory observation. (Saunders et al, 2009)

The theoretical part of this thesis is mainly based on literature relating to internationalisation management. The empirical part of the research is based on material collected from Viope Oy and from semi-structured interviews of some key persons at Viope. These people are those have been participating in the internationalization process of the company.

According to (Saunders et al, 2009, 68), multiple literature sources are necessarily used to develop a fuller understanding of the research. There are three categories of information sources namely primary, secondary and tertiary. And this study collects data from only secondary and primary sources. Primary literature sources are data that have been observed or experienced by the researchers (Walliman, 2010, 69). On the other hand, secondary sources refer to subsequent writings, reports, journals of primary sources collected and published by other researchers (Walliman, 2010, 69). Various methods for collecting primary data consist of field observation, semi-structured interview, and email interviews.

1.4 Thesis structure

This thesis has seven chapters in total which is roughly showed in figure 1. There are two main parts which are theoretical and empirical.

The theoretical part of this thesis is mainly based on literature relating to internationalization management. Some related issues like initiation of internationalization, international market selection, international market entry modes and market risks are mentioned.

The empirical part of the research is based on material collected from Viope Oy and from semi-structured interviews of some key persons at Viope. These people are those have been participating in the internationalization process of the company. Chapter three and four act as external analysis and internal analysis for target market and Case Company respectively.

After thorough studies about all parties and related matters, the author comes up with a suggested implementation plan consisting of three stages (short term, middle term, long term) with an attempt to assist Viope Oy expanding their business into Vietnames market.

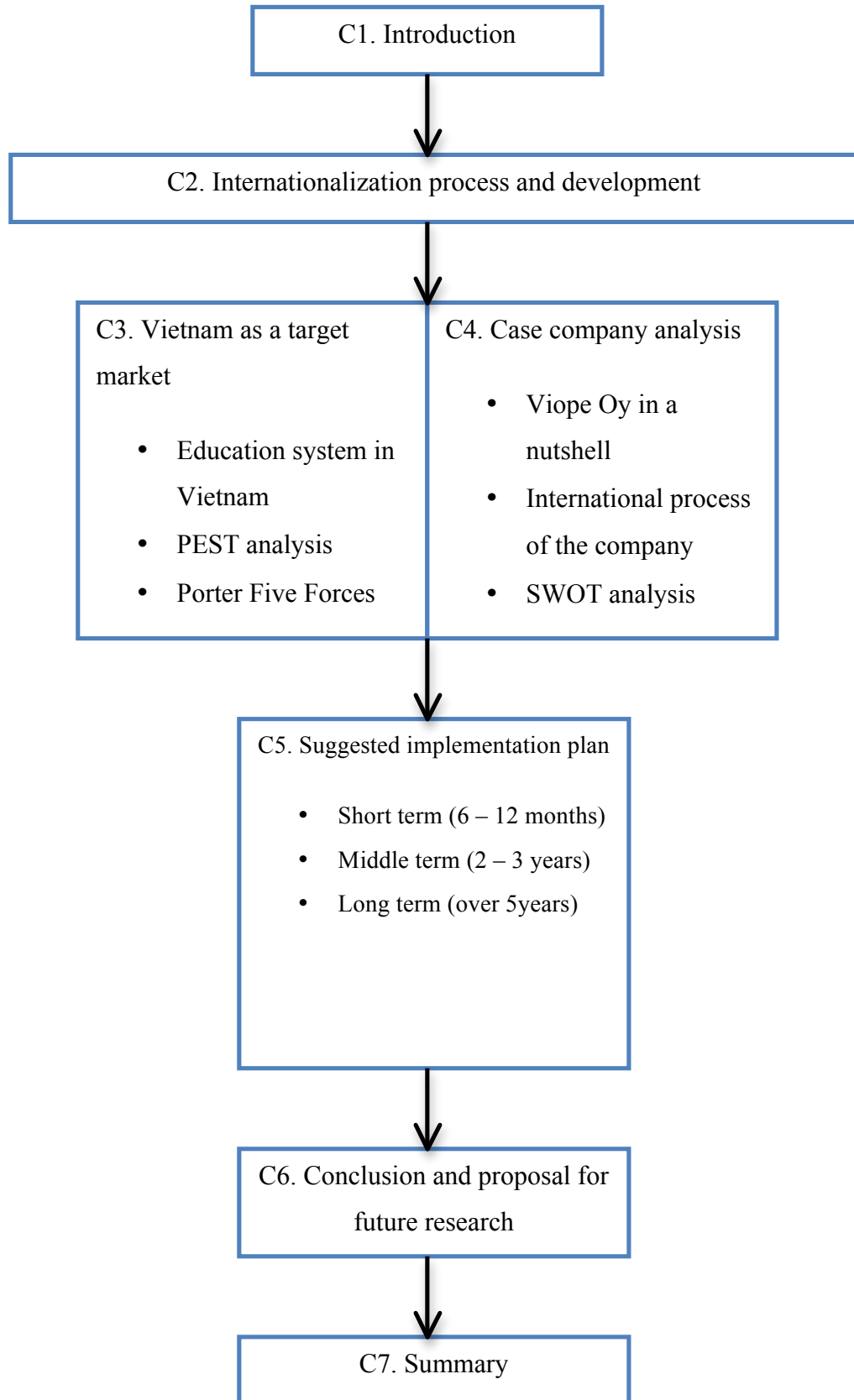


FIGURE 1. Thesis structure

2 INTERNATIONALIZATION PROCESS

Internationalization can be thought of as a process, end result or also as a way of thinking. A firm becomes increasingly internationalized as it becomes more involved in and committed to serving markets outside from its home country. (Albaum et al, 1998)

In this chapter, the author will discuss about five aspects: internationalization drivers, internationalization process, the choice of target market, international market entry modes and risk managements.

2.1 Internationalization motives

There are many reasons for internationalisation. However, the most significant motive is to grow and make profits. When taking a more precise look, the motives for internationalization can be divided to reactive and proactive ones. They are summarized in table 2.

Many enterprises have multiple motives for their internationalisation, however, one motive is usually the primary and the rest are secondary motives. (Albaum et al, 1998)

TABLE 2. Major motives for starting export (Hollensen, 2008)

Proactive motives	Reactive motives
<ul style="list-style-type: none"> • Profit and growth goals • Managerial urge • Technology competence or unique product • Foreign market opportunities or market information • Economies of scale • Tax benefits 	<ul style="list-style-type: none"> • Competitive pressures • Domestic market : small and saturated • Overproduction or excess capacity • Unsolicited foreign orders • Extend sales of seasonal products

Proactive motives are described as stimuli that create a firm-initiated strategic change, and reactive motives as a set of reasons that influence the enterprise to respond and adapt to changes imposed by the outside environment. (Hollensen, 2008, 35).

2.1.1 Proactive reasons

A major proactive reason when going international is to gain profits. The desire for short-term profit is especially important to SMEs, especially for those who are at the initial stage of going global. The motivation for growth may also be of particular importance reason. The stronger the firm's motivation to grow, the greater will be the activities it generates in order to fulfill profit and growth ambition.

Managerial urge is reaction, desire as well as enthusiasms of company management towards internationalisation process. Managerial attitudes play a critical role in determining the exporting activities of the firm. Still, it simply reflect the entrepreneurial motivation which is a continuous growth and market expansion. Moreover, it can often provide a good reason for international travel. (Blomstermo, 2003)

Another motivation is when a firm is able to produce a distinguish goods or services with technology competence or we can say a unique product. However, firms should be aware of the international market where their unique products have twins.

What is more, market opportunities can act as stimuli in case the firm has securing necessary resources to respond to the opportunities. It is tempting to fly outside of your nest but it is only safe when you are ready.

Being a global marketer may enable the firm to increase its output and then climb more rapidly on the learning curve. At the first level of internationalization it

means an increased search for export markets. Later on it can result in launching subsidiaries and foreign production facilities.

Last but not least, tax benefits can also play a major motivating role. In foreign market, firms are able to offer its products at a lower cost and accumulate a higher profit. Therefore, this motive ties in closely with the profit motivation.

(Blomstermo, 2003)

2.1.2 Reactive reasons

The main reactive reason is a reaction to competition. The enterprise may fear of losing market share in its domestic markets to other domestic rivals or to international firms doing business in its country. Another fear is that the enterprise may also lose foreign markets for domestic rivals if it could not act fast in deciding to internationalise.

Moreover, it drives the firms to move to international markets when its products' lifecycles become shorter. Especially, in many developing countries, there is still a need for products which have already a declined demand in many other industrialized countries. (Cavusgil, 2002)

2.2 Choosing target markets

It is important to identify the right market to enter. It is major determinant of success or failure of the company in the early stages of internationalisation. This decision has influence on the nature of foreign marketing programmes in the selected countries.

The international market selection (IMS) process is different in small and medium-sized enterprises (SMEs) and large-scale enterprises (LSEs).

According to (Hollensen, 2008), the IMS of SMEs is based on the following criteria:

- Low “psychic” distance: uncertainty about foreign markets and difficulty of acquiring the information about the market. Psychic distance has been defined as differences in languages, culture, and political system, level of education or level of industrial development.
- Low “cultural” distance: low differences between the home and destination cultures
- Low geographic distance

There are several potential determinants of the firm’s choice of foreign markets. These can be classified into two groups: environmental and firm characteristics, shown in figure 2.

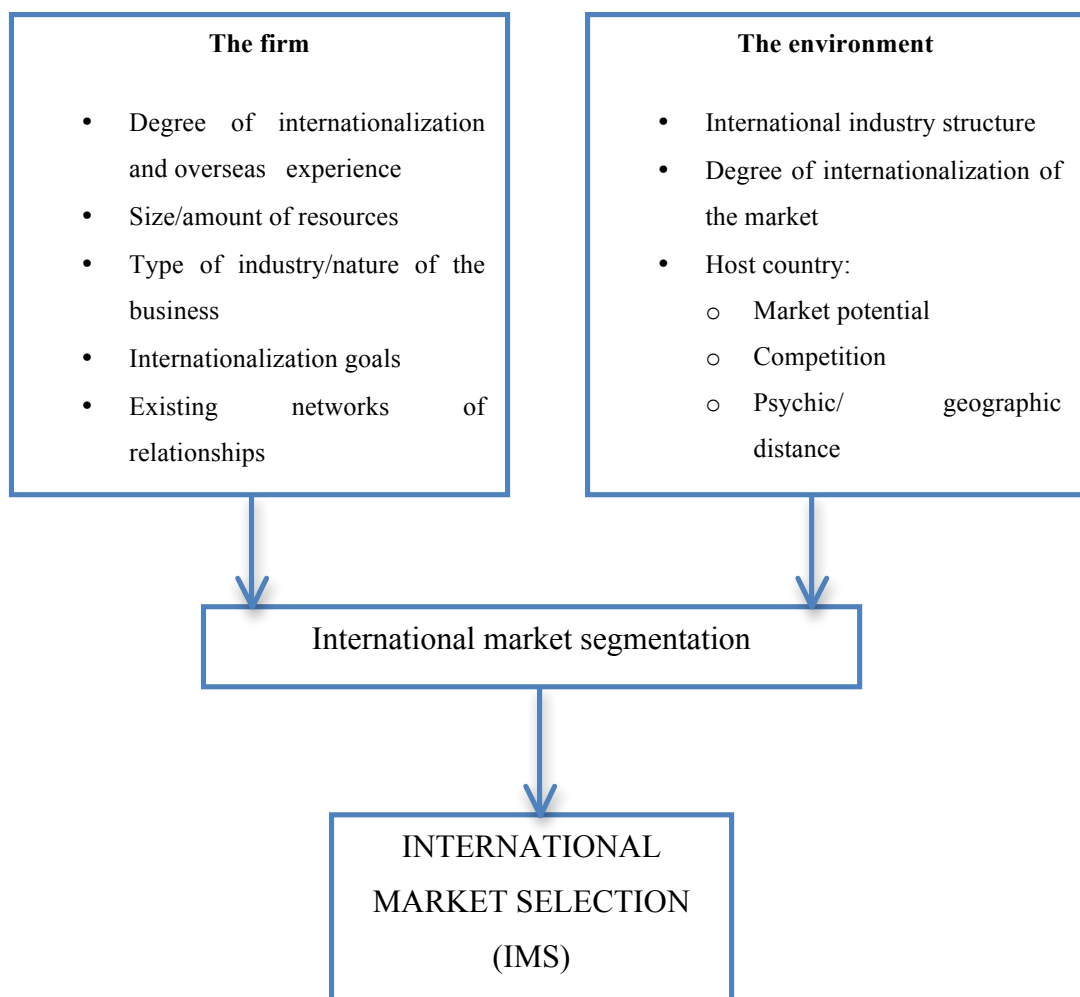


FIGURE 2. Potential determinants of the firm’s choice of foreign markets (Hollensen, 2008)

Taking any one of these criteria into account will help firms to enter new markets with successively greater psychic distance.

2.3 International market entry modes

Once target markets have been chosen, the question remains is what is the best way to enter those markets. An international market entry mode is an institutional arrangement necessary for the entry of a company's products, technology and human capital into a foreign market.

For most SMEs the market entry represents a critical first step. Different of entry modes are combined by firms to develop a specific foreign market and also to compete with each other.

2.3.1 Classification of market entry modes

There are three main groupings of entry modes, which are available to companies that wish to take advantage of foreign market opportunities. There are different degrees of control, risk, and flexibility associated with each of these different market entry modes.

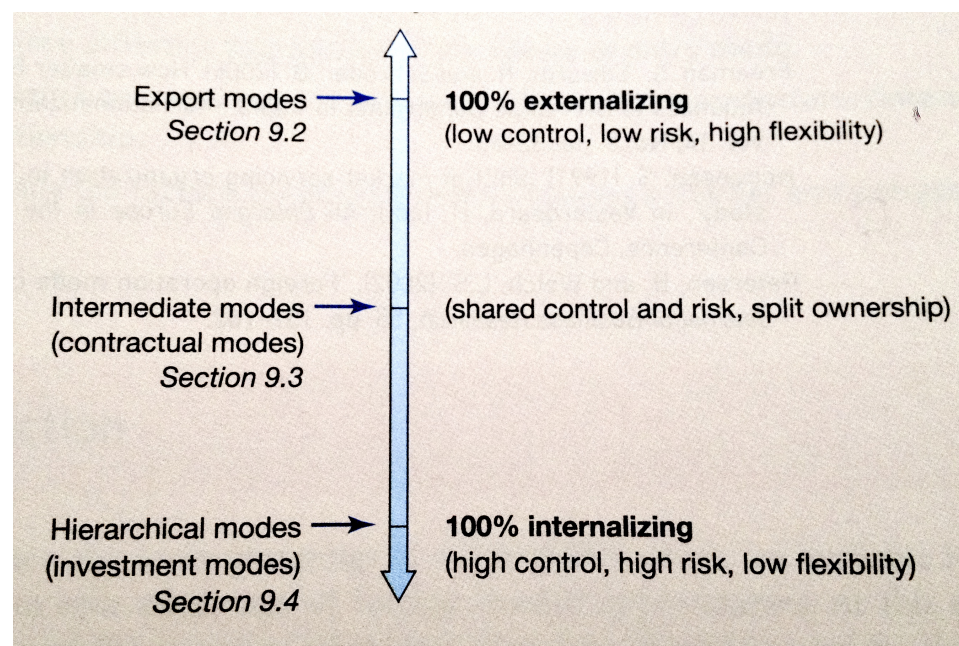


FIGURE 3. Classification of market entry modes (Hollensen, 2008)

- Export modes: there are three major types of export modes may be identified
 - i. Indirect export: domestic companies perform exporting activities without the manufacturing firms' involvement in the foreign sales of theirs products
 - ii. Direct export: producing firm takes care of exporting activities
 - iii. Cooperative export: involves collaborative agreement with other firms when performing exporting activities

- Intermediate modes (contractual entry modes)
Licensing, franchising, contract manufacture, technical agreement, co-production agreement.

- Hierarchical modes (Investment modes)
 - i. Joint ventures
 - ii. Foreign direct investment (FDI) and acquisition

2.3.2 Factor influencing the choice of entry mode

As shown in figure 4, four groups of factors are believed to influence the entry mode decision:

- i. Internal factors
- ii. External factors
- iii. Desired mode characteristics
- iv. Transaction-specific behavior

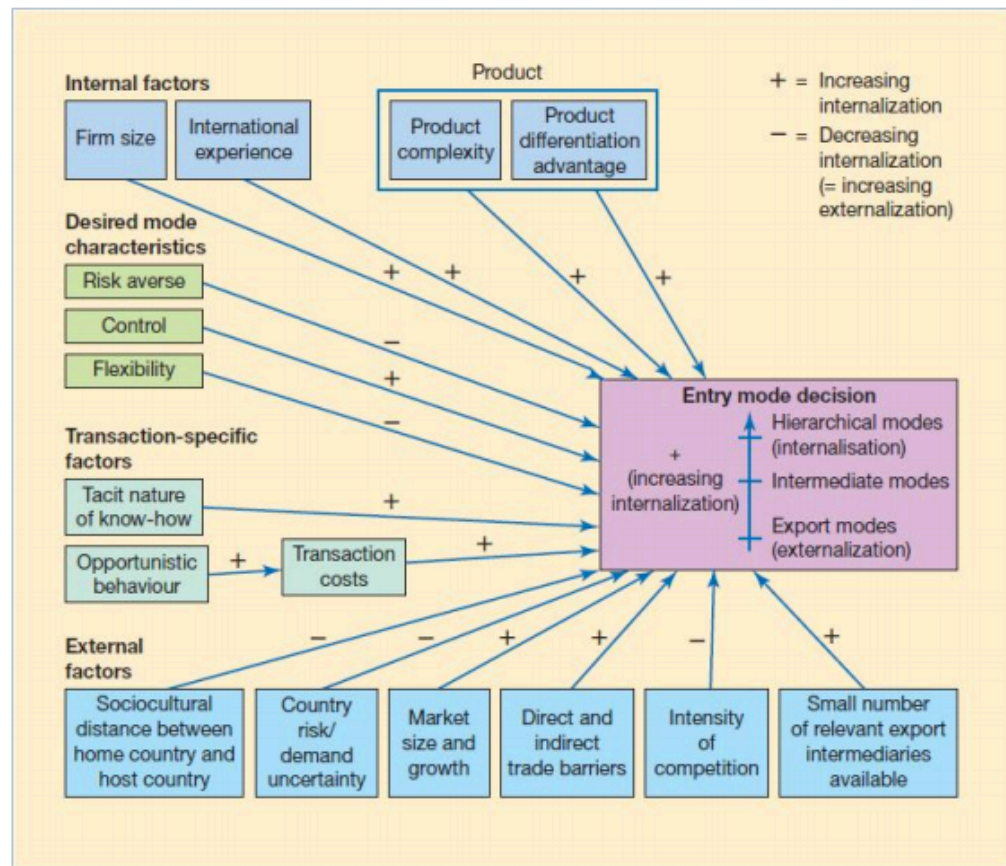


FIGURE 4. Factors influencing the choice of entry mode (Hollensen, 2008)

Internal factors affecting the entry mode decision are company's size, international experience and the product offered. The company's size determines the availability of resources. In the case of SMEs they tend to choose export modes, which require lesser amount of input from a company. International experience of managers can act as a factor affecting the entry mode decision. 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. (Hollensen, 2008,298-299)

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 always easier to do business with those who share the similar mindset and culture. Country risks include the assumption that foreign markets are more uncertain than domestic ones. Market size affect the choice of entry mode since 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, 2008,299-301)

One major factor affecting the choice of entry mode is the desired mode characteristics. Those characteristics include risk averse, control and flexibility. (Hollensen, 2008,301-302)

2.4 Market risks and entry barriers

According to (Hollensen, 2008), critical barriers in the process of internationalization may generally be divided into three groups: general market risks, commercial risks and political risks, which are illustrated in the table below.

TABLE 3. Market risks and entry barriers (Hollensen, 2008)

General market risks	Commercial risks	Political risks
<ul style="list-style-type: none"> • Comparative market distance • Competition from other firms in foreign markets • Differences in product usage in foreign markets • Language and cultural differences • Difficulties in finding the right distributor in the foreign market • Differences in product specifications in foreign market • Complexity of shipping services to overseas buyers 	<ul style="list-style-type: none"> • Exchange rate fluctuations when contracts are made in a foreign currency • Failure of export customers to pay due to contract dispute, bankruptcy, refusal to accept the product or fraud • Delays and damage in the export shipment and distribution process • Difficulties in obtaining export financing 	<ul style="list-style-type: none"> • Foreign government restrictions • National export policy • Foreign exchange controls imposed by host governments that limit the opportunities for foreign customers to make payment • Lack of governmental assistance in overcoming export barriers • Lack of tax incentives for companies that export • High value of domestic currency relative to those in export markets • High foreign tariffs on imported products • Confusing foreign import regulations and procedures

3 VIETNAM AS A TARGET MARKET

3.1 PEST analysis

PEST refers to political, economical, social and technological factors. PEST analysis helps company to detect and monitor trends in the hope of finding their way into the competitive environment.



FIGURE 5. PEST analysis (BECKMANN BIO 2010)

Although each factor is dealt and analyzed in turn; the interrelationships between all four factors of “PEST” does exist.

a. Political Factors

Political factor deals with effects of government policies such as government stability, taxation policy, and government regulation. A player within the industry would have been wise to conduct some form of PEST analysis in order to determine the effects of these politically driven changes within the industry and on their organization.

(Hill, 2009)

b. Economic Factors

Key economic indicators include interest rates, disposable income, unemployment rates, retail price index (inflation), gross domestic product (GDP), and exchange rates. However, economic data can be notoriously fickle and ambiguous. In addition, an economic indicator can never provide a complete picture, but rather provides a snapshot and simplification of complex economic phenomena. This makes scanning and monitoring the general environment for signs of economic shifts, which might impact an organization's industry a little difficult. The strengthening of an economy will generally benefit industries, but the extent of its effect will vary according to which economic factors are most affected.

(Hill, 2009)

c. Social factors

Social factors include cultural changes within the environment and are often referred to cultural attitudes, ethical beliefs, shared values, level of differentiation in lifestyle, demographics, education levels, ect... Observing social factors helps organization maintain their reputation among stakeholders.

(Hill, 2009)

d. Technological Factors

Without doubt some of the major changes taking place in the general environment that are impacting the competitive environment are technological. Technological factors include the rates of obsolescence, i.e. the speed with which new technological discoveries supersede established technologies. The rate of change in technology and innovations has the effect of causing new industries to emerge

and also changes the ways in which existing industries compete. Technological advances include the Internet, the use of sophisticated software, genetic engineering, and nano technology. The rapid rate of change of technology has changed the dynamics of industries such as banking, financial services, and insurance. This has allowed new entrants to enter the market at a lower cost base than incumbents, thereby offering more competitively priced products and services and gaining market share in the process.

(Hill, 2009)

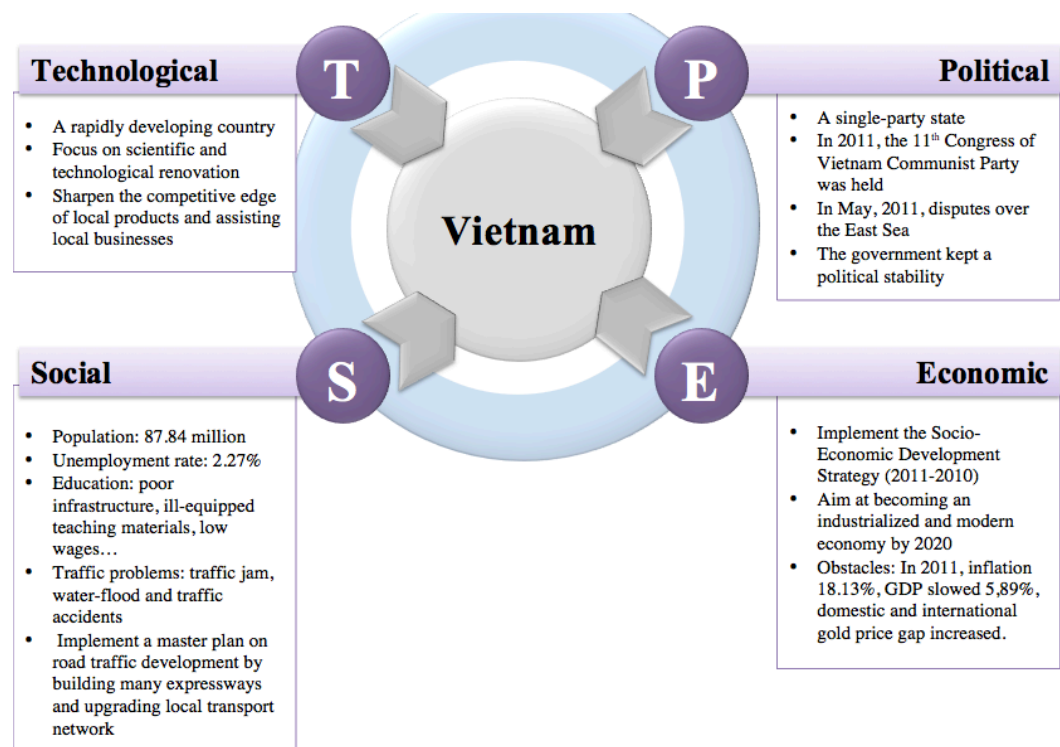


FIGURE 6. Pest analysis of Vietnam (adapted from Ba, 2011)

3.2 Introduction of Vietnamese E-learning

With the rapid changes occurring in the telecommunications and education sectors, e-learning play a key role to cope with those revolutions. One of the greatest challenges is how we can introduce e-learning to Vietnamese education to improve the effectiveness and efficiency of our learning systems.

First, it involves communities to education to a greater extent. Vietnam geographically spreads out as a long narrow country. Furthermore, 80% of 80 million populations are living in the rural area. That means, more than 60% million people in remote areas have difficulties accessing current education system, which mainly locates in urban areas. E-learning will bring a great opportunity to bridge this gap.

Secondly, e-learning introduces a new method of education and training. E-learning proves to be a suitable education and training methodology that meets the need of nowadays globalization.

(Tuan Ngoc 2006)

3.2.1 Advantages of implementing e-learning in Vietnam

The government pays much attention to applying ICT in every field, especially in education. The government encourages internal and external ICT companies to invest in education. Moreover, Ministry of Education and Training (MoET) held many e-learning workshops co-operating with many big companies such as IDG, Sun, and HP. Also, most of school headmasters, teachers realize the important role of e-learning. They really want to give more interesting and more effective lectures to their students by using e-learning.

(Tuan Ngoc 2006)

3.2.2 Difficulties of implementing e-learning in Vietnam

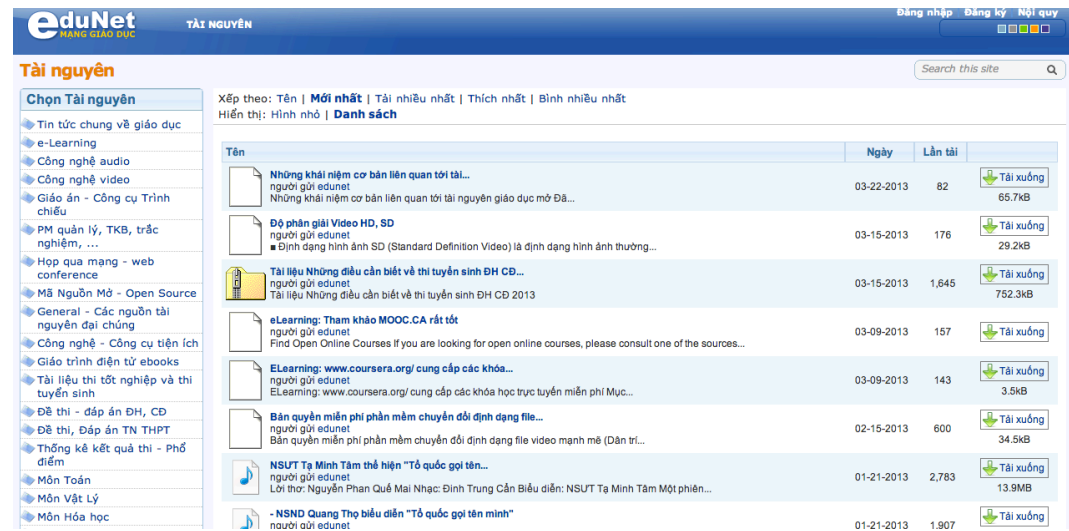
There are some obstacles for the implementation of e-learning in Vietnam. For example : prices of e-learning products are still high in comparison with Vietnamese income or lack of e-learning content.

And the quite most important is that the rate of internet connection in Vietnam is low.

(Tuan Ngoc 2006)

3.2.3 Current situations of Vietnam e-learning websites

At the present, there are a few e-learning websites in Vietnam. Here are some popular e-learning websites currently used nationwide.



The screenshot shows the EduNet website interface. The header includes the logo 'eduNet HANG GIAO DUC' and the text 'TÀI NGUYÊN'. There are navigation links for 'Đăng nhập', 'Đăng ký', and 'Nội quy'. A search bar is present with the text 'Search this site'. Below the header, there is a sidebar menu titled 'Chọn Tài nguyên' with various categories like 'Tin tức chung về giáo dục', 'e-Learning', 'Công nghệ audio', etc. The main content area displays a list of resources with columns for 'Tên', 'Ngày', and 'Lần tải'. Each resource entry includes a download icon and a file size.

Tên	Ngày	Lần tải	
Những khái niệm cơ bản liên quan tới tài... người gửi: edunet	03-22-2013	82	Tải xuống 65.7kB
Những khái niệm cơ bản liên quan tới tài nguyên giáo dục mở Đă... người gửi: edunet	03-15-2013	176	Tải xuống 29.2kB
Độ phân giải Video HD, SD người gửi: edunet Định dạng hình ảnh SD (Standard Definition Video) là định dạng hình ảnh thường...	03-15-2013	1,645	Tải xuống 752.3kB
Tài liệu Những điều cần biết về thi tuyển sinh ĐH CB... người gửi: edunet Tài liệu Những điều cần biết về thi tuyển sinh ĐH CB 2013	03-09-2013	157	Tải xuống
eLearning: Tham khảo MOOC.CA rất tốt người gửi: edunet Find Open Online Courses If you are looking for open online courses, please consult one of the sources...	03-09-2013	143	Tải xuống 3.5kB
Elearning: www.coursera.org/ cung cấp các khóa... người gửi: edunet Elearning: www.coursera.org/ cung cấp các khóa học trực tuyến miễn phí Mục...	02-15-2013	600	Tải xuống 34.5kB
Bản quyền miễn phí phần mềm chuyển đổi định dạng file... người gửi: edunet Bản quyền miễn phí phần mềm chuyển đổi định dạng file video mạnh mẽ (Dãn trí...)	01-21-2013	2,783	Tải xuống 13.9MB
NSUT Tạ Minh Tâm thể hiện "Tổ quốc gọi tên... người gửi: edunet Lời thơ: Nguyễn Phan Quế Mai Nhạc: Đinh Trung Cán Biểu diễn: NSUT Tạ Minh Tâm Một phiên...	01-21-2013	1,907	Tải xuống

FIGURE 7. E-learning website of ICT Center for Education and Training – MoET (Ministry of Education and Training 2013)

This website is the official website of Vietnam e-learning club. Here you can find many things concerned about E-learning. For example:

- e-learning concepts
- e-learning glossary
- e-learning standards
- e-learning forums
- links to many other interesting places on the WWW
- download and upload e-learning club
- join the e-learning club

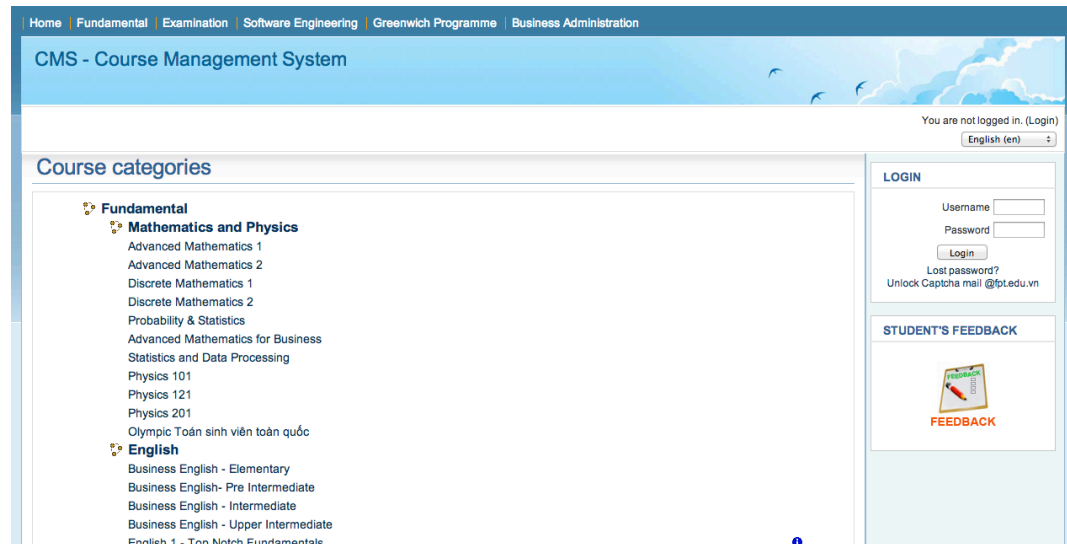


FIGURE 8. E-learning website of FPT (FPT 2013)

The website is an e-learning portal. You can register to participate in online learning programmes.

3.3 Porter Five Forces analysis

Once the boundaries of an industry have been identified, the task facing managers is to analyze competitive forces in the industry environment to indentify opportunities and threats. Porter's five forces model focuses on significant factors shape competition within an industry:

- i. The risk of entry by potential competitors
- ii. The intensity of rivalry among established companies within an industry
- iii. The bargaining power of buyers
- iv. The bargaining power of suppliers
- v. The closeness of substitutes to an industry's products

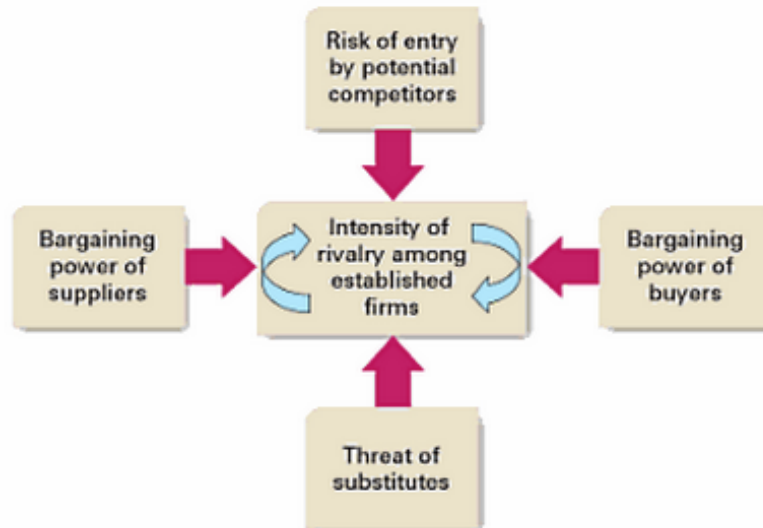


FIGURE 9. Porter's five forces model (Anthony, 2007)

Risk of entry by potential competitors

Potential competitors are companies that are not currently competing in an industry but have the capability to do so if they choose. Established companies already operating in an industry often attempt to discourage potential competitors from entering the industry because the more companies that enter, the more difficult it becomes for established companies to protect their share of the market and generate profits. A high risk of entry by potential competitors represents a threat to the profitability of established companies. But if the risk of new entry is low, established companies could take advantage of this opportunity to raise prices and earn greater returns. (Anthony, 2007)

When new entrants move into an industry they will gain market share and rivalry will intensify. The position of existing firms is stronger if there are barriers to entering the market. If barriers to entry are low then the threat of new entrants will be high, and vice versa.

TABLE 4. Examples of entry barriers (Tutor2u 2012)

Barrier	
Investment cost	High cost will deter entry High capital requirements might mean that only large businesses can compete
Economies of scale available to existing firms	Lower unit costs make it difficult for smaller newcomers to break into the market and compete effectively
Regulatory and legal restrictions	Each restriction can act as barrier to entry
Product differentiation	Existing products with strong USPs and brand increase customer loyalty and make it difficult for newcomers to gain market share
Access to suppliers and distribution channels	A lack of access will make it difficult for newcomers to enter the market

An industry can have one or more barriers. And, barriers to entry are very important in determining the threat of new entrants.

Bargaining power of suppliers

If a firm's suppliers have bargaining power they will exercise that power, sell their products at a higher price and squeeze industry profit.

If the supplier forces up the price paid for inputs, profits will be reduced. It follows that the more powerful the customer (buyer), the lower the price that can be achieved by buying from them. Suppliers find themselves in a powerful position when there are only a few large suppliers; the resource they supply is scarce; the cost of switching to an alternative supplier is high; the product is easy to distinguish and loyal customers are reluctant to switch; the supplier can threaten

to integrate vertically; the customer is small and unimportant; there are no or few substitute resources available. (Anthony, 2007)

Bargaining power of customers

Powerful customers are able to exert pressure to drive down prices, or increase the required quality for the same price, and therefore reduce profits in an industry. Several factors determine the bargaining power of customers demonstrated in table 5.

TABLE 5. Factors determine the bargaining power of customers (Tutor2u 2012)

Factors	
Number of customers	The smaller the number of customers, the greater their power
Their size of their orders	The larger the volume, the greater the bargaining power of customers
Number of firms supplying the product	The smaller the number of alternative suppliers, the less opportunity customers have for shopping around
The cost of switching	Customers that are tied into using a supplier's products are less likely to switch because there would be costs involved.

Customers tend to enjoy strong bargaining power when:

- There are only a few of them
- The customer purchases a significant proportion of output of an industry
- They possess a credible backward integration threat – that is they threaten to buy the producing firm or its rivals
- They can choose from a wide range of supply firms

- They find it easy and inexpensive to switch to alternative suppliers

Threat of substitute products

A substitute product can be regarded as something that meets the same need. Substitute products are produced in a different industry – but crucially satisfy the same customer need. If there are many credible substitutes to a firm's product, they will limit the price that can be charged and will reduce industry profits. If there is a threat from a rival product the firm will have to improve the performance of their products by reducing costs and therefore prices and by differentiation. (Anthony, 2007)

Degree of competitive rivalry

Several factors determine the degree of competitive rivalry; the main ones are presented in the table 6 below. (Anthony, 2007)

TABLE 6. Factors determine the competitive rivalry in consumer market (Tutor2u 2012)

Factor	
Number of competitors in the market	Competitive rivalry will be higher in an industry with many current and potential competitors
Market size and growth prospects	Competition is always most intense in stagnating markets
Product differentiation and brand loyalty	<p>The greater the customer loyalty the less intense the competition</p> <p>The lower the degree of product differentiation the greater the intensity of price competition</p>
The power of buyers and the availability of substitutes	If buyers are strong and if close substitutes are available, there will be more intense competitive rivalry
Capacity utilization	The existence of spare capacity will increase the intensity of competition
The cost structure of the industry	<p>Where fixed costs are a high percentage of costs then profits will be very dependent on volume</p> <p>As a result there will be intense competition over market shares</p>
Exit barriers	If it is difficult or expensive to exit an industry, firms will remain thus adding to the intensity of competition

If there is intense rivalry in an industry, it will encourage businesses to engage in price wars, investment in innovation and new products, intensive promotion. All these activities are likely to increase costs and lower profits. (Anthony, 2007)

Porter's five forces model for Vietnamese educational market

Porter's five forces model is used to researched about Vietnamese educational market.

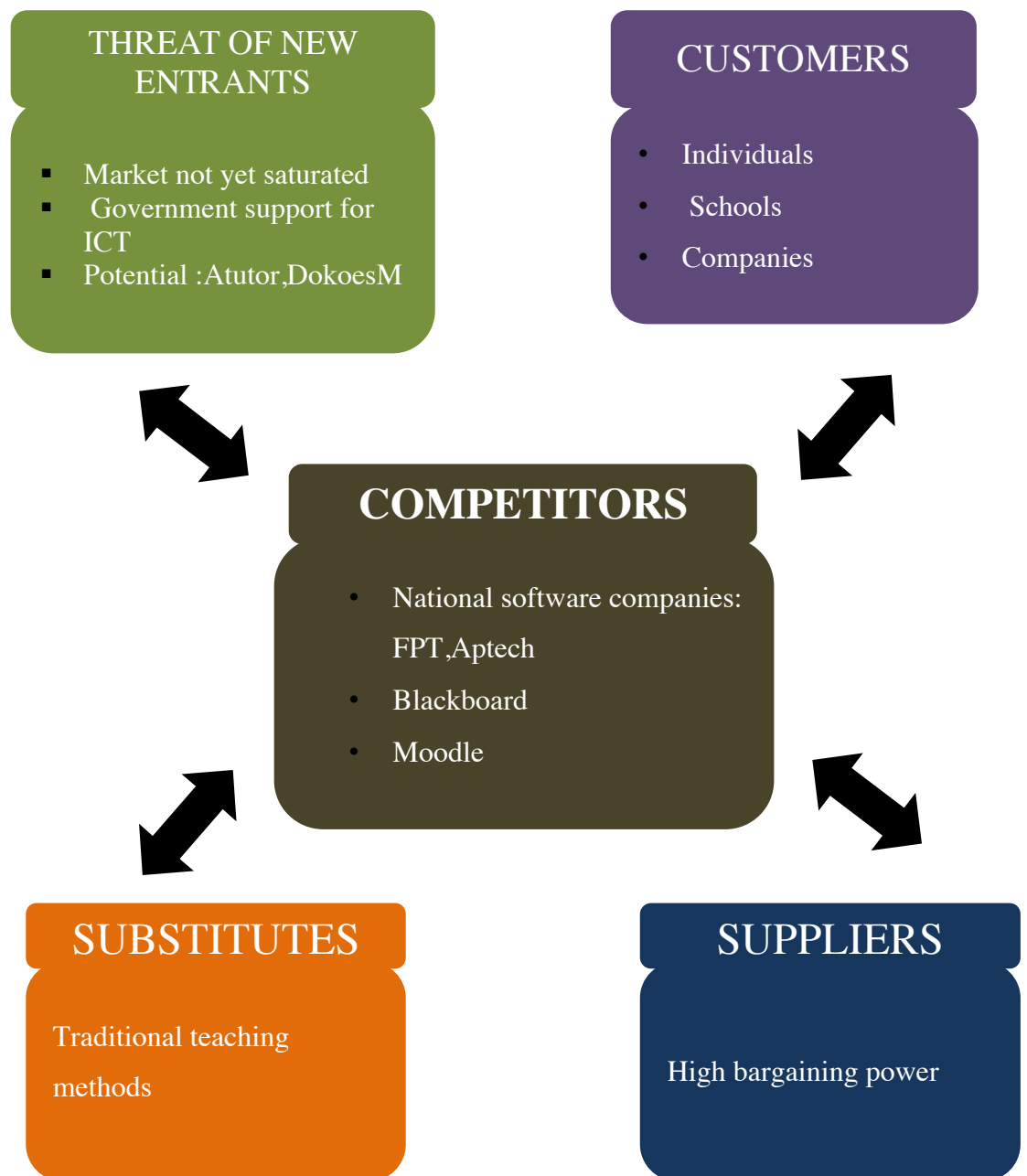


FIGURE 10. Porter's five forces model of Vietnamese educational market

Rivalry among existing competitors is high within the industry. There are some major competitors like Blackboard, Moodle and national software companies namely FPT, Aptech.

Customers possess small amount of bargaining power since there are a large number of customers which software companies can give services to.

The threat of substitute products and services is small. Traditional teaching methods are considered to be the only alternatives for high-tech softwares.

Suppliers have high bargaining power due to the fact that the demand for modern teaching concept is high in the Vietnamese educational market.

Last but not least, the threat of new entrants to this market is still high since the market is not yet saturated. Vietnamese government still has much interest and be willing to give support for ICT activities.

(Tuan Ngoc 2006)

4 CASE COMPANY: VIOPE OY

This chapter will introduce about Viope, the case company for this thesis.

4.1 Viope in a nutshell

4.1.1 The foundation of the company

Viope Solution Ltd is a company of service present in Finland. Viope was founded in 2001. The company is a result from study researchs carried out by Lappeenranta University of Technology. Viope is a leader in providing e-learning solutions computer programming and mathematics. Viope provide product for three different customers: companies, schools or education organizations and private individuals.



FIGURE 11. Viope logo (Viope Ltd 2013)

The company gained a national acknowledgement within a few years after establishment. Its products have been used widely throughout Finland.







Viope currently provides services for more than 200 schools and institutions all over Finland such as Finnair Plc., Tieto Plc., Lappeenranta University of Technology, and Metropolia University of Applied Sciences.

4.1.2 Objectives and vision

The company has a strong ambition to grow globally, and its growth is based on extensive co-operation network. Viope is highly committed to create a sustainable cooperation with both partners and customers.

Table 7 lists out a number of significant parties within Viope network.

TABLE 7. Viope's network (Viope Ltd 2013)

 <p>Lappeenranta University of Technology</p>	<ul style="list-style-type: none"> • One of the key co-operator in creating the content and technology development. • Important research partner
 <p>Universities of Oulu</p>	<ul style="list-style-type: none"> • A co-operator to develop the current content
 <p>Aalto University</p>	<ul style="list-style-type: none"> • There have been research activities, which are conducted through Aalto University and Viope's collaboration.
 <p>Metropolia University of Applied Sciences</p>	<ul style="list-style-type: none"> • Co-operating with Viope to organise the programme Erasmus IP on Learning Computer Programming in Virtual Environment
 <p>Laurea University of Applied Sciences</p>	<ul style="list-style-type: none"> • Has an agreement on a traineeship • Viope provides thesis work and job placement opportunities for Laurea
 <p>Finnish Online Academy</p>	<ul style="list-style-type: none"> • Developed models to boost the cooperations between higher education institutions and companies to create work-life connection to studies
 <p>IT Koolitus</p>	<ul style="list-style-type: none"> • Represents and supports Viope's operation in Estonia and Lithuania

4.1.3 Staff of Viope

Viope is a small company consisting of nine to twelve members. There are three main stock-holders together with employees and trainees working within an international environment.

Viope is seen as an international hub for people to work and also exchange their cultures. There are many international trainees and employees recruited by the board. According to the chairman, the easiest way to get close to a foreign market is to have a person who speaks that language in your company.

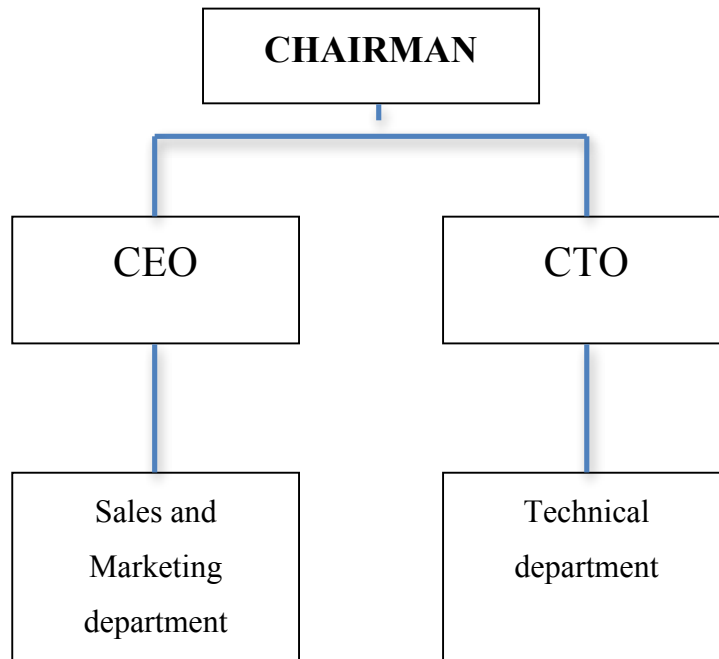


FIGURE 12. Viope's organization chart (adapted from Viope Ltd 2013)

According to the chairman, the easiest way to get close to a foreign market is to have a person who speaks that language in your company. The author also did her internship in the Sale and Marketing department.

4.2 Main products of the company

Viope offers services for three categorized groups: solution for companies, solution for schools, and solution for individuals.

4.2.1 Solution for companies

Figure 13 shows two main products that Viope offers for companies.

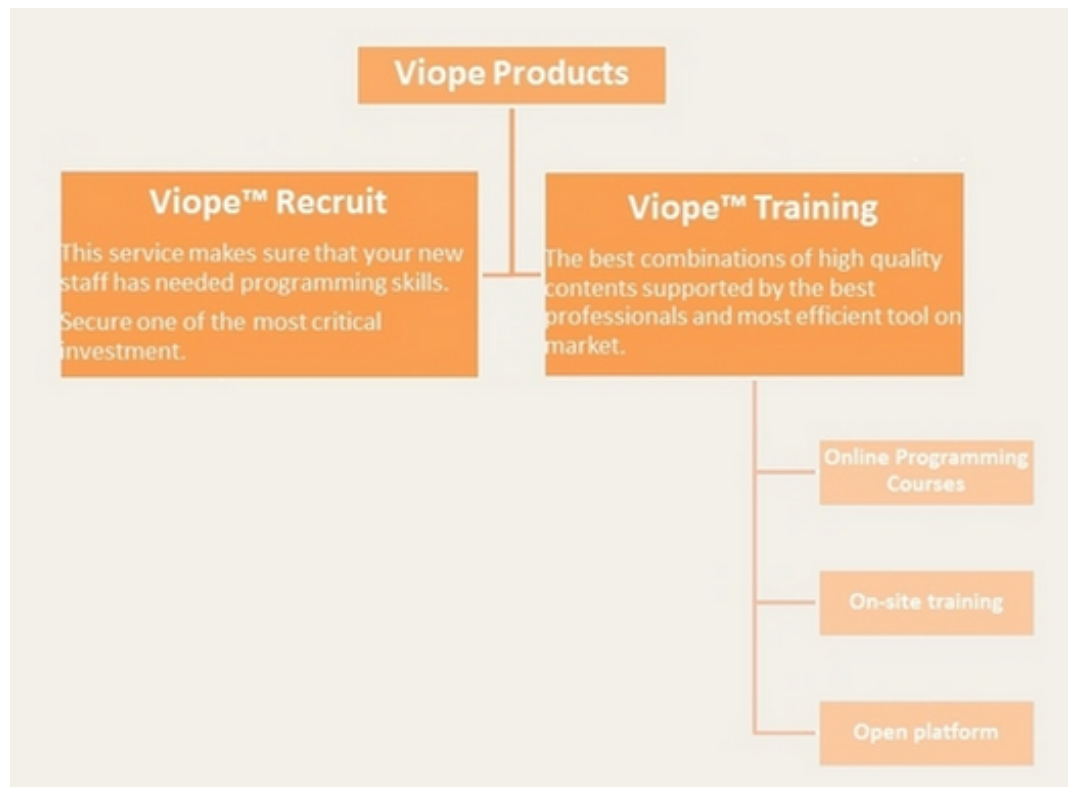


FIGURE 13. Solution for companies (Viope Ltd 2013)

For companies, Viope offers four variations of services namely Viope™ recruit, Viope™ training courses, On-site training services and Viope™ World platform.

Viope™ recruit is used to examine and evaluate job applicants' theoretical knowledge and programming skills in practice.

After evaluation, result shows applicants' level and capability to perform programming languages successfully like C, C++, C#, Java, Python, Ruby, SQL and PHP programming languages. Companies can use the result to considerate the possibilities of recruitment for each and every applicants. (Viope Ltd 2013)

Viope™ training courses provide theory along with immediate applied practice for trainee to improve their knowledge and skills about programming and mathematics. The system will analyse participant's performance, give hints and indicate when mistakes are made. The courses are said to be the best combinations of high quality contents supported by experienced professionals and the most efficient tool on market. (Viope Ltd 2013)

On-site training is a tailored feature made according to client's specifications. Course contents are available in Viope system. However, those can be changed in order to meet customer requirement.

In addition, Viope professionals are available for consultation via the tutor option. Viope's instructors includes highly qualified teachers from universities for example Metropolia University of Applied Sciences, Laurea University of Applied Sciences or Alto University, ie.

Viope™ World platform is designed for personnel training and educational purposes without any topic limits.

The platform consists of convenient and smart features such as:

- ✓ Sharing materials, communication, and content editing management.
- ✓ Execute online exercises and exams, which include essay, multiple choice, and computer coding.
- ✓ Automatic Response Technology
- ✓ Plagiarism Detection Technology

(Viope Ltd 2013)

4.2.2 Solutions for schools

For schools and educational institutions, Viope Ltd offers Viope™ Programming Courses and Viope™ World platform.

VIOPE Programming Courses available in English are :

- Viope Introduction to Game Programming with Unity
- Viope Basics of Android Programming
- Viope Introduction to C programming
- Viope Introduction to Java SE
- VIOPE Introduction to C++ programming
- Viope SQL and Relational Databases
- Viope Python 3
- Viope Introduction to PHP

(Viope Ltd 2013)

4.2.3 Solutions for individuals

Viope provides self-study programming courses for individuals who want to learn programming without the usual limitations of time and location. You can learn programming wherever and whenever with internet access.

Viope's artificial intelligence is able to analyse your performance and communicate its evaluation through an automated response. Responses, comments and hints are displayed through writing sentences while mistakes are highlighted. System provides compilers, theory, and excersises. All you need is the aspiration to learn new programming knowledge.

While Viope acts as a teacher. Students benefit from real-time support while studying. Exercises will be evaluated and commented upon immediately. Students receive feedback and hints in a written language. Also, time and money is saved with a more flexible schedule.

(Viope Ltd 2013)

4.2.4 Internationalization process of the company

Since 2011, VIOPE has begun internationalisation. There are a number of contacts who are both paid and test users.

In Western Africa, Viope's networks are Nigeria, Ghana. And in Europe and Baltic region, there are Estonia, Finland, Denmark, Austria and Sweden. Until now, there have not been any network of Viope in Asian regions.

In 2012, Viope participates in BeGlobal and labelled one of the most successful participants in the campaign.

Recently in 2013, Viope has held a gaming contest which welcomes participants from 72 countries throughout the world. The winner team is from Singapore. And they are going to fly to Finland this summer to attend a conference as well as participate in knowledge exchange discussion with the company and some other connecting universities.

5 SUGGESTED IMPLEMENTATION PLAN FOR THE CASE COMPANY

There are many options for developing markets in Asia for the case company to expand to. However, as a Vietnamese citizen working in the core business of a high-tech company, the author focused on her own city, which is Ho Chi Minh City in Vietnam. And this thesis is regarded as a first and foremost research for the case company to have an overlook about the suggested target market and also consider about the decision to go Asianization”

Together with many analyses about the target market as well as the case company provided in chapter 3 and 4 respectively, in this chapter 5, the author would like to suggest an implementation plan for the case company to approach the new market.

Figure 14 draws out the estimated project timeline and its main goals during every term.

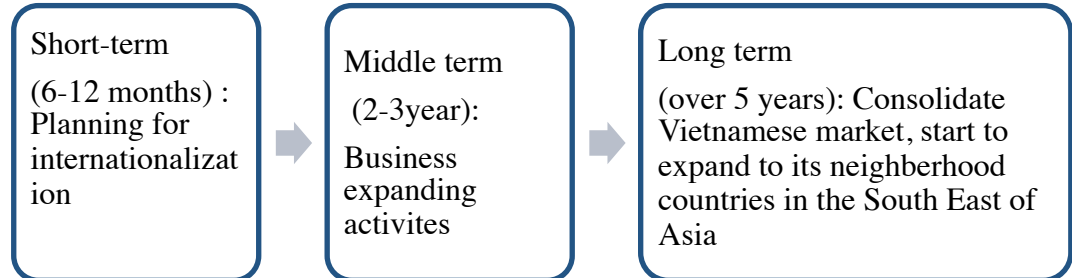


FIGURE 14. Suggested implementation plan timeline

5.1 Short-term (6-12 months): Planning for internationalization

This is the first step of the author’s plan suggested to the company. In this period of time, the sales and marketing department plays a key role in planning and carrying out those activities. Together with CTO, the team will take care of the budget for the project. According to Viope’s chairman, he will not pay money for any desk research, he will pay money for practical business activities to get expansion. In case the project could not bring out any outstanding results within

the expected periods of time and budget, then it should be eliminated. However, it does not mean Viope will delay its internationalisation. Other suggested target markets will be examined and other expansion plans are in action.

For the Vietnamese market, Viope will approach with the same strategies it has done with other foreign markets. As stated before, Viope pays little attention to desk research; therefore, a Vietnamese working in the team is highly recommended. That person will be in charge of all details concerning the Vietnamese market as well as finding the connection. Viope will not do any business in a foreign country until it has made its connections. Normally, company profiles and product portfolios are sent to contacts that are extracted from a database made by the marketing team. Moreover, phone calls are also taken advantage of getting close to responding contacts in the database. Last but not least, video conferences are connected between CTO or chairman and partner-to-be to discuss about specific matters like a company visit, company conference, collaboration agreement, ie.

To conclude, within 6-12 months, Viope should find and connect with some partners or even customers (test users at this first stage). Based on that collaboration, Viope is recommended to take on the next stage in the implementation plan.

5.2 Middle-term (2-3 years) : Business expanding activities

This is the second step of the author's plan suggested to the case company. After networks have been established, Viope is ready to bring out more actions. In this stage, the sales & marketing departments and technical department are tied together.

A representative office in Ho Chi Minh City is highly recommended. It is advisable for every firm to be close to their customers. So that the company can get in touch with the market faster, that representative office can be expected as the first step for Viope to build their exclusive brand in Ho Chi Minh city, Vietnam.

This is the right time for the sales and marketing departments to make effort by preparing a strategic marketing plan as well as launching a marketing campaign to make Viope's products more accessible. A company visit or conferences to schools and organizations could be organized. Also, contests about Computer programmings and mathematics could be an option to acknowledge Viope products in the educational market.

Since the core products of Viope are about Computer programmings and mathematics, the representative office can also act as an educational institution. Students are registered to different courses with detailed timetable and study plan. Virtual teaching and consultance are given. Last but not least, Viope certificates are granted at the end of every course. That certificate guarantees participants have gained the knowledge with Viope teaching. And it is noted that all the certificates from Viope are signed by highly-praised professionals from Finnish universities.

In case Viope can get any partners in HCM city to be a sole agent, the head-quarters in Finland can pay less attention to those marketing activities. It is dependent on the terms and agreement between mother- company and agents.

On the other hand, the importance of the roles and responsibilities of technical department can not be under-estimated. Apart from its main functions, which are supervision of repairs, maintenance follow-up, and trouble-shooting all technical problems, the technical department has to take on more activities like tailor-making courses and contents according to specific customers or even creating a Vietnamese interface for Viope services. If Vietnam is considered as a long-term market, transferring Viope's services into its language is a must in that user-friendly is always a highly recommended feature for any international product.

5.3 Long-term (over 5 years): Consolidate Vietnamese market, start to expand to its neighborhood countries in South East Asia

This is the last step of the author's plan suggested to the case company. At this stage, the case company should have made their brand known in the educational market of Southeast Vietnam. During this long-term, it is recommended that Viope

should consolidate their business in every part of Vietnam; Viope's services are used nationwide.

At the same time, Viope should take into account whether Vietnam market has become saturated or not and is it time for Viope to look further to other Southeast Asian countries like Laos and Cambodia?

6 CONCLUSION AND LIMITATIONS

6.1 Conclusion

This thesis is made with the hope of clarifying some internationalization aspects to help the decision making process of Viope Ltd in considering the company's internationalisation plans. While the company may have had some of the information through the previous expansion to other countries, a stronger base of theory about the Vietnamese market hopefully clarifies further the steps of how to continue with this new market.

After all the research and analyses, the author comes to the conclusion that there is possibility for Viope to expand their business to the Vietnamese market and this is indeed a fruitful market for Viope to grow in . Moreover, the author also suggests an implementation plan according to her perspective for the case company to take into consideration.

Table 8 gives a quick review about Viope success factors in the Vietnamese educational market.

TABLE 8. Core success factors of Viope Ltd

Core success factors	European brand High-tech services Providing quality teaching contents
Competitive environment	Low competition Unique services in the market
Target customers	Schools and educational institution, companies and firms, individuals (aged 18-30)

It is noticed that the Vietnamese educational market is a new direction for Viope since the company is currently committed in its European markets. However, this is also a good opportunity for Viope since Asia is considered a fast-growing economy. Vietnam can be the starting point for Viope Ltd's strategies to conquer these markets.

6.2 Limitations of the study

Due to the limited information received from the case company, the author is not able to answer the question "What are the case company's internal resources for the internationalization process?" which has been stated in the research method section.

This study is carried out based mostly on the observations, research and perspective of the author during the internship period with the case company. However, some interviews with the marketing and sales departments were done to help the author understand more about the international visions and concepts of the case company. Therefore, the author highly recommends deeper research about marketing analysis or financing analysis about the case company.

This thesis acts to increase awareness for the case company of the Vietnamese educational market. Besides, it is considered to be the very first foundation for future research with the aim of advancing the idea and turning all the drafts into reality with practical actions.

7 SUMMARY

This study is designed to answer the question: “Is Ho Chi Minh city of Vietnam considered a fruitful market for the case company to export their business to?” In order to answer the question, background information regarding the Vietnamese educational market is needed and sub-questions are also formulated to clarify the core issue of this research.

The theoretical part is mainly to present the internationalisation theories needed to assist the case company with their decision-making process. In this section, some matters are focused on: initiation of internationalization, international market selection, international market entry modes as well as market risks and entry barriers. Those aspects are important in clarifying the intention of going global at the very first stage. Moreover, various analysis models are used consisting of PEST analysis, SWOT analysis as well as Porter’s five forces models.

The empirical part of the thesis consists of an external analysis of the Vietnamese educational market and an internal analysis of the case company; Viope Ltd. Based on all the above analyses, an implementation plan is suggested by the author. Last but not least, the author has pointed out some limitations of this study as well as the hope for further research about this topic in the future so that there is a chance for a developing country like Vietnam get close to a high-tech education.

Internationalisation and international entrepreneurship among Finnish SMEs has remained a topic of considerable relevance. (OCED 2009) Since the domestic market is becoming more saturated, all firms want to grow outside of the national border. Furthermore, approaching and expanding business activities to Asian markets is a trend of the world economy nowadays. Therefore, there are always chances for Finnish companies setting up their network further to Asia. Viope is also a case. With exclusive services and high competitive advantage edges of their business, it is foreseen that Viope stands its chance to grow outside Finland, and the Vietnamese market can be its first start ?

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APPENDICES

4. POST GRADUATE EDUCATION

