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Supporting the Development of an Internationalization Plan through Benchmarking (case: Medaffcon)

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Abstract

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In many cases, the small domestic market size in Finland forces organizations to start international operations in order to maintain growth. This thesis concentrates on finding success factors for the internationalization of Finnish based, service providing SMEs, operating in B2B markets.

The data was collected from 3 participating organizations using benchmarking techniques. During the corporate visit data was collected using non-structured interviews, allowing the industry respected professionals guide the conversation.

The data was analyzed using thematic qualitative analysis. The data shows that all three management teams perceived similar areas of business to pose most challenges for the international B2B service providing SME organization. The focus of the interviews was heavily concentrated on the following topics: Co-operation and networks, Factors affecting market choice, Assignment of responsibilities, Market entry modes, Sales of expert services, and Marketing, building relationships and awareness.

The research suggests a list of success factors and important considerations. According to the study, a successful international expert organization is able to manage and leverage; Effective recruiting, Management commitment to business development, Balance between operative and developmental work, Relationship building and management, Agents and databases in lead generation, Networking, Internal communication, and Content expertise in sales.

Keywords
Internationalization, B2B marketing, SMEs, services, relationship marketing, networking, non-structured qualitative interview, benchmarking

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1 Introduction

The demand to grow drives increasing numbers of organizations to expand to foreign markets, especially in the case of Finnish based companies, struggling with the small domestic market size. An abundance of information, models and theories, can be found on the phenomenon of internationalization, however the translation to practice is not always as simple. This practice based thesis attempts to analyze basic theories in the field, and through benchmarking find success factors for the Finnish based, expert service provider, SMEs' international operations.

1.1 Background

I have been employed by the commissioning company since 2012. The company has grown relatively rapidly, and during the years, I have had the chance to be a part of the corporate culture and learn from the growing organization of experts. I have been able to concentrate my years in Haaga-Helia, on studies that prepare me further for my position at Medaffcon. The fact that Medaffcon was on the verge of market expansion was apparent already in 2012. As my studies advanced, it became apparent that my thesis topic would add most value to Medaffcon if the topic was chosen around this theme.
In spring 2014 Medaffcon launched a set of service pilots for a new customer segment. This was done domestically, in order to test the new service concepts before entering them into foreign markets. My research will be used to support the planning of entrance to the foreign markets.

1.2 Benefits from the study

This thesis will have benefits to multiple stakeholders; the commissioning company, the participating companies, and the field of business.

The commissioning company will be provided with guidance and recommendations on considerations that apply to its current business environment and corporate strategy. The organization will thus be better equipped in making their next strategic decisions.

The participating companies will have the possibility to learn from the findings of the study and possibly apply these findings to their own operations. Furthermore, the study provides for a chance to network and build contacts.

For the business field of marketing, in the international context, the study will provide new in-depth information on activities in certain industries. The findings can perhaps be translated to suit other industries as well.

1.3 Project objective and scope

The objective of the project is to find best practices and success factors in activities and processes related to internationalization and market expansion. The focus of the study is specifically on Finnish based, B2B service providing, SMEs.

The project tasks are as follows:

- Task 1: Review theory
- Task 2: Study basics of benchmarking
- Task 3: Collect data using benchmarking *
- Task 4: Analyze data collected from theory and benchmarking
- Task 5: Draw conclusions and make recommendations based findings
- Task 6: Project evaluation

*Furthermore, task 3 includes 4 sub-tasks as follows:

1. Determine process to be benchmarked
2. Research to identify participating firms
3. Finalize discussion agenda
4. Visit "best practice" firms and interview key people

These sub-tasks will be further discussed in chapter 4.

The scope of the thesis is in internationalization and market expansion related activities, especially concentrating on the marketing point-of-view. Furthermore, the business environment is narrowed to business-to-business markets and special consideration is put on services, instead of products.

The following matrix (table 1) visualizes the tasks and the required theory, methods and outcomes for each of them.

Table 1. Overlay matrix

Project Task	Theory	Method	Outcome	Chapter
Task 1	Internationalization B2B marketing Services for business markets Market relationships	Desktop study	Theory framework	2
Task 2	Theory on benchmarking practices	Laatukeskus training	Knowledge and understanding of benchmarking	3
Task 3	Theory on methods	Unstructured qualitative interviews	Project plan and raw data	4
Task 4	Combination of theory framework and qualitative data collected during benchmarking	Thematic qualitative data analysis	Analyzed data	5
Task 5			Conclusions and recommendations	6
Task 6		Self assessment	Assessment of the project	7

1.4 Key concepts

International business refers to the performance of trade and investment activities by firms across national borders. (Cavusgil 2008, 4.)

B2B market, or business-to-business market, has been defined to include organizations that buy goods and services for use in the production of other goods and services that are sold, rented or supplied to others. It also includes retailing and wholesaling firms that acquire goods for the purpose of reselling or renting them to others (Kotler & Armstrong 2001). (Blythe & Zimmerman 2005, 4.)

SME means Small and Medium-sized Enterprises. That is, companies with 500 or fewer employees in the United States, although this number may need to be adjusted downward for other countries. (Cavusgil 2008, 13.)

Services, according to the American Marketing Association's Dictionary of Marketing Terms, can be defined as follows: "… intangible or at least substantially so. If totally intangible, they are exchanged directly from producer to user, cannot be transported or stored, and are almost instantly perishable. Service products are often difficult to identify, because they come into existence at the same time they are bought and consumed. They comprise intangible elements that are inseparable; they usually involve customer participation in some important way; they cannot be sold in the sense of ownership transfer; and they have no title…" (Bennet 1995. Quoted in Blythe & Zimmerman 2005, 155.)

Networking refers to informal ties and communication which cut across formal structures in organizations. (Morrison 2006, 488.)

1.5 Case company

Medaffcon is an expert organization operating mostly in the pharmaceutical industry and healthcare sector in Finland. The organization provides its customers with expertise in medical affairs, market access, and health economics. Medaffcon's service excellence is based on the wide selection of strong expertise across the board.

The services are based on the strong in-house expertise of Medaffcon, as well as the extensive co-operation network. The following figure visualizes Medaffcon's business model (Figure 1). As evident, Medaffcon relies heavily on co-operation, and the in-house activities are mostly concentrated on producing expert services to customers.

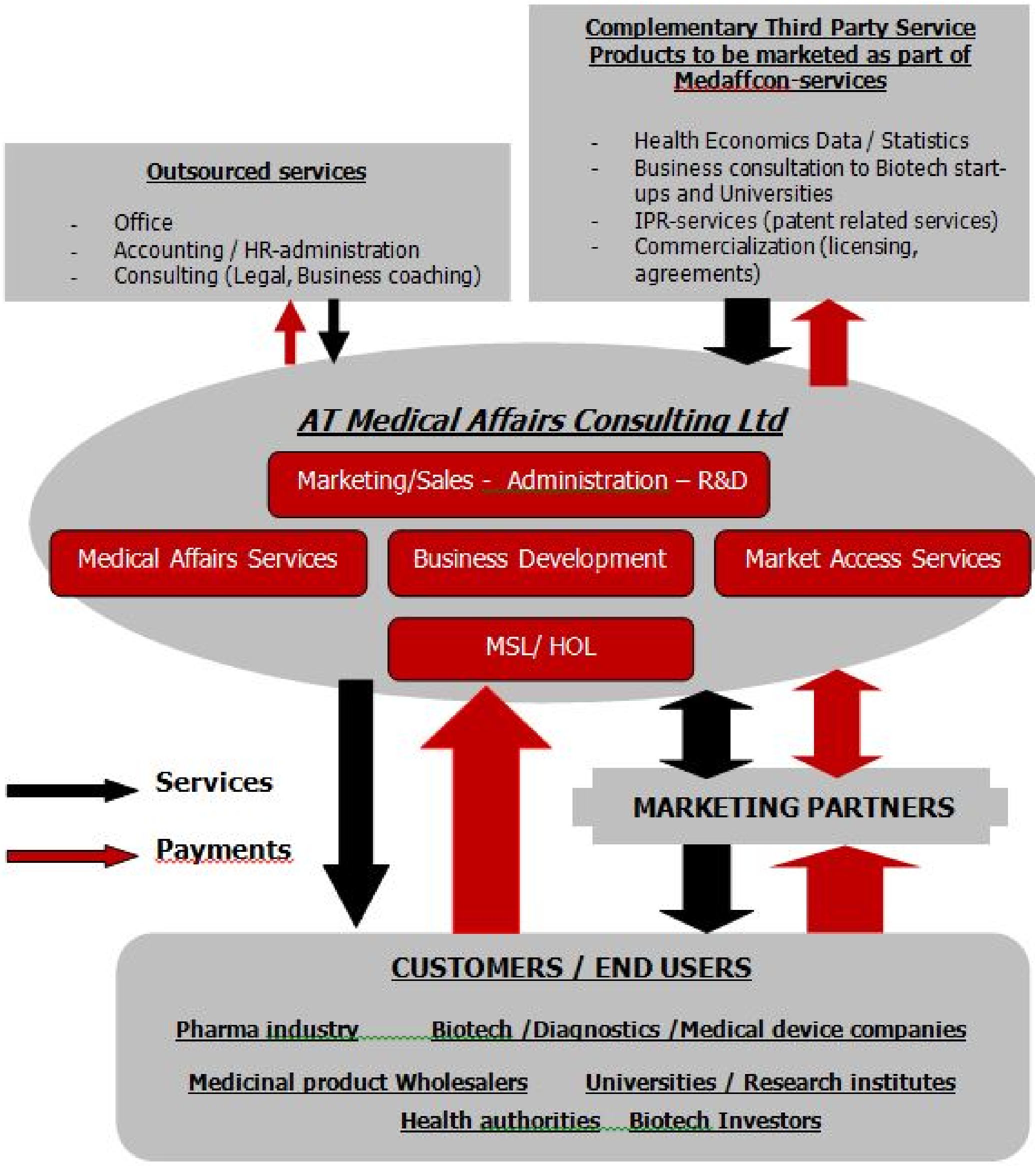

Figure 1. Medaffcon business model (Medaffcon business plan 2013)

Medaffcon was founded in 2009, and has been growing relatively fast ever since. In November 2014, the company employed 11 in-house experts as well as multiple experts through the network, project based, managing or supporting projects. Because of the small domestic market size, the corporate strategy of Medaffcon requires it to internationalize its operations in order to maintain growth.

2 Internationalization of B2B service providers

Task 1 of the thesis is reviewing relevant theory. The theory framework is built around the main phenomenon of internationalization. First chapter discusses internationalization activities in the basic level. Second chapter will consider characteristics that apply to companies operating in the B2B sector, especially concentrating on service providers. Third chapter will look into marketing activities, which suit these kinds of organizations, and how this marketing approach can affect the internationalization processes.

Figure 3. Illustration of theory framework

2.1 Internationalization process

The internationalization process of a focal firm can be examined through a number of different focus points. In this chapter the internationalization activities are divided into the initial opportunity assessment, the market entry choices, segmentation of customers and competition.

2.1.1 Global Market Opportunity Assessment

The Global Market Opportunity Assessment created by Cavusgil (2008, 344-371.) is a basic model for planning the internationalization processes. The tool presents a six step process, and explains important considerations to take at every stage. The steps are as follows:

1.Analyze organizational readiness to internationalize

2.Assess the suitability of the products/services for foreign markets

3.Screen countries to identify target markets

4.Assess industry market potential

5.Select qualified business partners

6.Estimate company sales potential

The first step attempts to analyze the organizational readiness of the focal firm to engage in international business activities. Factors that are evaluated include relevant financial and tangible resources, relevant skills and competencies, as well as senior management commitment and motivation. This step should produce a list of the firm's strengths and weaknesses in the international business context, as well as recommendations for resolving possible deficiencies.

The second step assesses the suitability of the firm's products/services for the international customers. Here, aspects to be assessed include foreign customer characteristics and requirements, government-mandated regulations, expectations of channel intermediaries, and characteristics of competitors' offerings. This step should help in determining factors that hinder the firm's products/services market potential in the targeted markets. The needs for adaptations required for initial and ongoing market entry should also be identified.

The third step reduces the amount of potential target markets into a manageable few by examining factors such as market size and growth rate, market intensity, consumption capacity, country's receptivity to imports, business infrastructure, degree of economic freedom, and political risks. The outcome of this step should be a list of approximately 5 or 6 high-potential markets.

The fourth step estimates the most likely share of industry sales, as well as investigates and evaluates potential barriers to market entry. Factors to examine here include market size and growth rate, trends in the industry, the degree of competitive intensity, tariff and nontariff trade barriers, standards and regulations, availability and sophistication of local distribution, unique customer requirements and preferences, as well as industry-specific market potential indicators. This step should produce a 3 to 5 year forecast of industry sales potential and a delineation of market entry barriers.

The fifth step determines the type of foreign business partners that are needed, as well as clarifies ideal partner qualifications. The selection of intermediaries and facilitators should be conducted through considering factors such as manufacturing and marketing expertise in the industry, commitment to the international venture, access to distribution channels in the market, financial strength, quality of staff, technical expertise, and company infrastructure. This step should determine the value adding activities required of the foreign business partners, as well as a list of attributes that are desired of the partner.

The last step estimates the sales potential the focal firm can achieve in the foreign market. A forecast of 3 to 5 years is produced by examining factors such as capabilities of the partners, access to distribution, competitive intensity, pricing and financing, market penetration timetable, and risk tolerance of senior management.

The full model is presented in attachment 1. Many of the considerations described in the model are on the macro economic level, meaning that as such, they do not present much added value to many of the companies attempting to internationalize. The following chapters move toward the business environment under focus, concentrating on models that suit the specific type of organizations targeted by this study.

2.1.2 Market entry

A number of factors can be seen as important for a successful entry to a new market or segment. Chesbrough (2003) suggests the following list of factors; capital structure, technical skills, customer relationships, competition in the new market, competition in the current market, forecast growth of the new market, and management attitudes. (Blythe & Zimmerman 2005, 103.)
Major considerations in choosing a particular foreign market can be divided into two categories, macro and micro. Macro considerations consist of country-specific factors

and micro considerations market specific factors, as shown in the following table (Table 2).

Table 2. Foreign market choice considerations (Blythe & Zimmerman 2005, 107.)

Macro – Country	Micro – Market
•Economic •Political / Legal •Cultural •Technological / Infrastructure •Geographic	•Customer – key segments and purchase criteria •Market size and growth •Competition •Product acceptance

There are three basic ways of entering a foreign market; exporting, investment and contract. Every entry mode has its own specific characteristics, thus one mode cannot fit all. Whichever option the firm chooses to employ, according to Blythe and Zimmerman (2005, 111-113.) the choice should be considered by looking, at least, at the following characteristics of each of the entry modes; resources required, potential risks, experience gained, return on investment, host government reaction, and control capabilities.

Most firms prefer exporting as their primary foreign market entry strategy because it entails limited risks, expenses, and the ability to gain knowledge of foreign markets and transactions. Typically the focal firm retains its manufacturing activities in its home market and conducts marketing, distribution, and customer service activities in the export market. The latter activities can be conducted in-house or by a third party.

Exporting can be conducted in a number of ways, some being direct and some indirect. Agents and merchants, both domestic and foreign, are used in these sorts of market entries. Agents are firms, which help in finding and selling to customers but do not take ownership of the product. On the other hand, merchants take the title, own the product and can resell it on their own. The biggest difference between these two is in control. The following table lists the different exporting alternatives (Table 3).

Table 3. Direct and indirect exporting intermediaries (Zimmerman & Fitzpatrick, 1985. Quoted in Blythe & Zimmerman 2005, 109.)

	Indirect (domestic)	**Direct (foreign)**
Agents	•Brokers •Export agents •Export management companies	•Brokers •Manufacturer's reps •Factors •Managing agents
Merchants	•Domestic wholesalers •Export trading companies •Export management companies	•Distributor/dealer •Import jobbers •Wholesalers/retailers

If a firm chooses to enter the market by a foreign direct investment, possibilities include a sole venture, a joint venture, and a consortia. Furthermore, the sole ventures can be conducted either through a greenfield investment of a branch office or a subsidiary, or an acquisition. Foreign direct investment is the most advanced and complex market entry strategy, involving establishment of plants, marketing subsidiaries, or other facilities abroad. FDI requires a substantial resource commitment, local presence and operations in the target market, and global scale efficiency. It is also riskier than the other entry modes.

Contractual entry strategies in international business context refer to cross-border exchanges where the relationships between the focal firm and its foreign partners is governed by an explicit contract. The contractual entry modes include licensing, franchising, strategic alliances, management contracts, and contract manufacturing. According to Cavusgil (2008, 453.) cross-boarder contractual relationships share six common characteristics:

- Governed by a contract that provides the focal firm a moderate level of control over foreign partner
- Typically involve exchange of intangibles (intellectual property) and services

- Can be pursued independently or in conjunction with other foreign market entry strategies
- Provide for a dynamic, flexible choice
- Often reduce local perceptions of the focal firm as a foreign enterprise
- Generate a predictable level of earnings from foreign operations

2.1.3 Segmentation

When a focal firm plans on a market entry, one of the most important tasks is to determine the customer segment to target. As some industries operate across country borders, in professional clusters, the choice is not always dictated by which country is desirable, but where the desirable customers are located. The segment selection process introduced by Freytag and Clark (2001) includes evaluating the future attractiveness of the segment, resources it demands, and the strategy the focal firm employs. The following table adapted from Freytag and Clarke (2001) visualizes the segment selection process and considerations taken at every stage (Table 4).

Table 4. Segment selection process (Blythe & Zimmerman 2005, 93.)

Future attractiveness	Resource demands	Firm strategy
•Size and growth •Profitability •Relative risk •Competition •Governmental/environmental considerations •Customer demands/technology •Present relationships •Development of new relationships	•Technology •Relationships •HR – purchasing, sales, service, production •Image •Capital investment •Product development	•Corporate directions •Management commitment •Organizational requirements

Evaluating and targeting specific segments, is a key characteristic of B2B marketing, as the buyers are more aware of the purchases they make, and the customer base is smaller, marketing to masses is much more difficult than in B2C. It's important to be able to concentrate the marketing on value-adding customers, thus segment carefully. The following chapters will further discuss the differences between B2C and B2B markets, and the implications the different business environments have on operations.

2.1.4 Competition

Organizations today compete through their value disciplines, that is, what they offer and how that differs from the competitors. It's important for everyone in the organization to be aware of the value discipline and the corporate identity behind it, in order to communicate the appropriate message and culture.

According to Blythe and Zimmerman (2005, 40) a company can choose one of the three value disciplines; operational excellence, customer intimacy, and product leadership. This choice should then lead the decision making and operations.

A company that chooses operational excellence as a guiding value discipline, strives for industry leadership in price and convenience. Efficient systems and staff input reduction to minimum, are the focus in this approach.

A company that chooses customer intimacy as their value discipline, focuses on precise segmentation and attention to customer needs. Empowerment of the staff, good market research, and careful attention to segmentation and targeting are characteristics of the organizations, as the goal is to develop close long-term relationships with the customers.

When striving for product leadership, the organization attempts to offer leading-edge, state-of-the-art products and services. High R&D expenditure, staff innovation programs and systems for fast new product launches are crucial for these firms. The aim of this strategy is to make the competitors' offerings obsolete.

2.2 B2B service organizations

The manner of doing business differs in a variety of ways when moving from the consumer markets (B2C markets) into business markets (B2B markets). The following chapter introduces special characteristics of B2B markets, especially in the service provider context.

2.2.1 B2B marketing

Twelve major differences can be identified between B2B and B2C marketing. These differences derive from the company, customers and the environment. The following table visualizes the differences.

Table 5. Consumer vs. business marketing (Blythe & Zimmerman 2005, 8-11.)

Twelve Major Differences: Consumer vs Business-to-Business Marketing	
Internal to company	•Interdependence of departments •Differences in product management responsibilities •Marketing strategy = Corporate strategy
Customer/Marketing	•More rational decision making •Narrower customer base •More buying influence and locations •Different segmentation •More markets and channels •Personal customer contact more important
Uncontrollables/Environment	•Technology •Derived demand •Less end user info

In business marketing it's impossible for one department alone to develop or make changes in an offering without cooperation from the other functions in the organization. The product manager works as a "mini general manager" establishing cooperation between the parties in the organization. This can often lead to longer lead times in these sorts of organizations.

While consumer product managers are usually graduates of advertising agencies or departments, business product managers often have a technical background. This is because advertising plays such a small role in business marketing compared to consumer marketing. Product managers in business marketing are often required to make customer visits, not only to receive valuable customer feedback, but to also actively sell. Product managers provide expertise to the sales situation, as well as the authority from headquarters on pricing and special packages of products and services.
In business marketing, the marketing strategy often is the same as the overall corporate strategy. Many of the firms' functional areas must be involved in the marketing strategy, because of the interdependence of the departments.

In consumer markets emotions play a bigger role in the purchasing process than in the business markets. Justifying purchases to a whole organization based on emotions rather than rational is difficult.

Whereas consumer markets generally consist of millions of individuals, most business markets have far fewer customers. Pareto's law is often strongly in effect, as a small percentage of customers account for a very large percentage of all the business in a particular segment.

The prospective customer base is often much smaller for the firms operating in the B2B markets compared to B2C. However, there exist a number of different segments of customers also in the B2B markets. The most obvious segment of business buyers are the business and commercial organizations, but a B2B organization can also choose to target other sort of clients, such as, reseller organizations, governmental organizations and institutional organizations. (Blythe & Zimmerman 2005, 21.)

In a consumer marketing environment, families and other reference groups affect the purchasing decisions of customers. When attempting to motivate a purchase by a business organization, the influencers on the purchase decision are different. Purchasing decisions are made by the decision-making unit or buying center within the organization. Often multinational organizations have locations in different continents and decision makers spread across accordingly. Sometimes the decision of purchase is made by a team of managers, whom haven't even met each other physically.

Consumers can be segmented by demographic or psychographic methods while customers in the business markets are characterized differently. Factors that are used to segment business customers include: industry classification codes, product applications, price sensitivity, location, importance of product to the buying firm and customer size.

Consumer goods are often sold directly or through one or two steps of distribution. Business goods and services providers often use multiple channels to establish sales. The organizations often sell directly to the largest of customers, while selling through various other channels at the same time. Each effort to sell through a different marketing channel requires a different marketing strategy.

Personal contacts are extremely important to the success of a business marketer. In some firms, highly trained salespeople with engineering or medical backgrounds are required to make a convincing case to the sophisticated customers. Whereas television advertising and other non-personal information sources are critical in consumer marketing, it has been shown that businesses consistently place higher value on the salesperson as the information source.

With business customers, the application of proper technology has often a significant effect on financial results. Not only in providing the appropriate products, but also in the context of a sales situation. Salespeople equipped with laptop computers in the customer's location, are able to make more effective presentations as well as tap into head office databases to answer important questions immediately as they arise.

Derived demand might be the most well-known difference between consumer and business marketing. Business marketers must look beyond their own customers to the ultimate end consumer to understand trends that may affect their own business. If a customer is unable to produce its offerings because of poor demand in its market, they are most likely less willing to make purchases from their suppliers.

End user data is much more limited and harder to find in the business marketing situations. There are multiple organizations, government and private, supplying specific market data for the consumer markets. Furthermore, models exist, which can predict the success of a particular consumer marketing activity based on a small experiment. In the business marketer situation, no such models exist and the data available is often far more difficult to find. Often different industries are comprised together in statistical information to present a larger industry, rather than presenting information about the particular sub-industries operating within. (Blythe & Zimmerman 2005, 8-11.)

2.2.2 Services for business markets

The following table (Table 6) adapted from Shostack (1977), Lovelock (1992), Semenik and Gary (1993), Grönroos (1990), and Sasser (1976), visualizes the unique characteristics of services and the implications these characteristics have for management and marketing.

Table 6. Unique characteristics of services (Blythe & Zimmerman 2005, 157-158.)

Factor	**Description**	**Implication**
Intangibility	Services cannot be touched, felt or tried out.	Enhance and differentiate the "tangible clues", establish tangible evidence of service.
Consumed when produced	Production and consumption of services take place simultaneously.	Careful selection of and training for "part-time marketers". Must handle "moment of truth" correctly the first time.
User participation	Even when the user is not required to be at a location where the service is performed, users participate in every service production.	Fully understand customer expectations of service. Involve customer more in service performance where appropriate.
Perishability	Services cannot be inventoried.	Work to alter demand or supply to avoid extremes of "chase demand" and "level capacity" strategies. Plan capacity at a high level of demand. Use marketing tools (price, promotion) to control demand. Use part-time employees, cross-training or other methods to control supply.
Variability	Because of the labor-intensive nature of services, there is a great deal of difference in the quality of service provided by various providers, or even the same providers at different times.	Either standardize completely for low cost, low-skilled employees or recruit higher-cost, higher-skilled employees and allow them latitude to deliver customer satisfaction.

Because of the intangible nature of services, customers can find it difficult to evaluate the quality of a proposed service. Management should attempt to focus on "tangible clues" of the service to message the potential customers about what to expect. These clues can be in the form of uniforms, written contracts, guarantees and brochures describing the service, or a consistent logo in promotion.

Since services are consumed at the same time as they are produced "part-time marketers" play a significant role (Gummesson, 1991). These employees carry out marketing activities but are not part of the marketing or sales departments. They handle the buyer-seller interaction moments. In service organizations, these "part-time marketers" often outnumber the full-time marketers who report to sales and marketing departments. Careful selection and training for these employees is crucial to managing these important interactions effectively.

The users participate in the production of a service alongside the provider, thus, it is critical to understand customer expectations for the particular service. To manage demand, some companies have even been able to get their customers to do more, by for example offering self-service shopping. This on the other hand, might reduce the satisfaction of the clients.

Services are intangible, thus, they cannot be inventoried. Sasser (1976) described two extremes of services management, one called "chase demand" and the other "level capacity". "Chase demand" requires consistently adding and subtracting equipment and people to meet the unpredictable demand. "Level capacity" requires that provisions be made at the highest possible demand level with resulting periods of non-productivity.

Another approach is to control either demand or supply. Managers can use price or promotion to shift demand from peak period to non-peak periods. On the other hand, supply can be managed for example by using part-time employees for the peak demand periods. Attempting to maximize efficiency during the high demand and ignoring non-essential tasks can help in controlling supply. Cross-trained employees can perform more than one job and can thus help relieve bottle-necks during high demand. Sasser (1976) says that "successful services managers are managing the capacity of their operations and the unsuccessful ones are not". The freedom to add and lay off employees, even with a short notice, helps in the demand adjustments, just as the ability to be flexible in pricing.

Services are variable by nature, meaning that each performance of service by an employee will be perceived in a different way by the customer. Each buyer-seller interaction is unique. Managers have reacted to the variability of services with two different approaches. Some attempt to standardize the operations as completely as possible and use low-cost, low-skilled employees. Another approach, depending on the complexity of the service, is to recruit higher-cost, higher-skilled employees to provide customer greater satisfaction.

Lovelock (1992), described the service management trinity, the three key functional areas actively involved in making services work: marketing, operations and human resources. The operations function includes people, facilities, and equipment that run the service operations. The marketing system shares the delivery of service with operations, but in addition it also provides components such as billing, advertising, sales personnel and research. As earlier mentioned, much of the customer interaction is handled by “part-time marketers” who normally report to the operations department. Therefore, operations must understand the importance of these interactions and human resources must be able to recruit and train these individuals to meet the overall objectives of the organization and satisfy customers. (Blythe & Zimmerman 2005, 157-158.)

2.2.3 Service quality dimensions

Customers measure satisfaction based on their expectations and their perceptions of the actual offering. According to Berry, Zeithaml and Parasuraman (1992) factors affecting service quality can be divided into 5 main dimensions as in the following table (Table 7).

Table 7. Service quality dimensions (Blythe & Zimmerman 2005, 160.)

Dimension	Description
Tangibles	Appearance of physical facilities, equipment, personnel and communications materials
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and to provide prompt service
Assurance	Knowledge and courtesy of employees, ability to convey trust and confidence
Empathy	Caring, individualized attention to customers

Testing of these dimensions has shown repeatedly that reliability is perceived as the most important. In business marketing reliability means delivering what was promised on time. (Blythe & Zimmerman 2005, 160.)

When customers judge the quality of a service, they examine two aspects, the process and the outcome. Both the outcome and the process have to be well executed to gain complete customer satisfaction for services. High levels of customer satisfaction increase customer loyalty and drive to repurchase. According to Jones and Sasser (1995) increased customer loyalty is "the single most important driver of long-term financial performance".

2.2.4 Marketing and delivering services

The first important step in marketing services is to identify the target segment. There is some evidence that the segments tend to be narrower for service providers than for products. Furthermore, many business services need to be customized for the specific customer's needs. (Blythe & Zimmerman 2005, 165.)

The product is the service offering, including all the processes and outcomes. Thus, careful integration of human resources, operations, and marketing is crucial. The pricing of services is related to managing demand. Despite very intense competition, a renowned consultant might receive premium prices. Promotion for services has some unique aspects as well. The most important is the need for internal marketing. For customers, Moorthi (2002) emphasizes the need for education. Also, positive word-of-mouth and satisfied customers as advocates have crucial roles in service marketing. (Blythe & Zimmerman 2005, 165.)

Service delivery to foreign markets is dictated by the nature of the service and the customers, the attitudes of the host government and the usual need for high control of operations. Vandermerwe and Chadwick (1989) developed a six-sector matrix based on the relative involvement of goods and the level of interaction between the consumer and the producer. For example, services that have a high level of interaction between the parties and low involvement of goods are suggested to use internationalization strategies such as direct investment, mergers and acquisitions, in order to maintain high control. Since services cannot be protected with patents, speed can also be a crucial factor when finding and moving to new foreign markets. (Blythe & Zimmerman 2005, 167.)

Czinkota and Ronkainen (2004) suggest that in the service delivery, the distribution channels should be kept as short as possible; staying close to the customer and the personnel selection should be done under tight control. According to them, these characteristics of service providers tend to make firms prefer entry modes such as own subsidiaries or branch offices, mergers and acquisitions, joint ventures, and licensing or franchising. (Blythe & Zimmerman 2005, 167.)

2.3 Market relationships

As earlier suggested, attention to market relationships is a characterizing feature in B2B marketing, thus choosing suitable partners and effectively analysing the relationships, prospective and current, is critical. Partnerships can be leveraged both in short and long term strategies, and can be especially effective when planning internationalization.

2.3.1 Partner profile

Blythe and Zimmerman (2005, 115.) present a profile of attributes to evaluate when choosing business partners. The partner profile considers factors such as, past performance, capabilities, reputation and relationships, goals and strategy, and compatibility of the two firms, to ensure a successful partner selection.

In the partner profile,

- Past performance is evaluated using indicators such as profitability, sales growth, market share, co-operation with other partners, experience with the market/product, and financial strength.
- Capabilities of a prospective partner are estimated by observing factors such as their facilities, marketing/sales, design/technology, size of the firm, language, after-sales, and knowledge of local customs.
- Reputation and relationships a firm maintains are investigated by looking at all the possible shareholders, be it then, suppliers, customers, financial institutions, or governments.
- Long and short term goals and strategies of the organization are clarified.
- The compatibility of the firms is assessed by looking at factors, such as product lines, markets, or style and personality. These factors can vary depending on the case.

2.3.2 Relationship internationalization

The relationship approach provides an alternative way of dealing with traditional export barriers such as lack of knowledge of the foreign market and uncertainty associated with it. This alternative is through partnerships that can bridge the knowledge gap and reduce uncertainty. (Donaldson & O'Toole 2002, 211.)

Access to knowledge is one of the key drivers of international success. Firms that possess superior knowledge can offer more innovative products and services, enjoy greater customer satisfaction, and deliver at a lower cost. The knowledge doesn't need to be possessed by the firm itself, but can be added to packages offered by other firms, fostering further co-operation and specialization. (Donaldson & O'Toole 2002, 211.)

Axelsson and Johanson (1992) suggest that the following questions might be relevant to an assessment of foreign markets from the relationship perspective:

1. Who are the main players in the foreign market – customers, suppliers, competitors, public agencies? Which are important relationships? Identify the strength of the ties between the actors – social, technical, economic, legal or other ties.
2. What are the relative positions of each of the firms in the network? What are the roles of the firms and what power do they have in the network? What constraints does the network impose on the firm regarding, for example, possibilities of relating to other actors, areas, fields of application, suppliers, etc? What possibilities do specific potential partners in the network offer to the company as regards access to suppliers and resources controlled by others?
3. What are the relations of the focal firm to actors in the potential country market? Which are the direct relationships? How can they be used? Are there any indirect relations to actors in the potential host market, for example, through contacts with partners in other local markets who in turn have direct relationships with the entry market?
4. How can the resources of other actors be mobilized in support of market entry? What people, which technical and financial resources?

   (Donaldson & O'Toole 2002, 213.)

3 Benchmarking

Task 2 of the thesis is to study and understand the basics of benchmarking.

The basics of benchmarking were studied during a Laatukeskus course provided by the commissioning company. During the training, a team of Medaffcon employees were led to think of the phenomenon of internationalization through processes that were applicable for benchmarking purposes. The session produced a set of objectives and considerations crucial for the research design.

Benchmarking started as a result of the re-engineering movement and is often focused heavily on processes such as engineering, purchasing, manufacturing and human resources. The core idea of benchmarking is identifying "best practices" for particular processes and functions, then learning from those practices and adapting them to the needs of the firm. Benchmarking Code of Conduct (EFQM 2009) can be found in attachment 2.

According to Blythe and Zimmerman (2005, 77.), the benchmarking process can be described in 8 steps, as follows:

1.Determine process to be benchmarked
2.Research to identify leading firms
3.Finalize list and develop discussion agenda
4.Visit "best practice" firms and interview key people
5.Analyze data, develop conclusions (report)
6.Hold knowledge transfer sessions
7.Develop action plan
8.Implement action plan

Benchmarking can be categorized into 4 types according to its objectives; strategic, performance, process, and know-how. Strategic benchmarking concentrates on analyzing the operations of "best practice" companies, in the hopes of finding new opportunities in the organization's own core processes. Performance benchmarking compares the performances of different products and core processes using available information or by conducting a corporate visit. Process benchmarking defines and analyzes the methods, procedures, and requirements behind the core processes. Know-how benchmarking is based on the fact that the processes of two companies can appear to be very similar, but the professionalism or technology can be on vastly different levels.

Benchmarking can also pose challenges, for example in terms of finding suitable themes to research. Difficult topics to research using the benchmarking technique include values, corporate culture, organizational history, management charisma, collective know-how, and contact networks. If the success of the organization is based on these factors, the benchmarking corporate visits might not be the most suitable method of research.

When choosing companies to benchmark one has to decide on the type of organizations. If the organizations are very similar to one's own company the information might not reveal anything new. On the other hand, information provided by very different organizations might be extremely difficult to transfer to one's own company. Competitor benchmarking is rare and difficult, but can be very effective if achieved. If two or more competitors manage to co-operate in a benchmarking study and learn from each other, they can potentially even shake off other competitors.
(Laatukeskus training)

4 Data collection

Task 3 of the thesis is to collect data using the benchmarking technique. Task 3 consists of 4 subtasks, which are adapted from the benchmarking process, as introduced in the previous chapter. Originally the process includes 8 tasks, out of which 4 are now used as sub-tasks:

1. Determine process to be benchmarked
2. Research to identify participating firms
3. Finalize discussion agenda
4. Visit “best practice” firms and interview key people

The first and foremost objective of the project was to learn from the experiences of the participating companies and managers, in order to support the strategic choices made in the future at Medaffcon. Thus, the process under focus was chosen to be the internationalization activities.

4.1 Participants

In the benchmarking study, the internationalization processes of 3 companies were analyzed. The participating companies were CrownCRO, 4Pharma, and Epid Research. All the participating organizations filled the criteria of being Finnish based, operating in knowledge-intensive B2B markets, and maintaining established foreign operations. The full reports from the corporate visits are in attachments 3-5.

The organizations where represented by Managing Director Päivi Itkonen (CrownCRO), Senior Director Jouni Vuorinen (4Pharma), and CEO Pasi Korhonen (Epid Research).

4.2 Data collection method

The corporate visits were conducted during spring 2014. The data collection method was unstructured qualitative interviews. The decision to go with unstructured interviews was based on the need to collect participants own perspectives and not impose a theory chosen by the researcher. Furthermore, the preliminary discussion agenda made it evident that the scope of questions from the commissioning company was so broad that approaching the research in a non-structured manner seemed most plausible.

The commissioning company was represented by at least 3 employees in each visit. Participating team members from Medaffcon included Medical Director Jaana Ahlamaa, Managing Director Jarmo Hahl, Business Development Manager Kristiina Pelli, and Assistant Tuuli Tuompo. Two of the Medaffcon management representatives took part in the conversation, whereas the assistant recorded notes and presented follow-up questions when needed.

The areas of focus for the corporate visits, as presented in the preliminary discussion agenda (attachment 6), where decided together with the Business Development Manager at Medaffcon. The organizations were informed of the objectives of the conversations before the visits by sending the agenda with questions concerning the phenomenon of internationalization. However, during the corporate visits the agenda was referred to only to ensure that relevant questions or aspects would not be forgotten. The actual discussions where conducted in a completely non-structured manner and led by industry respected professionals. The corporate visits lasted 2 hours each.

After each of the corporate visits, Medaffcon participants discussed the collected data and the assistant prepared a report from notes taken during the visit. The data was then analyzed using thematic qualitative analysis; pin-pointing the most relevant topics and factors by examining patterns and themes in the collected data. It was clear that the focus of the interviews was constantly on certain areas, thus the categorization was done accordingly.

4.3 Timetable

The following table visualizes the order and timing of the activities during the benchmarking phase of the project.

Table 8. Benchmarking activity log book

Date	Activity	Sub-tasks
15.1.2014	Initial meeting with Medaffcon	1 & 2
27.1.2014	Meeting with Laatukeskus to map out the objectives of the co-operation.	1 & 2 & 3
6.3.2014	Corporate visit with 4Pharma	4
10.3.2014	Benchmarking training by Laatukeskus	1 & 2 & 3
1.4.2014	Medaffcon team meeting	3
8.4.2014	Contacting of CrownCRO	
24.4.2014	Contacting of Epid Research	
13.5.2014	Corporate visit at Epid Research	4
22.5.2014	Corporate visit at CrownCRO	4

In January 2014, a meeting with Medaffcon's Business Development Manager was conducted to discuss the objectives of the project and steps to be taken. The scope of the project was decided to be internationalization of Finnish based SMEs. It was also decided that benchmarking would suit the project needs, thus, Laatukeskus was invited to discuss co-operation possibilities.

The first meeting with Laatukeskus discussed the possible objectives of the co-operation. It was decided that Laatukeskus would provide training on benchmarking techniques for the Medaffcon staff.

The corporate visit with 4Pharma was conducted in March at the Medaffcon offices. On top of discussing the international ventures of 4Pharma, future co-operation was under discussion.

The Laatukeskus training for Medaffcon personnel took place in March. During the training, a team of Medaffcon employees were led to think of the phenomenon of internationalization through processes that were applicable for benchmarking purposes.

In April, a Medaffcon team meeting was held to further clarify the objectives and approach for the benchmarking study. It was decided, based on the meeting with 4Pharma and training by Laatukeskus, that approaching the corporate visits in a non-structured way would be most suitable for this specific case. It would allow the interviewees to direct the conversation on topics that they perceived as most important. Also the decision on participants of the project was finalized during the meeting (Epid Research and CrownCRO).

The preliminary discussion agenda was still used to inform the participants on what topics are of most interest and to keep the conversations in international context by referring to it through follow-up questions.

Both CrownCRO and Epid Research were contacted in April and had corporate visits in May. These corporate visits took place in the interviewees' offices.

After each of the corporate visits the Medaffcon team members discussed what was learned and notes from the visits were finalized into reports. Furthermore, constant conversations within the Medaffcon team ensured that knowledge was transferred throughout the project and that the data was analyzed effectively.

4.4 Reliability and validity

In order to ensure the validity of this thesis the following steps have been taken:

- Reliable and well-known authors, publishers, and theorists
- Industry respected professionals as participants in the benchmarking study
- Corporate visits comprised of multiple team members, thus manipulating the conversation or otherwise affecting the results is difficult
- After the corporate visits, the collected data was discussed with team members in order to ensure understanding

The thesis is designed to apply in the case of the commissioning company and, thus might not be transferrable to every organization.

5 Data analysis

Task 4 of the thesis is to analyze the data collected from theory and benchmarking. Even though a preliminary discussion agenda was produced to guide the conversations, the corporate visits were conducted in a non-structured way, allowing the discussion to move naturally towards the areas of most interest. Some topics were clearly perceived as more important than others, thus these areas were under more emphasis repeatedly. The full corporate visit reports can be found in attachments 3-5 and preliminary discussion agenda in attachment 6.

When looking at the conversation focus and reviewing theory, areas that were of outmost interest were categorized, by the author, under the following topics;

- Co-operation and networks
- Factors affecting market choice
- Assignment of responsibilities
- Market entry modes
- Sales of expert services
- Marketing, building relationships and awareness

5.1 Co-operation and networks

Donaldson and O'Toole (2002, 211.) suggest that approaching international operations through a relationships approach can provide for an alternative way of dealing with export barriers such as lack of knowledge and the uncertainty associated with it. According to them partnerships can bridge the knowledge gap and reduce uncertainty.

The discussions with the managers showed that all the organizations have been heavily impacted by networks and partnering. 4Pharma has gone through multiple acquisitions and different owners, one of which, for example, led to an investment by a minority owner that enabled a market entry to Sweden. 4Pharma also produces services in co-operation, concentrating constantly on finding new product synergies to produce greater added-value to customers. This allows them to produce a wider range of offerings, in a greater geographical area.

Epid Research produces services and conducts projects within its network in a project-based manner. This means that the contracts are short-term, lasting only for a determined project or duration. These sorts of arrangements allow for more flexibility in operations and strategic choices.

CrownCRO operates in Europe through a network of organizations. The network allows CrownCRO to reach geographical areas that would otherwise be difficult. The complementary services of other members in the network widen the service portfolio of CrownCRO.

CrownCRO, especially, has managed to leverage its co-operation relationships in an effective way. They are able to manage projects from Finland, sub-contracting parts of the service to partners in favorable locations in Europe. By managing the project, the client is only in contact with CrownCRO, whilst the organization controls the production of the service. In these sorts of arrangements it is crucial to concentrate on finding partners that possess the demanded skills and quality of services. The managing director Päivi Itkonen makes frequent visits to all their partner organizations and emphasizes the need for short lines of communication, in order to avoid problems.

5.2 Factors affecting market choice

In the Global Market Opportunity Assessment created by Cavusgil (2008, 344-371.), the organization first ensures its readiness for internationalization. After the initial organizational requirements are met, the focal firm assesses the suitability of its offering to the foreign market. When the offering is considered to be suitable, the screening of countries and choosing of a target market starts.

Markets to be targeted are first assessed by looking at factors such as market size and growth rate, market intensity, consumption capacity and country's receptivity to imports. When the amount of potential markets is limited down to a manageable few, the assessment is further deepened to investigate factors such as potential barriers to entry, trends in the industry, competitive intensity, availability and sophistication of local distribution, unique customer requirements and preferences and industry-specific market potential indicators. For any given organization, the factors affecting the final choice of a target market are different.

4Pharma decided to target the Swedish market because of their nature of business. As the services offered by 4Pharma are concentrated on data management, the availability of premium data made Sweden a desirable market.

Epid Research made the choice to target Germany and Sweden because of the large market size and amount of industry activity. Estonia appeals to Epid Research because of the availability of local talent, favorable labor costs, geographical proximity, and a somewhat established network of contacts.

When CrownCRO first entered the Baltic countries, the market choice was made because of clear existing demand for the services. CrownCRO was able to start operative work from day one. The US market on the other hand, has demanded more work to catch wind. However, the market is appealing because of the enormous amount of prospective customers. Especially in the biotech and medical device industry clusters in San Francisco and Boston.

5.3 Assignment of responsibilities

In all the organizations, the business model poses challenges because of the labor-intensive nature of operations. The organizations are concentrated on producing the expert services in order to produce income. As internationalization is a time consuming business development activity, the conflict between time spent on operative work and business development work is inevitable.

Long-term commitment on the part of management is essential – without commitment of resources and manpower the market entry will fail, since existing competitors in the target country are often totally committed to what is, for them, the home market (Blythe & Zimmerman 2005, 105).

In all three organizations, it is clear that the management is extremely committed and puts a huge deal of their time on the business development activities, many times extending their working hours close to inhumane levels.

The organizations are mostly made up of experts. Finding employees that possess the required level of expertise and are able to live by the corporate culture, striving towards the common organizational goals is crucial. Motivating the experts to take part in lead generation and other business development activities should be in focus.

Contracts with the employees indicate the percentage of time that should be allocated for operative work and business development activities. Finding the optimal balance between the two kinds of work within an expert organization is crucial and demands constant attention.

5.4 Market entry modes

Basic market entry modes can be divided into three categories; export, investment and contractual entry modes. Most firms prefer exporting as their primary entry mode because it entails limited risks, expenses, and possibility to gain knowledge of foreign markets and transactions. Foreign direct investments are the most complex and advanced market entry mode as it involves establishment of facilities abroad, be it then plants or marketing subsidiaries. The contractual entry modes in international business context refer to explicit contracts made between cross-border partners. The contractual entry modes can be a dynamic and flexible choice, and can produce a predictable level of earnings from foreign operations. (Cavusgil 2008, 453.)

4Pharma has own offices in Sweden and Switzerland. Both of the offices were established by a 4Pharma employee, Mika Leinonen, after which local talent was hired to the office. Nowadays, Both Sweden and Switzerland offices have one local employee and Mika Leinonen travels between the two offices managing the internal communication and control over operations. According to 4Pharma Senior Director Jouni Vuorinen (6.3.2014) the easiest way of starting international operations is by getting the work from abroad and conducting it in Finland. More effective, however, is to send a trustworthy and experienced employee from the domestic office to establish representation in the foreign market. When unknown locals are hired to represent the organization, there is a risk of losing managerial control and facing challenges with transferring of the corporate culture.

Epid Research has established sales channels by using agents both in Germany and France. The experiences have been good and bad, as the level of expertise varies greatly between agents. Even though Epid Research has encountered some bad representation, they have found that a good professional agent can provide opportunities. When choosing agents, Epid Research trusts word-of-mouth in the industry, thus the reputation of the agent plays a huge role.

CrownCRO has established own offices in Estonia, Latvia and Lithuania. On top of the direct investments to these countries, CrownCRO operates in multiple European countries, by producing the services in co-operation with network partners. The organization is also utilizing a Finpro virtual office service in the United States, which provides the company with a local address and phone number, on top of which the office can contact prospective local leads in order to generate sales.

5.5 Sales of expert services

Gummesson (1991) introduced the concept of "part-time marketers" in service industries as employees that carry out marketing activities but are not part of the marketing or sales departments. They handle the buyer-seller interaction moments. In service organizations, these "part-time marketers" often outnumber the full-time marketers who report to sales and marketing departments. Careful selection and training for these employees is crucial to managing the customer interactions effectively. This concept was more than fitting for the participating organizations in the study.

Selling expert services is impossible without understanding the content of the offerings. All three of the companies leverage agents in prospecting and contacting leads.

However, when a sales situation turns prospective, in-house experts need to step in to handle the customer interaction. The services are based on meeting particular customer needs or solving customer problems. This means the service packages can be vastly different in size and content. In order to detect the needs and find a solution for the customer, one has to be experienced and understand the industry.

In sales situations CrownCRO managing director Päivi Itkonen (22.5.2014) sees that face-to-face meetings with prospective clients is the most effective manner of building trust and co-operation, thus she frequently travels to network in the US and Europe. Epid Research has produced a short introduction video for sales agents to display when generating leads. The video allows the management to communicate a consistent and controlled message to prospective customers about the corporate identity and offerings.

5.6 Marketing, building relationships and awareness

As the business models of the organizations are built heavily around co-operation, relationship management plays a huge role in the marketing activities. Industry and sector specific professional fairs, congresses, and seminars are perceived as the best customer touch point by all three companies. Personal contacts and word-of-mouth account for a considerable portion of sales leads, thus networking is important. A stand located in a strategic place can be effective, but even more so if a public presentation of some sort can be conducted. Educating customers is one of the defining characteristics of B2B service marketing.

The corporate webpage is an important communication tool for the organizations. Often for a SME company, internet presence is the most tangible evidence of the organization from the point-of-view of the foreign customer. The webpage is essentially the location where prospective customers are led to experience their first impressions of the organization.

Being able to prove the value and quality of the services has been beneficial to Epid Research. The company launched an internet database of its previous and upcoming projects in order to provide examples of the benefits and proof of service quality.

As for marketing material, traditional brochures and business cards are perceived as sufficient by all three organizations.

6 Conclusions and recommendations

Task 5 of the thesis is to draw conclusions and make recommendations to the case company. The previous chapter introduced the topics that were under most focus during all the corporate visits. The managers clearly perceived these areas to be crucial for their international organization. In order to manage these areas effectively, a number of key factors for success were identified.

6.1 Key findings

The objective of the project was to find best practices and success factors in activities and processes related to internationalization and market expansion. The conversations during the corporate visits were guided by what the managers perceived as interesting, important, and worth discussing. After clearly detecting the areas of most emphasis, the focus was decided to be put on them. These topics were common to all the visits and were already discussed in chapter 5: Co-operation and networks, Factors affecting market choice, Assignment of responsibilities, Market entry modes, Production and delivery of services, Sales of expert services, and Marketing, building relationships and awareness.

In order to manage these areas, and an organization operating in multiple markets simultaneously, a number of crucial factors for success were mentioned repeatedly. According to the discussions a successful international expert organization is able to leverage and manage effectively the following aspects of business:

- Effective recruiting
- Management commitment
- Balance between operative and developmental work
- Relationship building and management
- Agents and databases in lead generation
- Networking
- Internal communication
- Content expertise in sales

The business conducted by Medaffcon and similar organizations is very labor intensive in nature. The quality of the offerings and the ability to display expertise play a huge role in the industry. The personnel has to possess the expected expertise as well as the ability to represent the company in the desired manner. Thus, **effective recruiting** is important.

The "people business" nature of the industry puts emphasis on the importance of the **management and their commitment** to the development of the organization. In successful SME organizations the management often operates in an entrepreneurial manner.

In many cases deals are made through leveraging existing relationships, often those of the management and key personnel. Furthermore, in order to communicate a consistent brand image, the management needs to embed the values on to the organization.

Finding **balance between the operative and development work** is crucial. The labor intensive nature of the industry will always pose a challenge in balancing operative and developmental work, the management needs to be able to resolve and manage this challenge.

Only long term relationships with customers can turn into long term profitability in the industry. Many of the arrangements in the industry are made because of personal relationships that have enabled trust. **Managing existing relationships** is important, in order to leverage them in a profitable way.

Especially industry specific professional fairs and congresses have proven to be useful in **building awareness and new relationships**. Building relationships is most effective when done face-to-face, thus an international manager needs to be prepared to travel frequently.

The use of **agents** can be effective in finding new leads and creating new relationships. However, in most cases the agent can only point out prospective customers and make the initial approach. After the initial approach, in-house experts need to be involved in the sales situation, in order to ensure the content of the service is clearly presented and all the possible value-adding activities confirmed.

Company **databases** have presented useful leads to at least Crown CRO, who recommends them because of the low cost and availability of multiple useful, targeted leads. Virtual office management services have also been useful to Crown CRO in the United States because of the appropriate time zone and the advantages of having a local address and representation.

Networking enables a wider range of offerings and the possibility to serve larger geographical areas. It can be conducted either by longer co-operation contracts, leveraging for example product synergies, or on project based level, where the commitment is shorter and flexibility of operations greater.

Although the profit margin in sub-contracting might not be as large, the projects can add value to the business, by for example creating relationships and building brand awareness. Furthermore, having predictable and low risk income can have positive implications to business activities.

Internal communication lines, both in-house and with partners, should be kept as short as possible to ensure the personnel is up to speed and working towards the same organizational goals, and the relationships with the partners are managed according to standards.

Short communication lines to management help the organization stay agile and working towards a common goal. The corporate identity and culture, as well as the operative models, need to be carried on to all the offices, in order to maintain control over the entity. This is extremely crucial when an organization is spread out to multiple markets simultaneously.

In order to manage and reach an optimal balance between operative and developmental work, the expectations and responsibilities need to be clearly communicated.

The **sales of services** in knowledge intensive industries can be extremely difficult or impossible without the understanding of the content. Thus, an in-house expert, or an outsourced expert in the field, should be responsible for the closing of deals and most customer interaction.

6.2 Recommendations to case company

The previous sub-chapter summarized key findings of the research. For the management to keep these factors in consideration is important especially when growing and attempting to expand to new markets.

The following list of recommendations, created by the author, summarizes points from the project that caught the attention in terms of being applicable for the commissioning company.

- PARM resourcing, budgeting software – find and maintain the optimal balance between operative work and business development activities. Provides numerous other possibilities as well.
- Online reference lists – display proof of service quality. Epid Research has established an online database of references for their projects. The database has built the credibility and visibility of the organization by giving examples and providing proof of service.
- Databases for lead generation – can be targeted at certain types of organizations. According to CrownCRO the cost is extremely low compared to the amount of usable leads.
- Leverage personal contacts and networking - Sharing knowledge and learning from others benefits all parties and can have positive implications on business.
- Maintain a entrepreneurial and employee empowering corporate culture by ensuring short communication lines and maintaining a committed management team.
- Maintain an active and approachable corporate webpage.

- Build awareness and new relationships with partners and customers in professional subject specific seminars, fairs and congresses.
- Sub-contracting can be conducted either by acting as the project leader, managing the customer interaction and then sub-contracting the production out, or as a sub-contractor producing services for another partner, who manages the rest of the entity.
- Market research on industry clusters at least in Sweden/Denmark, San Francisco, and Boston.
- Map out possible international agents to aid in lead generation.

7 Project evaluation

Task 6 of the thesis is to evaluate the project. The thesis process has gone relatively smooth since the commissioning company has been highly involved. The discussions with the participating organizations have already led to the development of co-operation between the organizations in some cases. Furthermore, Medaffcon was able to start its first international operations in September 2014.

The start of the project was quite fast because of the immediate need for information at Medaffcon. Had the timetable been more structured, the project could have been more effectively conducted. However, as the main objective of the thesis was to support the development of Medaffcon's internationalization plan, the needs of the commissioning company were of outmost importance.

The corporate visits were conducted in a non-structured manner. This allowed the conversation to naturally move towards factors that the interviewee perceived as most crucial. However, the non-structured manner of collecting data made the data analysis and reporting phases more complex.

Hearing experiences and learning from industry respected professionals has been highly inspiring. The entrepreneurial attitudes of the management teams were more than clear during each of the visits. Furthermore, the positive business implications of learning from each other and co-operating were repeatedly emphasized by all the participants.

It has been motivating to follow Medaffcon's operations, as there has been constant development towards growth and internationalization for some time now. Needless to say, the entrepreneurial attitudes are also prominent in the Medaffcon management team.

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Appendices

Appendix 1. Global Market Opportunity Assessment (Cavusgil 2008, 348.)

	Task	Objective	Outcome	Selection criteria
1	**Analyze organizational readiness to internationalize**	To provide an objective assessment of the company's preparedness to engage in international business activity.	A list of firm strengths and weaknesses, in the context of international business, and recommendations for resolving deficiencies that hinder achieving company goals.	**Evaluate factors needed for international business success:** Relevant financial and tangible resources, Relevant skills and competencies, Senior management commitment and motivation
2	**Assess the suitability of the products and services for foreign markets**	To conduct a systematic assessment of the suitability of the firm's services for international customers. To evaluate the degree of fit between the service and customer needs.	Determination of factors that may hinder service market potential in each target market. Identification of the needs for adaptations that may be required for initial and ongoing market entry.	**Assess the firm's services with regard to:** Foreign customer characteristics and requirements, Government-mandated regulations, Expectations of channel intermediaries, Characteristics of competitors' offerings
3	**Screen countries to identify target markets**	To reduce the number of countries that warrant in-depth investigation as potential target markets to a manageable few.	Identification of five or six high-potential markets that are most promising for the firm.	**Assess candidate countries that the firm may enter with regard to:** Market size and growth rate, Market intensity (that is, buying power of the residents in terms of income level), Consumption capasity (that is, size and growth rate of the country's middle class), Country's receptivity to imports, Infrastructure appropriate for doing business, Degree of economic freedom, Political risks
4	**Assess industry market potential**	To estimate the most likely share of industry sales within each target country. To investigate and evaluate any potential barriers to market entry.	3 to 5 year forecasts of industry sales for each target market. Delineation of market entry barriers in industry.	**Assess industry market potential in the target country by considering:** Market size/growth rate and trends in the industry, The degree of competitive intensity, Tariff and nontariff trade barriers, Standards and regulations, Availability and sophistication of local distribution, Unique customer requirements and preferences, Industry-specific market potential indicators
5	**Select qualified business partners**	To decide on the type of foreign business partner, clarify ideal partner qualifications and plan entry strategy.	Determination of value adding activities required of foreign business partners. List of attributes desired of foreign business partners.	**Assess and select intermediaries and facilitators based on:** Manufacturing and marketing expertise in the industry, Commitment to the international venture, Access to distribution channels in the market, Financial strength, Quality of staff, Technical expertise, Infrastructure and facilities appropriate for the market
6	**Estimate company sales potential**	To estimate the most likely share of industry sales the company can achieve, over a period of time, for each target market.	3 to 5 year forecast of company sales in each target market. Understanding of factors that will influence company sales potential.	**Estimate the potential to sell the firm's service, with the regard to:** Capabilities of partners, Access to distribution, Competitive intensity, Pricing and financing, Market penetration timetable of the firm, Risk tolerance of senior managers

Appendix 2. Benchmarking Code of Conduct (EFQM 2009)

EFQM
Shares what works.

EUROPEAN BENCHMARKING CODE OF CONDUCT

INTRODUCTION

Benchmarking – the process of identifying and learning from Good Practices in other organisations – is a powerful tool in the quest for continuous improvement and performance breakthroughs. The authors and sponsors have produced this European Code of Conduct to guide Benchmarking encounters and to advance the professionalism and effectiveness of Benchmarking in Europe.

It is based upon the Code of Conduct used by APQC and the wording has been modified to take into account the requirements of competition law. The layout and presentation have also been modified to provide a more positive chronological approach.
Adherence to this Code will contribute to efficient, effective and ethical Benchmarking.

PRINCIPLE OF PREPARATION

- Demonstrate commitment to the efficiency and effectiveness of Benchmarking by being prepared prior to making an initial Benchmarking contact.
- Make the most of your Benchmarking partner's time by being fully prepared for each exchange.
- Help your Benchmarking partners prepare by providing them with a questionnaire and agenda prior to Benchmarking visits.
- Before any Benchmarking contacts, especially the sending of questionnaires, take legal advice.

PRINCIPLE OF CONTACT

- Respect the corporate culture of partner organisations and work within mutually agreed procedures.
- Use Benchmarking contacts designated by the partner organisation if that is its preferred procedure.
- Agree with the designated Benchmarking contact how communication or responsibility is to be delegated in the course of the Benchmarking exercise. Check mutual understanding.
- Obtain an individual's permission before providing his/her name in response to a contact request.
- Avoid communicating a contact's name in an open forum without the contact's prior permission.

PRINCIPLE OF EXCHANGE

- Be willing to provide the same type and level of information that you request from your Benchmarking partner, provided that the principle of legality is observed.
- Communicate fully and early in the relationship to clarify expectations, avoid misunderstanding, and establish mutual interest in the Benchmarking exchange.
- Be honest, complete and timely with information submitted.

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PRINCIPLE OF CONFIDENTIALITY

- Treat Benchmarking findings as confidential to the individuals and organisations involved. Such information must not be communicated to third parties without the prior consent of the Benchmarking partner who shared the information. When seeking prior consent, make sure that you specify clearly what information is to be shared, and with whom.
- An organisation's participation in a study is confidential and should not be communicated externally without their prior permission.

PRINCIPLE OF USE

- Use information obtained through Benchmarking only for purposes stated to and agreed with the Benchmarking partner.
- The use of communication of a Benchmarking partner's name with the data obtained or the practices observed requires the prior permission of that partner.
- Contact lists or other contact information provided by Benchmarking networks in any form may not be used for purposes other than Benchmarking.

PRINCIPLE OF LEGALITY

- Take legal advice before launching any activity.
- Avoid discussions or actions that could lead to or imply an interest in restraint of trade, market and/or customer allocation schemes, price fixing, dealing arrangements, bid rigging or bribery. Do not discuss costs with competitors if costs are an element of pricing. Do not exchange forecasts or other information about future commercial intentions.
- Refrain from the acquisition of information by any means that could be interpreted as improper, including the breach, or inducement of a breach, of any duty to maintain confidentiality.
- Do not discuss disclose or use any confidential information that may have been obtained through improper means, or that was disclosed by another in violation of a duty of confidentiality.
- Do not, as a consultant, client or otherwise pass on Benchmarking findings to another organisation without first getting the permission of your Benchmarking partner and without first ensuring that the data is appropriately 'blinded' and anonymous so that the participants' identity are protected.

PRINCIPLE OF COMPLETION

- Follow through with each commitment made to your Benchmarking partner in a timely manner.
- Complete a benchmarking effort to the satisfaction of all benchmarking partners as mutually agreed.

PRINCIPLE OF UNDERSTANDING AND AGREEMENT

- Understand how your Benchmarking partner would like to be treated, and treat him/her in that way.
- Agree how your partner expects you to use the information provided, and do not use it in any way that would break that agreement.

BENCHMARKING WITH COMPETITORS

The following guidelines apply to Benchmarking with both actual and potential competitors:

- In Benchmarking with actual or potential competitors, ensure compliance with competition law. Always take legal advice before benchmarking contact with actual or potential competitors and throughout the benchmarking process. If uncomfortable, do not proceed. Alternatively, negotiate and sign a specific nondisclosure agreement that will satisfy the legal counsel representing each partner.
- Do not ask competitors for sensitive data or cause the Benchmarking partner to feel he/she must provide such data to keep the process going.
- Do not ask competitors for data outside the agreed scope of the study.
- Consider using an experienced and reputable third party to assemble and 'blind' competitive data.
- Any information obtained from a benchmarking partner should be treated as internal, privileged communication. If "confidential" or proprietary material is to be exchanged, then a specific agreement should be executed to specify the content of the material that needs to be protected, the duration of the period of protection, the conditions for permitting access to the material, and the specific handling requirements that are necessary for that material.

BENCHMARKING PROTOCOL

Benchmarkers:

- Know and abide by the European Benchmarking Code of Conduct.
- Have basic knowledge of Benchmarking and follow a Benchmarking process.
- Prior to initiating contact with potential benchmarking partners, determine what to benchmark, identify key performance variables to study, recognize superior performing companies, and complete a rigorous self assessment.
- Prepare a questionnaire and fully developed interview guide, and share these in advance, if requested.
- Possess the authority to share and be willing to share information with benchmarking partners.
- Work through a specified contact and mutually agreed arrangements.

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When the Benchmarking process proceeds to a face-to-face site visit, the following behaviours are encouraged:

- Provide meeting agenda in advance.
- Be professional, honest, courteous and prompt.
- Introduce all attendees and explain why they are present.
- Adhere to the agenda.
- Use language that is universal, do not use jargon.
- Be sure that neither party is sharing proprietary or confidential information unless prior approval has been obtained by both parties, from the proper authority.
- Share information about your own process, and if asked, consider sharing study results.
- Offer to facilitate a future reciprocal visit.
- Conclude meetings and visits on schedule.
- Thank your Benchmarking partner for sharing his/her process.

Important notice:
This Code of Conduct is not a legally binding document. Though all due care has been taken in its preparation, the authors and sponsors will not be held responsible for any legal or other action resulting directly or indirectly from adherence to this Code of Conduct. It is for guidance only and does not imply protection or immunity from the law.

Appendix 3. Corporate Visit Report; 4Pharma

Meeting with 4Pharma to learn about their internationalization activities and possible service concept synergies with Medaffcon.

The meeting started with small talk and getting to know one another. Representing 4Pharma was Senior Director Jouni Vuorinen, who is also the founder of 4Pharma, and two biostatisticians. Medaffcon was represented by our Managing Director Jarmo Hahl, Business Development Director Kristiina Pelli and me, assistant. We had got the lead to approach 4Pharma on internationalization related information sharing through a study done in 2006 called "Lääketeollisuudenalan asiantuntijaorganisaatioiden kansainvälistymis hanke". The study attempted to form networks of similar and complementary organizations to find service synergies and different kind of alliances to service customers abroad. Of course at first we were most interested at hearing about this venture. Unfortunately the employee most involved with the project is no longer working in 4Pharma. However, Jouni Vuorinen assured us that he is very well aware of everything that went on then, and can thus answer all our questions concerning it. To our surprise, we immediately came to find out, that this venture was actually only a small part of the international ventures 4Pharma has taken and that the effects have not been long term. We moved on to discussing our organizations.

Medaffcon Biotech

Medaffcon started by introducing our ideas on new service concept suitable for foreign markets. These service concepts are actually something totally new for Medaffcon as well, and are piloted during spring 2014 in Finland, before the move to foreign markets. After the initial Power Point presentation, we started discussing and brainstorming with 4Pharma to benefit from their vast experience.

First, 4Pharma pointed out that our services might be difficult to get to reach research facilities and teams operating in universities, because of organizations such as HIS (Helsinki Innovation Service) which are mostly non-profit organizations operating in universities. These organizations attempt to service the research units with similar services, however the success is not totally given, as these organizations don't have the same experience and knowledge as Medaffcon possesses. Even with an inferior and lacking service, they are able to create barriers to these markets pretty affectively. Both Medaffcon and 4Pharma agreed on the fact that there is still niche markets in the university based researcher market, and that a small company such as Medaffcon would most likely find profitability by finding these niches and servicing them, instead of attacking the university funded organizations head on.

Next the conversation moved to a company operating in Turku, Bioselex, that apparently has had similar biotech services already for some time. Their business process is taking aihio with potential for markets from the University of Turku and producing business plans to these aihio. However, the company has been invisible for some time and 4Pharma wonders if they have gone out of business entirely.

Innomedica was also mentioned in the conversation when discussing Medaffcon competition (or lack of it). 4Pharma sees them as a competitor to Medaffcon, while still admits that they do not possess the same vast experience and all the different fields of expertise as Medaffcon and thus are not able to service clients in the same way. 4Pharma has been involved in an international venture with Innomedica with Tekes provided resources.

4Pharma sees the new service concepts of Medaffcon as potentially profitable and definitely needed. However, they point out a difficulty caused by the normal organizational culture of biotech start-ups. Usually after the biotech organization passes the phase 2 of testing, they produce "the prove of concept", sell or license the finding and are not involved with it again. It's only in phase 3 when the thoughts move towards the markets and the potential there.

Lastly 4Pharma told us a bit about their office and operations in Sweden. The services 4Pharma offers are not in competition with Medaffcon, but there might be possibilities for synergies. In Sweden they also have a new employee with some background in health economics (Medaffcon's core) which could also create possibilities for co-operation. 4Pharma's expertise lies in statistics, and they tell us that in Sweden the related statistical information is way more accurate and easier to collect and process. 4Pharma seemed interested in co-operation in Sweden, if complementary services or some kind of strategic alliances are realized.

After this lively conversation we moved on to learning more about 4Pharma through their company introduction Power Point presentation.

4Pharma – Partnership. People. Presence. Persistence.

4Pharma was established in 2002 in Raisio, and they now have offices in Finland, Sweden (Mika Leinonen and Gary Jansson) and Switzerland (Christian Rummey). Their main customer is the same as Medaffcon's (pharmaceutical companies) however their services are concentrated more on the technological side (data management, data warehousing, statistics, etc) and are thus not competing rather complementary. The company employs 20 people (15 of which have statistical backgrounds). Today, they have approximately 50 clients in Finland, Scandinavia, Central Europe and US. 4Pharma has been involved in several internationalization and co-operation network ventures.

4Pharma's growth plan has been design to start from small focused markets and offerings, moving toward global markets with vast market offerings. The table below shows the steps 4Pharma has taken, moving to larger markets and developing their skillsets on the way.

3/2002	4Pharma established	
2/2003	New facilities and merger with CRST biometrics	
5/2003	Eqvitec Investment	Eqvitec as a part (minority) owner. With the investment 4Pharma launched its operations in Sweden. The investment also had positive effects on the operations as financial stability enables more risk taking. Eqvitec's original idea was to build a "synergy network" with different biotech organizations, however this did not come to realization.

3/2004	First phase 3 deal	
9/2004	TEKEL award	
4/2005	Office in Stockholm (AB); epidemiology reinforced	Office manager Mika Leinonen was sent from Finland to launch the office. 4Pharma prepared for a 3 year non-profitable time, which did happen. However, because they were financially prepared for it, they were able to build the relationships and awareness needed for long term profitable operating also in Sweden.
1/2006	Tekes (globalization)	This was 4Pharma's second attempt on a "synergy network". The venture produced some activity but only for a short term. The venture had no long term effect on 4Pharma.
9/2007	Bioinformatics reinforced	
5/2008	Tekes globalization funding "successfully closed"	
3/2009	Merger with SBW	SBW (a Finnish-Indian company) acquired 4Pharma, as Eqvitec stepped down. 4Pharma became a subsidiary for SBW still keeping its own control by for example having an own board of directors.
10/2009	Office in Helsinki; SAS/R know-how reinforced	
8/2010	Presence in Basel area; IT reinforced	First Mika Leinonen established the presence by working part-time in Sweden and part-time in Basel.
11/2011	Office in Liestal (GmbH); data visualization/EDC reinforced	4Pharma employed a local professional Christian Rummey to represent them in Switzerland. Some problems have been faced with difficulties in translating the organizational culture and lack of control.
2/2013	Fully owned by Helsinki University	

Some ideas 4Pharma Senior Director Jouni Vuorinen mentioned concerning internationalization, organizational growth and marketing:

"Growing inside Finland is difficult because of our limited markets. Easiest way to start international operations is by getting the work from abroad, and doing it in Finland. More effective however is to send a trustworthy and experienced employee from Finland to establish the representation in the market. If the representation is done by a local in the foreign market, there might be difficulties in enforcing the organizational culture and some of the managerial control might be lost."

"In expert organizations the marketing and selling is best done by the experts themselves as the networking requires substance understanding and knowledge. Experts need to find the right balance between operative work (create invoicing) and business development work. The backbone of marketing at 4Pharma is in utilizing networking and personal contacts"

Conclusions:

- If Medaffcon is interested in the Swedish market, the local "Tekes" opportunities should be investigated further. Co-operation with 4Pharma's Sweden office could also be discussed further.
- In our business environment even one representative per country/market can be enough. However, there has to be a clear understanding of the balance between local business development and operative work (that create invoicing) requirements.
- Sweden offers a lot of usable statistical information in the related fields. Better kept and easier to access than in Finland.
- If Medaffcon is interested in pursuing clients in the university research community, an unserved niche should be found to avoid head on competition with university funded organizations.
- Marketing in this industry is heavily reliant on relationships and the ability to create them. That, in turn, requires substance understanding.
- Finding companies with complementary services can create synergy networks. These strategic alliances between companies can enable for example internationalization.
- The easiest way for an expert organization to start international operations is by acquiring the work from abroad, still keeping the physical presence and the activity in Finland.
- If Medaffcon wants to establish permanent presence in a foreign market, 4Pharma recommends to do so by sending a professional from Finland. Knowing the employee and his working habits personally, makes enforcing the organizational culture easier. Furthermore, in order for the representative to work towards common organizational goals, he has to have adopted them.

Appendix 4. Corporate Visit Report; Epid Research

Corporate visit – EPID Research – 13.5.2014

First attempt on internationalization for EPID Research took place in 2011. The attempt was funded through an Ely center instrument. At that moment EPID Research was in the early stages of corporate development and had a couple of on-going domestic projects. The company had 3 in-house employees, out of which one was assigned to be the main responsible person for the international operations.

The first attempt was targeted at Germany. EPID Research established a sales channel near Munich by using a local outsourced representative they had discovered in a conference with the help of a recommendation from a contact. The representative had strong contacts in the local market and spoke the local language. He was able to connect with potential customers, but when it came to selling the service, the EPID Research experts from Finland had to take over. In industries such as pharma, biotech and health economics the expertise is difficult or impossible to sell without understanding the substance of the service.

EPID Research has also experienced drawbacks from using local outsourced agents. The problems are due to the fact that the level of expertise of the agents varies enormously. The sales person in an expert organization has to understand the substance and when choosing partners, agents or other related, one should listen to others' experiences and word-of-mouth.

The choice to target Germany was made because of the big market size and the industry activity there. The venture took about one year and cost around 60-70 000 €.

In 2011-2012 EPID Research had a number of on-going domestic projects. However, as the economic downturn hit, three of the big customers dropped out, leaving EPID Research scrambling for work. In march 2012 the choice was made to cut down on costs, in order to keep the company afloat. This was done through downsizing the staff from 5-6 to 2. Without this strategic move, the firm was most likely going under.

Pasi Korhonen recognizes the reason for this sudden challenging moment. As the company had established some customers and had on-going projects, the personnel failed to concentrate on selling the services. As money difficulties hit three of their big customers, forcing them to drop out, EPID Research found themselves in need of new sales. However, in the industry sales can take up to a couple of years to be confirmed.

Today EPID Research has a representative working 0,5FTE in Sweden. The representative is outsourced, because of the limited risks related to it. The Swedish market was targeted by EPID Research because of the large market size and the existence of …

EPID Research has also developed a new marketing channel online. The company has published its studies in ENCePP website, in order to provide proof and examples of the services and the possible benefits. This has had a great effect on the sales, as the amount of offers has increased from 700 000€ to 4 milj. The reference list has increased both the amount of offers as well as the visibility around Europe.

Pasi understands the positive business implications of partnering and networking. According to him, successfully implemented, a network should be more effective than sub-contracting, as the capital can be moved to the top line, instead of pushing the money to sub-contractors. At the moment, however, EPID Research only has project based partnering.

We were presented with a short advertising video of EPID Research. In the 1:35 minutes, the purpose of the company, their services and their vision were explained. Pasi has experienced the video to be very useful especially when sales representatives travel to meet prospective customers. Many times a sales agent or representative might have difficulties in transferring the correct company image to the prospective customers. By making a corporate video, the message can be controlled and managed better.

The next step in EPID Research's internationalization is a new subsidiary in Tartto, Estonia. The choice of the location was made because of the availability of local talent, favorable labor costs, geographical proximity, and a somewhat established network. Tallinn is not perceived as tempting to EPID Research because Tartto has a college concentrated on related sciences, whereas Tallinn doesn't possess similar attributes in terms of local expertise.

EPID Research's goal is to become a notable player in Europe within a few years. For this to happen, an angel investor or a public funding program is being searched. Especially investing in databases is something EPID Research considers as potential high value investment.

Russia is not in EPID Researches scope as the business environment is vastly different there. When asked if EPID Research would target China or USA first, the answer is USA. This is because of discussions had with a similar organization in the market. Possibilities for co-operation are being explored at the moment. Pasi states that if, his organization wants to grow big, it would require acquisitions, perhaps even involving this particular organization.

Pasi recognizes tremendous potential in operating in fields closely related to the current. However, this would require partnering or networking of some sort.

Pasi has experiences subject specific professional seminars and congresses to be the most effective customer touch points. He continues that, presenting in events like these brings major visibility. If one decides to opt for only a stand, the plan should be made before the event and the place should be booked as early as possible in order to get the best location. A stand promotion at a fair is approximately a 3500€ investment for EPID Research, thus a good location for the stand is crucial. Another important factor, is the staff and their involvement. The team has to have a clear picture of the objectives and the manner of reaching them. Also different sort of breakfast-, lunch-, and dinner- events have produced positive outcomes.

Challenges for EPID Research's international operations are caused by the labor intensive nature of the business. The experts at EPID Research need to understand statistical science and additionally know the particular subject matter. This can be extremely difficult to find. Training and controlling the level of expertise are challenges both in terms of money and personnel time. EPID Research is looking for foreign employees, and finds that there is a lot to choose from. However, the level of expertise varies widely, thus the recruiting process needs to be carefully conducted. In a small company like EPID Research, every employee needs to prove their worth to the company.

Pasi has been a witness to bad recruiting choices, and says that at EPID Research the trial period is actually a trial period, if someone is unable to prove their value, they will have to go.

Conclusions:

- Choosing the right foreign partners is extremely important as a good representative can add value to the organization and bad ones present the organization in the wrong light
- Christine Patou has been a good agent for EPID Research in France
- Potential customers in the foreign markets are way more lazy at answering the phone than the domestic customers
- Even if the organization has ongoing projects and large customers, sales should never be forgotten, as it should be everyone's responsibility to create new leads.
- In expert organizations the largest resource by far is the personnel
- For EPID Research to grow, acquisitions should be considered
- Pasi has experienced the online database as an effective customer touch point, as it builds the credibility and visibility of the firm as well as proves the value of the offerings
- EPID Research has monitored its success in terms of internationalization by using a list of tasks. Every time the tasks have been accomplished but the budget has gone over.
- Russia is not interesting as a target market because of the vastly different business environment
- As the pharma industry is not tied to certain locations, in order to get the most value out of the personnel, EPID Research has been able to convince its clients that the production of the service can be produced in the domestic office and can then be delivered to the target market.
- For small companies the problems arise from scarce money, time and personnel. The perfect investor for these sorts of companies is someone patient.
- Offshoring could be realize in Estonia (rather than go as far as India for example) as the labor costs are vastly different there and the level of local knowledge is sufficient.
- Recruiting plays an important role in expert organizations thus the trial period should be clearly a trial period. If the employee is unable to prove the added value he/she brings, the organization should be willing to let go and keep on looking
- Especially recruiting sales people is difficult in these sorts of organizations as the salesperson needs to understand the substance as well as be able to sell. According to Pasi, one person could be assigned the responsibility of sales and others in the organization then support him with the substance.
- Having an entrepreneurial team (insetad of one entrepreneur) behind the organization, setting common goals and having the same expectations on the amount of work needed are success factors in building a strong organization.

Appendix 5. Corporate Visit Report; CrownCRO

Crown CRO Corporate Visit

The lead to approach Crown CRO came from talks that Medaffcon has had with Finnpro. The Finnpro experts expressed their appreciation toward the growth and expansions Crown CRO has managed.

Crown CRO was founded nine years ago and today consists of approximately 120 employees. The company is run by a board of directors consisting of five, however, the CEO, Päivi Itkonen is very much in control of the decision making. Hannu is 100% dedicated to the international ventures of Crown CRO and Päivi uses a lot of time in related activities as well. At the moment about 50% of income comes from international operations and 50% from domestic. Crown CRO has offices in Estonia, Latvia, Lithuania, Sweden and Denmark, on top of which they operate across Europe through their extensive partner network, and actively pursue new markets for example in the United States.

Crown CRO's first attempts to internationalize were in 2006. The company noticed a clear demand for their services in the Baltic countries. Päivi was able to sell the idea of conducting the research in the Baltic countries to clients and thus was able to open new offices to Estonia, Latvia and Lithuania. The fact that Crown CRO had existing customers in the markets from the very get go, made it possible to enter the countries without additional funding. To this day, Crown CRO has been able to run its operations with only income funding. Especially in Estonia, as soon as the contract was signed, the work started, which led to profitable operating from day one. Päivi admits that the fact that there was existing demand made the market expansion extremely easy and straight forward.

In Estonia, Crown CRO hired local expertise, and nowadays they employ approximately 20 employees in the Baltic offices. Some of the experts are solely concentrated on the production of the service, while others have positions that cover also business development activities. In expert organizations the business development activities take away from projects that produce income. It's important to optimize the responsibilities in a manner which allows for maximum income without forgetting the development needs of the company.

In Europe Crown CRO operates through its extensive partner network. This means that if for example a research is needed in Spain, Crown CRO can take the project, and then find suitable partner organizations to produce the necessary service, while Crown CRO keeps the project manager title and control over the entity. This way Crown CRO is the only company that has direct contact with the client, which allows for control of the quality and other aspects. This sort of partnering also enables a wider range of offerings. Crown CRO does audits and corporate visits to all their partner organizations frequently to make sure quality standards are met.

Today, on top of operating in many European countries through their extensive partner network, Crown CRO is actively selling their services to the US markets. This has not yet led to income. The choice to enter the US market was done because of the amount of biotech and health device organizations in the market. Crown CRO is attempting to sell themselves as European partners to US companies. The fact that Crown CRO's services are not tied to any specific location means that the company doesn't have to establish physical presence in the market, but the service can be produced in Europe, even for American clients. Even though the venture to US hasn't yet produced income, it has been a long and demanding project both in terms of money and time. Päivi sees this as a strategic choice to take, as "if you want more work to Finland, you can't just wait around, you have to go find it".

Crown CRO has been responsible for all its marketing and selling in the international markets. No outsourced services have been used in these functions. Building visibility can be difficult when the focal firm comes from a smaller market such as Finland. Päivi feels that the most effective customer touch points have been the professional fairs and congresses. For example the OCT congress (Outsourcing Clinical Trials) has produced favorable results. However, it's important to make sure the event is specifically directed at the correct segment of professionals to ensure maximum value. After a fair or congress appearances, the website analytics have always shown a peak in the amount of visitors, thus the website and its upkeep are extremely important as well. As for other marketing material, Crown CRO uses brochures and PowerPoint presentations, but hasn't seen any need to change from these classical marketing tools.

Even though Crown CRO hasn't used outsourcing in marketing or sales, the company has taken advantage of Finnpro services in the US market. Currently Finnpro is managing a virtual office for Crown CRO in the states. This means that Crown CRO has an local address and a local phone number managed by a Finnpro employee. Furthermore, Crown CRO has the possibility to send the office a list of potential customers and Finnpro will contact them. Finnpro doesn't possess the necessary substance understanding, thus all the actual sales situations have to be managed by a Crown CRO expert. Päivi and Hannu travel around the states frequently to build relationships.

Crown CRO has experienced the competitive landscape in the foreign markets to be fierce. Päivi says that the only way of fighting in the market is to do your job as well as you can. In the industry repeat business is crucial for success, thus customer relationships and word-of-mouth play huge roles. In order to build these relationships, Päivi sees face-to-face meetings as more effective than for example virtual meetings. As an example Päivi told us of an American company that was reluctant to let the research be done in Finland. Even though it seemed like there wouldn't be any co-operation between the two companies, Päivi scheduled a meeting in the other company's office in San Francisco. After a half an hour meeting Päivi was able to convince the company that Crown CRO and Finland as a research base were the best choice for them. Päivi would recommend at least two people to be present when meeting with prospective customers. In Crown CRO for example, Hannu doesn't totally understand all the substance, thus Päivi needs to be present when prospective customers have follow-up questions.

Crown CRO has also invested in company databases. One of them for example cost 700 dollars and includes all the biotech companies in the world, accompanied with crucial information such as company size and developmental stage. These sort of databases have given Crown CRO a lot of prospect leads, and Päivi definitely recommends companies to use these.

The venture into the United States has been a long and expensive one. Even so, Päivi feels that it has been worth it. Slowly after building relationships in the market, Crown CRO has been able to earn some income from the continent. The work is mostly concentrated to professional clusters of biotech companies in Boston and San Francisco. One reason for the fact that the United States and Sweden took a longer time to develop income for Crown CRO is that the company approached the markets “person first, not project first”. Whereas in the Baltic countries, the projects where about to start even before the market entry, in the two more challenging markets Crown CRO was forced to start selling their services more proactively, thus making investments before having ensured income. Both markets are very prospective in the long run, which has caused Crown CRO to continue to pursue them.

One challenge faced by Crown CRO derives from the nature of the industry. Although Crown CRO had multiple multinational customers in the domestic market, the relationships could not be leveraged and moved to apply in the head offices as these huge players most often have chosen preferred suppliers.

On top of Crown CRO’s own operations, the company also manages sub-contracting to their many European partners. These sorts of functions make up an important part of the operation. The profit margin is considerably smaller, but it has its advantages as there is no need to perform any selling or marketing activities.

Päivi sees relationships as a very important factor in the industry. Many of the commissions have started from personal relationships and the trust that has built. Furthermore, internal marketing should not be forgotten. Päivi makes frequent visits to all Crown CRO’s offices and makes sure to be in constant contact to ensure that everyone’s up to speed. Päivi feels that if an employee knows what’s happening and experiences the lines of communication to be short, it motivates.

Recruiting is another extremely important factor in the industry. The personnel support the quality and reputation of the organization as they are center stage most of the time. The nature of business is very knowledge- and labor intensive, thus careful recruiting is key.

Päivi would advise internationalizing organizations to be relentless and resilient. She admits that luck and being in the right place at the right time, also affect the outcome tremendously. Päivi feels that if the internationalization activities would have required loans, she wouldn’t have gone through with it because of the enormous financial risks. Even when proactively pursuing new markets such as the United States, Päivi feels that it’s important to keep the financial side in mind. At Crown CRO, one person of the board of directors is responsible for the financials. He makes sure the company doesn’t take on anything they can’t afford.

At Crown CRO, internationalization hasn’t only brought more financial value to the organization, but Päivi has experienced also the motivating affect in her employees.

Conclusions:

- The management commitment to business development has played a huge role in the success of Crown CRO
- Being in the right place at the right time can produce situations where profitable operations can be started straight from market entry
- Congress and specific professional fairs have proven to be the most effective customer touch point when attempting to build relationships and visibility

- Finpro has services that support internationalization activities; anything from market research to local address and phone number management.
- The partner network has enabled a wider range of offerings, to a larger group of prospective clients. Also sub-contracting has had positive effects for the organization.
- Audits and frequent corporate visits can ensure that partners deliver the required quality and image.
- As for marketing material, the corporate webpage is important, but other than that, the classic brochures and Power Point presentations have been sufficient
- Relationships play a huge role in the industry, as they produce repeat business, positive reputation though word-of-mouth and strong partnerships
- Face-to-face meetings are the most effective way of selling in the industry, as trust is easier to build than for example via the phone
- Company databases are a good way of finding leads
- A person with limited understanding of the substance can have a hard time selling the service. One knowledgeable employee should accompany him when the sales situation seems potential
- Sub-contracting come bring income even with the low profit margins, as there is no need to concentrate on sales or marketing activities
- Keeping short communication lines with the personnel increases motivation and ensures the corporate image is consistent
- Recruiting is extremely important and should be done with careful consideration
- Staying up to speed on the financial side of the business is crucial

Appendix 6. Preliminary Discussion Agenda

Planning for market expansion

- Initial resources
    - What kind of initial resources did you plan for the internationalization, and which activities did you most prioritize? (Financial commitment, personnel, network, know-how, etc.)
- Prospects
    - What kind of possibilities did you investigate, or leverage during the planning of internationalization and market entry? (Additional funding, partnering, prospective customers, etc.)
- Managerial decisions
    - What factors most affected your choice of target market?
    - What kind of goals did you set for the internationalization process? (Benchmarks, financial, relationships, etc.)
    - How did you assign responsibilities within the organization, and which activities were handled by a third-party?
    - What sort of market entry mode did you choose in terms of presence in the market, and the power and control relationship between home and foreign operations?

Entering a new market

- Resources
    - During the market entry, which aspects of the business took most resources or were most challenging in terms of personnel, time and finances?
- Production
    - How did you manage the production process, while operating in multiple markets? (Location, responsibility, delivering the service, etc.)
- Marketing
    - Which marketing channels or customer touch points did you experience most value adding? (Fairs, publications, networking events, etc.)

Competing and building relationships

- Competition
    - How have you managed competition in the new market and what kind of differences do you see in the competitive environment compared to the domestic market?
- Relationships
    - Have you experienced it easy to build relationships in the foreign market? (Customer, partner, public, etc.)
    - How do you manage internal communication and relationships in order to keep the organization united?