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# INTERNATIONALIZATION STEPS IN EXPORTING

Cases of Finnish SME's

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# VIENTIYRITYSTEN KANSAINVÄLISTYMISPOLKU

## Caseja suomalaisista pk-yrityksistä

Nykyisin yrityksillä on yhä enemmän mahdollisuuksia kansainvälistyä ja harjoittaa toimintaansa Suomen ulkopuolella. Kansainvälistymisprosessi koostuu erilaisista vaiheista, ja prosessi onkin jokaiselle yritykselle omanlaisensa. Kansainvälistymistä lähdettiin ensin tutkimaan kahdesta eri teoreettisesta näkökulmasta sekä kahden teoreettisen lähestymistavan perspektiivistä, jonka jälkeen tuloksia peilattiin teorioihin.

Tutkimuksen tavoitteena on selvittää, minkälainen kansainvälistymisprosessi voi kokonaisuudessaan olla suomalaisille vientiin keskittyville yrityksille – minkälaisia vaiheita se sisältää, millaisia mahdollisia ongelmakohtia voi nousta ja mitkä lähteet ja organisaatiot auttavat näissä ongelmatilanteissa. Tutkimuksessa haastateltiin keväällä 2018 neljää case-yritystä, jotka kertoivat omasta kansainvälistymisprosessistaan. Kaikki yritykset olivat vientiin keskittyviä suomalaisyrityksiä, joista kahdella oli konkreettinen tuote ja kahdella netti- tai selainpohjainen tuote. Näiden haastattelujen perusteella rakennettiin 7-vaiheen kansainvälistymispolku, joka pohjautuu haastatteluista saatuihin vastauksiin ja kokemuksiin sekä antaa pohjaa kansainvälistymisprosessin kululle.

Opinnäytetyössä käytetty laadullinen tutkimus osoitti useita erilaisia ongelmakohtia kansainvälistymispolun varrella. Kulttuurilliset ongelmat, rahoituksen, verkostojen tai rohkeuden puuttuminen, tietämättömyys sekä kilpailukyvyttömyys osoittautuivat syiksi, miksi ongelmia ilmaantui. Jokainen yritys käytti jotakin organisaatiota tai yritystä apunaan selvittääkseen ongelmista, ja näitä apulähteitä olivat mm. konsultointiyritykset, Tekes, NewCo Helsinki, Startupbootcamp, kohdemaassa työskentelevät yritykset, saman alan yritykset, vanhat ja uudet verkostot sekä erilaiset ohjelmat, kuten CRM, LinkedIn ja muu sosiaalinen media. Yritykset eivät suoraan seuranneet vain yhtä teoreettista kansainvälistymisen tapaa tai lähestymistapaa kansainvälistymisprosessissaan, vaan usein hyödynnettiin enemmän tai vähemmän useampia tutkimuksessa käytettyjä teorioita.

### ASIASANAT:

kansainvälistyminen, ongelmakohdat, lähteet, vienti

BACHELOR'S THESIS | ABSTRACT

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# INTERNATIONALIZATION STEPS IN EXPORTING

## Cases of Finnish SME's

Nowadays companies have more possibilities to get international and operate outside of Finland. Internationalization process includes a lot of different steps and the process is individual for each company. At first, internationalization was explored from two theoretical aspects and from two theoretical approach aspects, which were later tied to the conclusions.

The aim was to solve, what the internationalization process can look like for Finnish exporting companies – what kinds of steps it includes, what kinds of problems might occur and which organizations and sources help to get through the problems. During the spring 2018 four case companies were interviewed, who told their story of internationalization. All the companies were focusing their operations on exporting and originating from Finland. Two of the companies had a concrete product and two of them had a software product. Based on these interviews a 7-step road of internationalization was formed and it gives an example on how the road towards internationalization can be.

Qualitative research used in this thesis showed several issues along the internationalization process. Cultural problems, absence of funding, networks or courage and the lack of competitiveness and knowledge seemed to be some of those reasons for issues to emerge. All case companies use some or several organizations or sources to manage the problems, and some of those helpful sources were consultancy companies, Tekes, NewCo Helsinki, Startupbootcamp, firms working in the target country, firms with the same business models, old and new networks and different tools such as CRM, LinkedIn and other social media. The case companies did not only follow one of the theoretical models or approaches, but mixed them up somehow to achieve the best potential.

### KEYWORDS:

Internationalization, problems, sources, exporting

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## **ABBREVIATIONS**

CRM	Customer Relationship Manager (Salesforce 2018)
SME's	Small and medium-sized enterprises (European Commission 2018)

# 1 INTRODUCTION

Nowadays, getting international is an important step for many companies and internationalization is playing a huge role in many different businesses. During the past years, internationalization has increased by few percent among Finnish SME's, says Mika Kuismanen, the head economist in the Finnish Entrepreneur -organization. Now, there are around 65000 SME's in Finland, that have used internationalization as a part of their business. SME's means those enterprises, that are small or medium-sized with under than 250 workers and with turnover less than 50 million euro (European Commission 2018.) For some enterprises, this process might be easy and for some more or less difficult. This whole project can give great opportunities for the company or the organization, but sometimes there are too much problems when considering internationalization as a part of growing. Of course, today it is very common to have international partners, co-operate globally and have the interest of working internationally – and this in fact makes the act of becoming international somewhat easier than it has been before. (Kauppalehti 2017.)

This thesis will focus on the whole internationalization process – its different steps, problems occurred on the way, opportunities and challenges. The idea is to get a clearer summary of this process and notice the main steps along the way. Noticeably, there will be as many different internationalization -process stories as companies doing that, because every enterprise will have a different story. This is the reason behind this paper – sometimes different stories and experiences can help to get a better idea of the base for this kind of process. When there is a place that summarizes different steps and processes, companies who are willing to get international can go and read through it and get the needed information, including the names of helpful organizations or more open tips from that. This paper has been written from the exporting companies point of view and some of the interviewed companies might also do some importing. The main focus is still in the companies and organizations who center their business on exporting products and services.

To get the needed information to form the internationalization steps for this paper, some interviews with Finnish export companies are done, who have gone through the process. The goal is to know, what are the main steps in the internationalization process, what kinds of problems are possible and which sources can be used to get over them. It is

important to be able to communicate with different types of companies with different types of products and services to get as comprehensive information for this project as possible. They have given information about the problems and experiences occurred during the process. It has been argued that the size of SME's is already a reason for problems, and these companies have small budgets, not enough resources, and that they are too young to operate in a profitable way (Pihkala 2018). There are also books, articles and studies focused on this matter, which are used to collect the information.

After reading this thesis paper, the internationalization steps will be somewhat more familiar. It is a common thing in the business field to have international partners and contacts, and starting the process might feel unfamiliar and challenging. When realizing how and from where to get the needed information for this process, it helps the companies to see these different steps, stories and possibilities. After the information is at one place it makes the decision of starting the process easier and more comfortable. The final list of these steps is not totally perfect, because information is changing together with different sources but will give a wide perspective of the process.

This paper is made for the Erasmus+ Project INTENSE: INTernational Entrepreneur Skills Europe, which is a course teaching different cases of internationalization and entrepreneurial skills. The idea is to give information about important things in internationalization, such as project team management, project planning -including different tools and analyses, entrepreneurial operations, development and consultancy skills. The project also gives students a chance to communicate and co-operate with foreign students and work together with different types of companies. This paper focuses more deeply on Finnish SME's, who are willing to get more international - which this INTENSE -project is also supporting.



## 2 INTERNATIONALIZATION

Internationalization is difficult to describe by using only one or two different explanations. In this research, only two theories and two theoretical approaches are used, even though there are many others to describe internationalization as well. Internationalization is very multidimensional and has a variety of approaches. All in all, it is a process and includes different steps and ways of performing. A wide range of theories are used to describe internationalization and its approaches, so companies willing to enter into a new foreign market have a lot of information about the most suitable choices for them. Different aspects of the current situation and the wanted goal position to form the entry model, strategic operations and the successful act of getting more international. It is crucial to remember that staying in the foreign market is also part of the internationalization process. It might be easier to get there than to stay there, because usually companies must make some sacrifices, including things like developing or changing their products or services, inventing new sales channels, being able to adjust their marketing or recognizing differences of working there from the previous markets.

When a company is considering internationalization as a possibility for their company, it is important that the entry mode is noticed. An entry mode means the process and the way of enabling the market entry. Two best known entry explanations are the eclectic explanation (Dunning 1988) and the transaction cost explanation (Anderson & Gatignon 1986; Caves 1982; Anderson & Catignon 1988; Hennart 1982; Rugman 1982). When comes to the eclectic explanation by Dunning, he points out three different advantages which form the decision on how and why to enter a new market. These advantages are ownership-specific advantages, internationalization-specific advantages and location-specific advantages. This means, that the company has some options when comes to the style of entering the new wanted markets, but has some more possible alternatives when considering these aspects of the firm. (Andersen 1993, 10.)

A somehow different approach for market entry is written by Anderson and Catignon (1986), who use a bit of a different perspective what comes into international business operations. This theory points out that choosing the entry mode is an act where the company chooses the right degree of vertical integration. In this transaction cost explanation, the alternatives are from entry models that contain contracts to total integration – and naturally some different interstitial modes between these two examples. The figure

shown below points out the main differences between direct, more contractual mode, and indirect mode which focuses more on the opportunities for investments.



Figure 1. Modes of international market entry according to Andersen (1993).

Different theories support these entry modes and depending on the size, knowledge and values of the company the entry mode is formed from a variety of characters of the company (Andersen 1993; 10).

Below are described two of the theoretical models of internationalization to give an idea of the different aspects, exploitations and goals they have. These two theories are Uppsala -mode and Innovation -model, which give a theoretical base for the process of getting international. After the two theories, two different theoretical approaches are described for the internationalization process, which focus more on the way of doing it and reasons behind it.

## 2.1 Uppsala model

One theory about internationalization is the Uppsala -theory (U-model), which was created by two Swedish researchers Jan Johanson and Jan-Erik Vahlne. They noticed that usually Swedish manufacturing companies began their internationalization process by expanding first into the other Nordic countries, and then slowly to the other parts of the world. The original model was written in 1977, but upgraded in 2009 due to the changes in the business world. The core idea in the 1997's model was focused more on the theoretical advances, when the model published later in 2009 includes more information about the importance of relationships in internationalization. (Johanson & Vahlne 2009, 1411-1431.)

The lack of knowledge of foreign markets is the main problem why some companies won't consider internationalization as an option, according to Uppsala -model. The solution is that the internationalization process moves safely leaning on theories and includes profound cost and risk analysis. After these analyses being done, companies choose the best way for entering the wanted markets. Johanson and Vahlne (2009) also point out that business network research is one of the most important points for this whole process of getting international. Companies build up networks from relationships and these complex patterns make the markets. It is central to an international company to be able to learn and build trust and commitment, and by taking good care of the relationships the company is offered a lot of potential for the whole process. (Johanson & Vahlne 1997; 2009, 1412.)

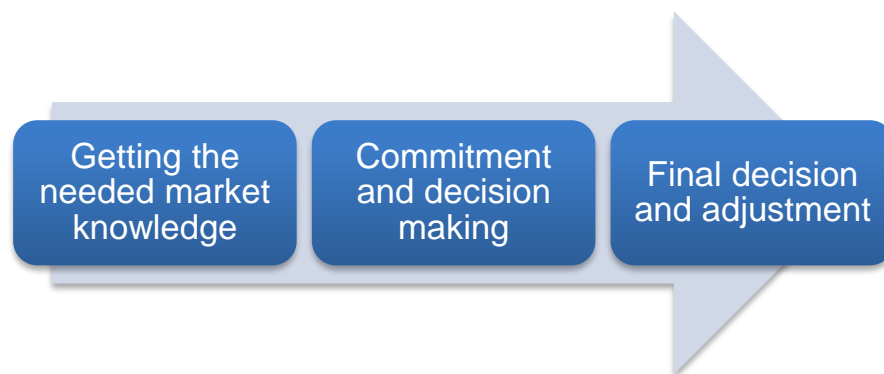


Figure 2. Uppsala -model of internationalization (Johanson & Vahlne 1997; 2009).

The figure above shows the simplified version of the model. First the company gets to know to the markets by searching the information of the potential customers, business culture, climate, risks, marketing methods and competitors. The next step is to decide the amount of money and resources the company is willing to put for the whole entry process, a degree of commitment and to notice the needed relationships to the entry. The last step is to adapt the company's own business to the wanted markets and to seek opportunities and minimize problems, notice the economic effect, combine the new business with the older productions and to be committed. Being committed through the whole process is important, and Morgan and Hunt (1994) argued that commitment means the result of long-term interest of one another, sacrifices that benefit the other, investments and trust. (Johanson & Vahlne 1997.)

## 2.2 Innovation related model

Innovation related theory is considered as a step-by-step model on how to get international. The main idea behind it is that the internationalization process is a learning process, which can be considered as an innovation to the company or organization. (Bilkey & Tesar 1977; Cavusgil 1980; Reid 1981.) Basically, this Innovation model (I-model) consists of some different steps on how to entry new markets and in what position the firms experience is currently. It has been somewhat unclear how to move from one stage to another, because the level of experience and expertise among the stages and companies can differ considerably. Several researchers (Bilkey 1978; Cavusgil 1982; 1984; Reid 1981) have been trying to see the main characteristics in each stage and how the movement to another stage is made, but problems occurred in these studies and finalizing the results is difficult. Companies export behavior is so different from another, due to the size of the company, expertise and knowledge, that the connections are almost impossible to notice. (Andersen 1993, 209-218.)

Because of the relatively clear steps in the I-model, Reid (1981) and Cavusgil (1982) pointed out how this model can be bonded on time and space. This means, that when a company is using this foreign market entry model it is quite clear to plan before, when the internationalization process should start, how long should each step take time and when would the company want to have some percentage or a share of the goal market. Because the size of the company is relevant in this matter, the definition concerning space is somehow unclear. According to Reid (1981), smaller companies have more specific matters, that are a part of the decision making and bigger corporations have more structured entry models which might have smaller decision management. (Andersen 1993, 217-218.)



Figure 3. Innovation model of internationalization according to Andersen (1993).

As shown in the figure 3 above, companies using the I-model do some research in the beginning of the process but will also make intuitive decisions throughout the process. One of the characteristics of this innovative approach is the planning and the importance of well-made reports and analyses, so that possible risks can be minimized as well as possible in advance. The base of this theoretical model is to proceed in steps which can be bound on time (Reid 1981; Cavusgil 1982). Development is mostly done in many different part of the company, usually in organizational characteristics. Because the previously made plan is not totally rock solid and has some flexibility in it, environmental factors may play a role in this case. In the end, I-Model relies on logic and minimizing possible costs beforehand. (Andersen 1993.)

### 2.3 Causation approach

Causation is one of the two different approaches used in the internationalization process (Sarasvathy 2001). Causation is a theory, which focuses on planning the whole process carefully ahead and getting to know to the potential markets as well ahead as possible. When using this approach in internationalization, it is common to use different kinds of analyses such as market-, competitor- and risk reports to give a deeper insight of the process ahead. Sarasvathy (2001) also wrote, that in causation logic it is important to be able to predict the steps, problems and possibilities in the internationalization process and hereby ensure the successful expansion. This theory is also a more competitive view for internationalization – Sarasvathy (2001) disclosed how the firms using causal approach<sup>7</sup> think that the whole process is a bit like a competition between the companies

and the goal is to get as big part of the existing markets as possible. (Harms & Schiele 2012, 96-107.)

In this causal theory, the goal is to have pre-defined decisions by using different, trustworthy and qualified resources and talents (Chandler et al. 2009). Basically, firms using this approach have one clear idea what they are going to do and how, and performing this plan with a bit of flexibility. When it comes to investing in causal logic, large sums are invested and the goal is to get big returns and maximize the invested amount of money or shares (Saravathy 2001). Internationalization will be immediate and the wanted goal possible to reach within a time limit, if there are no problems along the way (Harms & Schiele 2012, 105-106).



Figure 4. Causal approach according to Saravathy (2001) and Chandler et al. (2009).

The three main steps of causal view of internationalization are shown in the figure above. When a company is relying on previously made goals through the whole process, forming a fixed plan on how to entry the wanted markets is crucial. International market selection, market entry -mode selection, risk- and competitor analyses and collecting final strategic goals create the final plan for internationalization. Before the actual market entry, noticing how to form a competitive advantage gives an effective benefit for the company. Because of the more competitive approach in entering and operating in a new market, specific competitor analyses are very important to write and to be able to get as big part of the goal market as possible. When operating in the new markets, the goal in the causation theory is to maximize the invested capital and accomplish the pre-defined goals. Internationalization in causal logic is ideal to be accomplished immediately and according to the previously made plan. (Chandler et al 2009; Harms & Schiele 2012, 96-107.)

## 2.4 Effectuation approach

Effectuation is a theory invented by Sarasvathy's (2001). This logic, unlike causation, is more active and trusts networks and acts. There is no need to predict the future and make specific plans or reports, and the base idea is to use partnerships to expand into new markets (Sarasvathy 2001). This theory is used in different fields of business, as in economics (Dew et al. 2004), finance (Wiltbank et al. 2009), management (Augier & Sarasvathy 2004) and R&D management (Brettel et al. 2012). Effectuation is relying more on active operations than planning, which gives a lot more flexibility to the company using this approach in internationalization (Harms & Schiele 2012, 96-97; Ojala, Chetty & Kontinen 2012, 4-8).

Because of the importance of partnerships and networks in this viewpoint, behavioral acts have a big role in this theory. Whitelock (2002) discussed, that this effectuation theory gives a more open-minded approach to the internationalization process, because it is not dependent on the existing market information. According to Chandler et al. (2009) the goal in effectuation is emerging by using environmental units. Investments are made emergingly so that the whole venture, the company or organization won't be lost if a problem or a failure occurs. This also leads to the fact, that companies using effectuation approach in internationalization will internationalize gradually (Sarasvathy 2001). (Harms & Schiele 2012, 96-107)



Figure 5. Effectual approach according to Sarasvathy (2001) and Chandler et al. (2009).

When a company is using the effectuation model in internationalization, few main points are noticed. The table shown above presents, how forming alliances is the base for this logic. Because this theory doesn't lean on to the previous market knowledge, creating new options with partners start the internationalization process. Using old networks,

forming new ones or mixing up these both are the advantage in the effectual approach. Competitiveness is not the main point in this logic, which makes the company form its own market by reacting to the environmental contingencies. Because of the flexibility of the goals and operations used in internationalization, there is a wider scale on how to operate, with whom and where to aim. It is important to notice flexibility in this part and to be able to adjust into changes in environment, partnerships, target groups and markets. These factors make this theory easy to use in operations. (Sarasvathy 2009; Harms & Schiele 2012; 99-103.)

## 2.5 Theory conclusion

After some brief explanations of two models and two approaches to internationalization as a process, we can see a lot of similarities between these theories and approaches. One of the most mentioned similarity among different sources was that these descriptions are somehow all behavioral, of course in different amounts. What can also be noticed, is that the size of the company plays a role in internationalization and the expertise they already have. Authors such as Andersen (1993), Ojala et al. (2012) and Harms and Schiele (2012) pointed out how companies often use a mix of these theories to accomplish their goals, whether they were pre-defined or emerging. Especially the U-Model and I-Model share a lot of same aspects, including the logical approach, genetic explanations, little influence from the competitiveness of the markets and incremental decision-making theories (Andersen 1993, 221)

According to a study made by Harms and Schiele in 2012, it is not possible to consider causal and effectual logic as complete opposites. Even though the approach of internationalization is different, nowadays the process between the start and the end of it shares a lot of same acts. Networking is an important part of getting international, and usually the number of used partners and needed networks both causation and effectuation are slightly different.

As a result, according to the sources and authors mentioned above in this chapter, the ideal theoretical approach on internationalization is a mix of different models – it gives more possibilities to handle risks, collect information, form plans, build up networks, room for development and a higher percentage of reaching goals. A wide range of matters such as the size of the company, the amount of capital and possible investments, the target market, risk handling possibilities, partnerships and commitment together create



the base for company's internationalization process. The problem is, that the environment keeps changing all the time which is why some theoretical bases have to be adjusted into environment or must be changed. International competition increases rapidly, because the globalization is ongoing now. Is it going to continue, is impossible to know for sure but companies should adjust their businesses somewhat all the time. Values will be questioned along the way when forming a plan to get international – whether the plan is specific or not. (Sundermeier 2013; 58)

### 3 METHODS

In this study is used interviews to get some information and experiences of internationalization. I conversed with four Finnish companies, who focus their business on exporting their products and services. Three of those interviews were made by phone and one through email. The idea behind these discussions, was to get a closer look at the companies' internationalization process and its steps including possible problems, sources for help and overall experiences. Because the idea was to interview Finnish small or medium sized companies focusing on exporting, finding the suitable companies was a bit challenging at first. After contacting some bigger organizations and having one of the interviews, I got some tips of probably suitable companies. The interview had a question sheet, but depending on the process and knowledge of the interviewee, some additional questions were made or in some cases, some questions were irrelevant. The question sheet can be found in the appendix of this report.

After collecting the information on the case companies, the interviews were transcribed and answers gone through carefully. To find differences and similarities, Excel and some self-made drawings were used as tools to write them down. As a result, a personalized path of the internationalization process was formed for every case company. After seeing the common steps on each path, the 7 -step internationalization process was created only based on the answers from the cases. Because of the differences in the cases, those steps include smaller acts so that the main seven steps could be formed.

This report is a qualitative research, meaning that few specific, real-life cases are used as sources to collect information and that these cases are analyzed and tied together with theories. When collecting the information about separate cases, possibly previously formed questions can get more specific while the material gets wider. The formed results can be used outside the research to give examples, perspectives or advice. (Alasuutari 2018.)

Because of the theoretical side and the research side of the report, it is important to combine this two to get a formal and well explained results and conclusions. According to Charles S. Pierce (1839-1914), this style of writing where theory and material support each other but the results eventually lean back to theory, is called abduction. This means that there is a phenomenon in need of explanation and a source. (Paavola 2009)

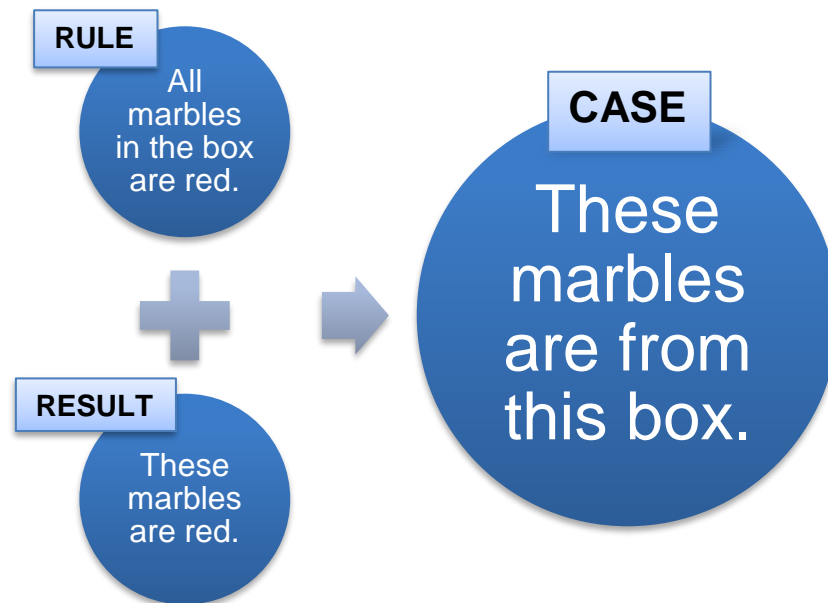


Figure 6. The idea behind abduction according to Charles S. Peirce (1839-1914) (Paavola 2009).

Below are shown the case companies with their internationalization stories and experiences. The case descriptions include a brief information on the company, then an image of the process with the steps mentioned above, a note where the company had issues within the process, then a written 'story' of the internationalization process and additional advice the company gave to other firms. Every case company encountered problems during their internationalization, which helps them to do the process better now when they know what can go wrong and how can they manage to work out the problems.

### 3.1 Case A: Unplanned internationalization

The first case company manufactures a variety of different alcoholic and non-alcoholic drinks, such as beers, siders and sodas. The operations are now working widely in many countries, after they tried to operate in new areas and succeeded in choosing the most suitable ones. The case company A is focused on the continuing development of the products and operations, for example by using environmental friendly production plants.

PLANNED START	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
FUNDING	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
MARKET RESEARCH	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: <b>YES</b></li> </ul>
CHANGES	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
CUSTOMER ACQUISITION	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
PILOTS	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
CLOSING	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>

Figure 7. Case A: Main steps and problems in internationalization.

The case company A had operated successfully in Finland for many years and were ready to get international. Because of the large number of products produced and the known importance of international attention, the case company decided to give a chance to the internationalization process yet they didn't know where to go.

As seen on the table above, the case company did not follow the main steps of internationalization process used in this paper. The reason behind this was that the company itself did not start the internationalization process like they originally had planned – an importer from another country, the USA, contacted them and wanted to co-operate with the case company. As a result, the American importer handled most parts of the process, which was why the actual exporting was particularly easy for the case company.

Even though the company did not have that much to do themselves in the process, there were some problems. First problem occurred, when the company didn't do any specific market research of the target country, in this case the USA. Because the target country was unknown beforehand and the potential American importer was willing to handle all

the contacts in the new partner country, the case company thought that they didn't know enough of the markets, customers and possible operations. Eventually, the case company decided to trust the local importer and focus more on the next steps in the process.

After having some issues with the missing market research, more problems appeared – because of the difference between Finnish and American markets, there were a lot of changes that had to be done in the case company. Contracts, product labels, prices, languages in the websites and logistics had to go through the biggest changes to be able to succeed when entering the markets in the USA. The local American importer was a huge help in this problem, because they knew all the needed adjustments and experts. This was also problematic for the case company – they felt that they had no possibilities to get more familiar with the markets and competitors, because the American partner took care of everything concerning problems and obstacles. Of course, it helped the case company to focus their time and work into other things which were familiar, but the case company felt like they were somewhat blind to the whole situation. All the parts of the case company had to participate and then they were finally ready to get more familiar and work on the target market.

The rest of the internationalization process went well. Unfortunately, the American importer was not physically as large as the case company wanted and the results showed that as well – the importer couldn't keep up with the case company's operations. As a result, they ended the partnership and the case company decided to focus more on the other target markets – markets they already knew something about. This minimizes risks and problems and gives the possibility to choose a better fitting partner to work with.

### 3.2 Case B: A globally potential product

The second case company used in this paper is a Finnish software company. They started their operations in 2017. The case company B developed a service, which gives you the possibility to handle events such as trainings, meetings or bigger events easily by using your laptop, tablet or phone. It is possible to manage communication, payments, reports and enrolments with it. Because it is a SaaS -service, Software as Service, it works everywhere where it is possible to connect it to the internet.

PLANNED START	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
FUNDING	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
MARKET RESEARCH	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
CHANGES	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
CUSTOMER ACQUISITION	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
PILOTS	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
CLOSING	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>

Figure 8. Case B: Main steps and problems in internationalization.

Because the case company B developed a product with no attachments into one geographical area, the internationalization was always a part of the business plan. Even though the start was somehow planned from the beginning, there were some problems when choosing the best potential markets for the product. Before getting deeper into forming a market research, the company tried to get a foot stand from Estonia and Sweden. Soon they noticed that the markets can be a lot bigger in some other countries, because basically most of the European countries are potential users. The base idea was to build the company, try the service/product here in Finland and then continue into foreign markets quite fast.

The case company B sought funding and got it easily. They would have wanted some expertise from the funding organizations when starting the market research, but noticed soon that the organizations focused mostly on funding, not into giving specific advice or help. The case company decided to use the knowledge and international experience of their own workers, friends and networks.

At first the case company started to form the market research from some potential target markets by themselves by using both old and new connections and Google. When they got a clearer picture of the goal markets and countries, they used a part of the funding to get an outsider to do a wider market research. This had some issues with getting the right person and organization to do it with needed expertise, but the result was pleasing for the case company. In some cases, they used consulting firms working in the target countries to give some perspective and found that very helpful in the process.

Because of the style of the product, there were no major changes needed when entering new markets. They found new potential customers, did a pilot run which succeeded well, and tried to form a wider network in the target markets. These steps were easy for the company, and even today they keep co-operating with the partners they got during the process.

The biggest problem along the whole internationalization process for the case company B was money – even when they got the funding. They noticed that when getting more international it is important to be able to take risks, both big and small, and every one of them need money. They could have taken bigger risks, if they would have calculated a bigger budget for the whole process.

### 3.3 Case C: Problematic and time-consuming consulting -projects

The third case used in this paper is also a software company, which formed a platform for managing big events easily. Their product helps to collect information, get enrollments and payments and sharing information on the events. The case company C has a similar product with the case company B mentioned above, and the style of the product was a reason to expand into foreign markets as well. The case company C begun its operations in 2007 and now they have more than 5 million new users in a year globally.

PLANNED START	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
FUNDING	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: <b>YES</b></li> </ul>
MARKET RESEARCH	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
CHANGES	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
CUSTOMER ACQUISITION	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
PILOTS	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
CLOSING	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>

Figure 9. Case C: Main steps and problems in internationalization.

The internationalization was a known step for the company and it was a part of the original business plan. Because of the good feedback from the users in Finland, it kept expanding easily by itself at first. After the product had been used for a year in Finland, the case company noticed, that some of the Finnish users used the product also in other countries, they started to begin the internationalization process. Because of the demand in foreign countries and areas, the company had already noted the potential markets.

The first problem was with the funding – the case company did not seek it, yet they noticed later that they should have. The company saw the amount of money the whole process takes to get all the potential from the different organizations, people and networks and maybe the funding could have been a major game changer here.

The market research went well, the company didn't do any precise research but used some consulting firms to get the needed information from the target countries – without succeeding in that. They had high hopes for the consultants, but didn't receive as much information and help as they wanted. The company had spent quite a lot of money and



time on those consulting firms, which was a setback. As they decided to lean on to the existing networks they already had, including other companies who had gone through the internationalization process as well, they got the needed help to form a market research which helped the case company to move forward.

There were no major changes needed in the product, only some language settings and minor changes. Customer acquisition went smoothly by using networks and forming contacts. They tried to use another, local consulting firm when selling the product into Germany, but noticed soon that these consulting firms were useless as well – the company couldn't receive the needed selling potential. This was where the pilot didn't work as well as they wanted, because they couldn't get the needed selling speed. The case company started to do some adjustments into the selling – they started a recruiting process to get more expertise into selling. They stopped the operations in Germany after 1.5 years, but they still keep exporting there. In to Sweden, Stockholm, they tried to hire more sellers but needed someone to look after the operations more closely there and decided to continue the Swedish operations from Finland for a while. After one year, they hired a so-called country leader for Sweden, who was also Swedish. Then the case company moved one of the employees from Finland to Sweden permanently and two new people to keep the engines running. The case company needed a committed and entrepreneurial skilled leader into Sweden to achieve the needed results. Even though they had workers in Sweden, the management in Finland wanted to make the Swedish production plant to work as well as possible and to be a good work environment for the employees, which led to the decision of sending a supervisor to handle things there. This secured not only the wanted selling speed, but also gave new contacts and partners to the company.

#### 3.4 Case D: The fast speed of internationalization

The fourth company used in this report is a company focusing their business on solar panels. The base idea of the company is to enable the continuous use of energy, by using solar panels to collect and move it forward. The company found that the idea and the product are very competitive, and decided to develop a range of products with solar panels. The company started from Finland but was very fast moving into the more international markets. The case company has formed a big net of connections, which helps them to expand even more.

PLANNED START	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
FUNDING	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
MARKET RESEARCH	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
CHANGES	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: NO</li> </ul>
CUSTOMER ACQUISITION	<ul style="list-style-type: none"> <li>• Used: <b>YES</b></li> <li>• Problems: <b>YES</b></li> </ul>
PILOTS	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>
CLOSING	<ul style="list-style-type: none"> <li>• Used: <b>NO</b></li> <li>• Problems: NO</li> </ul>

Figure 10. Case D: Main steps and problems in internationalization.

The case company had noticed from the beginning, that the markets were a lot bigger outside Finland which made the decision of getting international explicit right away. There were a lot more knowledge and demand abroad, which also encouraged the company to expand. There were no major problems with the decision itself, because they were focusing on those markets and countries which had English as a business language, so that it would be easier for the case company. The problems occurred when most of the interested parties wanted naturally to see the products, and this meant a lot of travelling for the case company's personnel. For a small company, this was an issue because of the small budget.

This company decided to go without any funding at first, so that they could gain some experience, get customer attraction for their products and gather some customers and sales before meeting with the investors. Once they had accomplished those things, they went to see the investors and seek a funding. There were no problems, of course it took some time but the company had no major issues in this step.

In this case the steps 'market research' and 'customer acquisition' are hand in hand – the company used a lot of same sources in both steps and tied them together to save time and effort. They used online searches quite much to find possible retailers and stores, but also some channels like LinkedIn and existing contacts were a big help here. The case company created marketing campaigns such as online advertisements and targeted news letters to gain customers. Time consuming mass emailing and cold calling were also a part of these steps, because they needed to gain some awareness of the company and its products. When accomplishing to get some attention, the company kept on calling and sending emails to the possible potential customers. Later, they used sales CRM system, Customer Relationship Management, to save customer contacts and to collect information on customers, leads and potential sales channels. That helped to keep the case company informed on the already contacted firms, save the potential ones with additional notes and share the information in real time with all the personnel in the case company. The main problem in this step was to find the right person from the needed customer company, because usually the case company was bounced back and forth between several people in the same wanted customer company. This took a lot of time and money from the case company. (Salesforce, 2018)

Also in this case, some changes had to be done in order to be able to expand into new markets. The case company had to develop their products in a different way and due to the feedback, they made some concrete changes in the products. The logistics had to be managed differently as well, and the case company had to think about all the options very carefully because they had to move delicate things such as panels and lithium batteries. Because of the location of Finland, the shipping was not that easy to organize – that was why the company tried to find the best partner with the most competitive prices. This led the case company to expand into totally new countries and made to get warehouses from there. Finding a good partner and working with them was crucial, and Amazon was one of them. Partnering up with Amazon was a helpful deal, because it supported with logistic and shipping. The co-operations are still going on and working well.

## 4 RESULTS

After having the interviews, a 7-step road of internationalization was formed based on the interviews. It is argued that a lot of companies will use some value chain activities when starting the internationalization process of the companies (Jones 2001). This thesis will only be focusing on the steps from the actual starting point till closing – some of the case companies kept co-operating with the partners mentioned in the cases, some companies ended the partnership. This research focused on one example of internationalization of each case company, meaning that some companies had other smaller internationalization projects going simultaneously, but the interviewees answered the questions based on the first and the most important process.

The internationalization steps are some of the main areas that came up in the interviews, so they are written here based on the information that was gotten from the case companies. Of course, the road and the steps can be somewhat different when it comes to a wider range of the internationalization processes of companies, but these are shown here just to give an idea of how it can be formed, what are the steps and what kind of problems there might occur. Because of the individuality of each product, service, people, markets and business the internationalization steps will not be perfect. To understand the chosen steps better, I will give a closer look on what each step includes. (Jones 2001.)

**A Planned start** was the first step, because it is important to find out how the process began. It means, that the company decided to start the process by themselves and they had a plan or the decision of starting the internationalization process.

**Funding** -step is there to show, did the case company need funding to start or continue the process. This step can be also in another place from the process, but these case companies used in this report mentioned about the need or the lack of the need to seek funding right after the start.

**Market research** is a wide step, when it comes to the actions in this part of the process. In this report, market research includes acts like forming an official market research, using consulting companies in the target country to build a paper from the markets, using networks as a source to collect information and using other organizations and professionals to search for the right markets. This steps also includes all kinds of contacting

made to get an advantage when entering new markets. Also making professional and extensive competitor analysis is a part of this step.

**Changes** mean all the changes the company had to make to be able to enter and operate in the wanted markets. This includes things such as changes in the product or service, in company's websites, in personnel, language adjustments or changes in logistics or contracts.

**Customer acquisition** is one of the steps, because many of the case companies used it as a part of their internationalization process. This step includes the things the companies did to find customers from the target market, for example researches, inquiries, interviews or using professionals or networks to reach them.

**Pilots** include different kinds of ways and actions of testing the potential of the products or services. Some of the case companies used for example pilot customer acquisition, which is also combined with the previous step, or testing the selling power by using some calculations.

**Closing** is the last step of this internationalization road. It means how the case company closed the process – did they end the co-operation with the partner used in the process or not.

When taking a closer look at the theories and approaches of internationalization and comparing the internationalization processes described in the cases, there can be noticed some similarities. If looking at the case A, the beginning of the internationalization was not planned and there were no strategic plans made. This approach is more effectual than causal, because the case company trusted the willing importer. In effectual approach using connections has an important role, and the case company A relied on the partner and its contacts to expand. In the cases B, C and D the decision of getting international was more or less planned, which points more to the causal logic. These case companies also adjusted their business somehow at some point of their internationalization processes, meaning that they were making some changes while trying to fit into new environments. From this can be noticed that all the cases didn't follow just one of the approaches. Like mentioned above, in causal logic strategic plans, reports and research are very important, because the goal is to minimize risks as well as possible beforehand. Seeking competitive advantages plays a role in this logic, and for example this was central in the case D. It is common for companies to follow one of the approaches at first, but then take some steps and parts of the other one as well.

If sharing the companies' internationalization processes based on the way they proceeded by using the U-Model and I-Model as a divider, we notice the base differences in these cases. It is clear, that case A did not have any plans on expanding into new markets at that point, which leans on more to the I-Model. All the others had some planning done on the internationalization, but it was not necessarily totally following the U-Model. They all knew what they wanted to do, but the case B had planned the expansion the most out of all the case companies used in this research. Because of the sort of a vague line between U- and I-Models when comparing them into these cases, it is hard to tell which model was clearly used.

## 5 CONCLUSIONS

The goal of this thesis was to find out some main steps of internationalization, based on the information and experiences some companies have encountered. Also, pointing out some problems along the process was important to gain information on the helpful sources used in these steps. To have some tools for companies willing to get international, the case studies used in this report were helpful and gave a good insight of the issues in the process.

After reading through the results from the interviews and noticing the main similarities and differences, it is interesting to see the used internationalization “roads” together with the used theoretical bases in this thesis. It can be seen, that case company D used Innovation related model when getting more international, and their process had a causal logic behind their operations. The case company B had a planned start, but they didn’t really plan their progression beforehand – they used their connections to expand. The theoretical approach they used was more effectual, because they kept adjusting their business into environmental changes and kept up good and wide networks. Of course, the interviewee from the case company B said that they had to make some changes in planning and developing along the way due to the differences in the new markets, and that also blurs the lines between the theories they used. In some steps, they had to do more planning and in some steps not – this was the situation in the other cases as well. Nowadays, when communicating with others is a lot easier than it has ever been has helped companies to build networks from totally different countries and continents. This can be easily considered fitting more on the I-Model of internationalization, even though U-Model also points out the importance of networks. (Maha 2015.)

When it comes to the problematic steps in the internationalization process according to the case companies, they all had some sources that helped to get through the issues. Below are gathered some of the tips the case companies gave for the process of getting international.

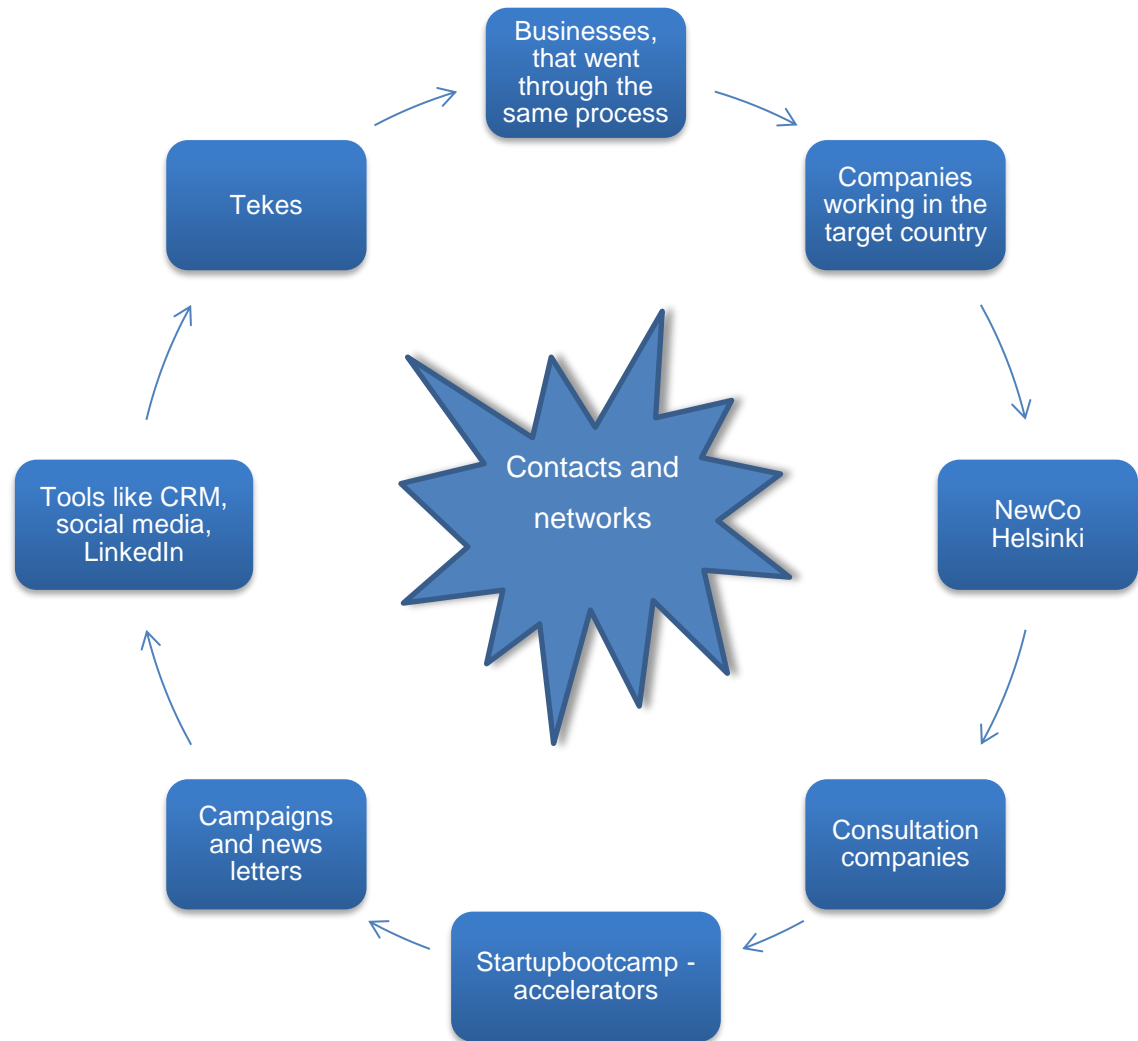


Figure 11. Helpful sources mentioned by the case companies.

All the case companies pointed out that it is very difficult to say which sources are the best ones for certain steps. The type of business, product and approach plays a role in here and some sources might not fit into the process of a certain company. Businesses, that have gone through the process and have similarities in the business field, the same sort of plan or product might be one of the most helpful sources when starting the process. Also, the companies, that already work in the target market might share valuable information to ease the penetration into the new country. The case company D mentioned NewCo Helsinki as a massive source of help in the beginning and helped the case company to gain experience, knowledge and a lot of contacts to continue further with the process. NewCo Helsinki is an organization, which helps entrepreneurs in Helsinki to grow, get partners and connections build wide networks and help small businesses to



approach their goals. (NewCo Helsinki 2018.) They also plan events and information gatherings for their customers to connect businesses together.

Another helpful organization according to the case company D was the Startupbootcamp, which they used when wanting to expand into the markets in the Netherlands. Startupbootcamp offers a variety of programs to help small businesses to go global, grow safely and to get partners and connections. They organize events in more than 100 cities every year to reach as many start-ups as possible. (Startupbootcamp 2018.) This can help especially at the beginning of the operations and before starting the internationalization process.

Some of the case companies used consultation companies when exploring the potential target countries – some found it useful, some not. For example, the case company C used these consulting firms but didn't find them helpful at all. It depends a lot of the cooperation, markets and the people working there. After gaining some customer attraction, potential customers and sales, organizing campaigns and newsletters can help to tie the customers to the business. Collecting feedback from customers can give a different perspective of the product or service and help to adjust into the market.

Tekes, called Business Finland since the beginning of 2018, offers help when companies are struggling to get a funding, was also mentioned as a helpful source. Mainly, it came up when talking about the step 'funding', according to the case company C. Tekes also helps to fund different research- and development projects and helps companies to grow. ELY -center was also mentioned in the same funding -step. ELY-centers are all around the country, and they are focused their business in three different areas; living, labor and know-how, traffic and infrastructure and environment and natural resources. (Tekes 2018; ELY-keskus 2018.)

All the case companies pointed out the importance of social media and the interaction with customers. Using several channels when selling and marketing the product the selling potential rises and more customers can be reached. Nowadays these tools can help to get a wider picture of the potential competitors as well as monitoring the markets.

One main source for help kept coming up in every problem – connections and networks. This was something every case company mentioned. It didn't matter, what kind of problem occurred or in which step, the case companies always wanted to highlight the importance of good and wide networks. Even better, if some partners or connections have some experience of internationalization. When hearing a real-life experience about the

process, steps, problems and sources it gives a trustworthy perspective of the road ahead. They might already have some organizations to recommend or people to call, or they can just share their experiences and help to take the next steps.

Based on the steps formed in this thesis and the helpful sources the case companies used in their internationalization processes, it is possible to form some sort of figure. Below is a table, that shows the 7-steps that have formed from the interviews and beside them are shown some organizations and sources used to help when problems occurred.

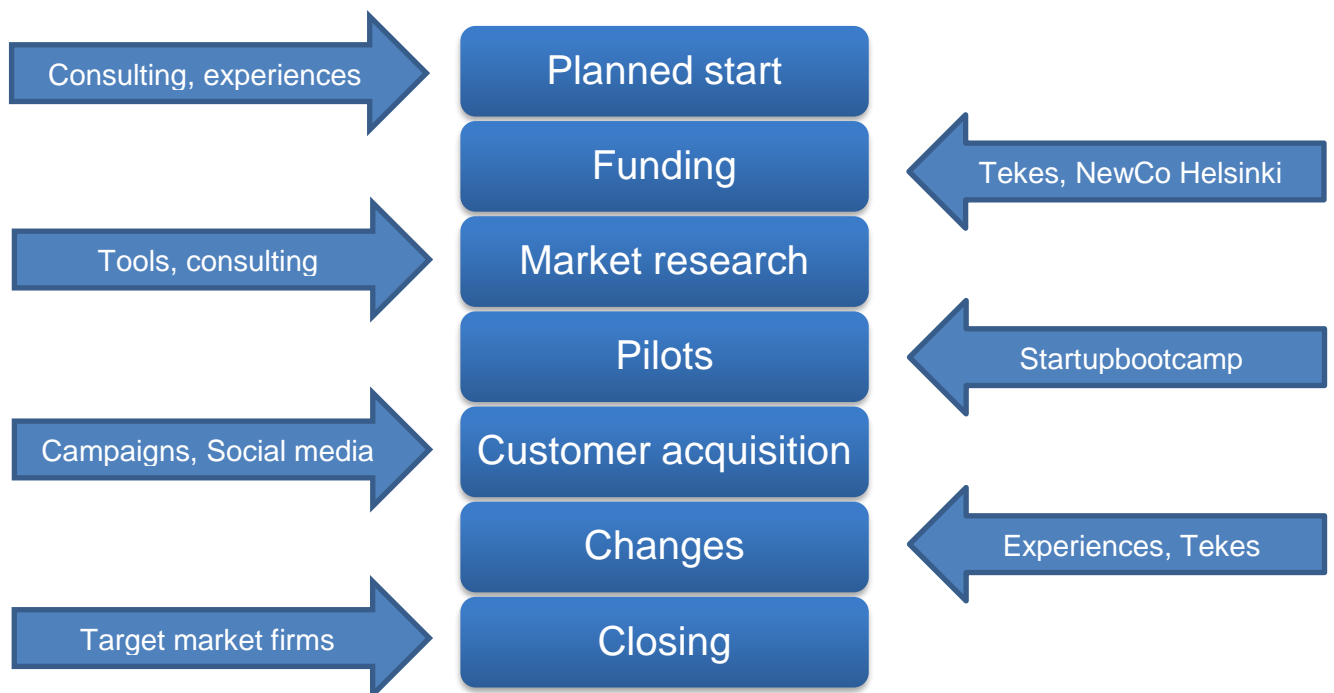


Figure 12. Examples of helpful sources in each step of internationalization.

Above are shown some companies, organizations and sources that can be used as a help in each step, if issues occur. Like mentioned before, each case company wanted to point out the importance of networks and relationships that can be helpful in every step, but this figure shows some other options for the process. It is directional and not perfect and is based on the information collected from the interviews with the case companies used in this paper. Still, this can give some idea of how and where the information can be found and how other companies have found the help. Experiences in this figure mean the experiences of companies, that went through the same process or the experiences

of companies working in the target markets. Consulting means the help of a consulting company, or a consultative person.

As mentioned before, each company and organization has their own internationalization process, including their own individual steps and problems. This thesis was meant to give an insight of four Finnish SME's and their roads towards to international operations. It is crucial for new companies to get more familiar with other stories and experiences when it comes to getting international, so that forming a way to approach new markets and adjust business comes clearer and all the possible options are available. Like the interviewee from the case company C told; Being brave and interested is the best way of surviving the whole process and getting through every problem. According to the case company interviews, internationalization needs a certain type of open mindset, so that expanding and exporting can be done. Using Google and other sources for help is something that must be done and asking for help just makes the process possible.

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## ATTACHMENTS

### Haastattelu Kansainvälistymispolku

*Lyhyet kysymykset, vastaukset kysymyksiin miksi, miten, ongelmakohdat, mistä apua, lopputulos? (tunnista käytetty malli)*

1. Mikä sai yrityksenne aloittamaan kansainvälistymisprosessin?
  - a. Missä vaiheessa prosessi on nyt?
2. Ilmenikö alussa ongelmia?
3. Mitä aloitte ensin tekemään?
  - a. Teittekö suunnitelman vai aloititteko prosessin jollakin muulla tavalla?
  - b. Tuliko vastaanne joitakin ongelmia? (Mitä, missä vaiheissa)
4. Haitteko rahoitusta?
5. Oliko mahdollisiin ongelmiin tarjolla apua helposti? (Mistä)
6. Oliko apunanne jokin organisaatio/ulkopuolinen taho?
7. Onnistuiko prosessi mielestänne hyvin? (Miksi/Miksi ei/Mitä olisi voitu tehdä toisin)
8. Muuttuiko yrityksenne koko kansainvälistymisprosessin alusta siihen mitä se nyt on? Esimerkiksi henkilömäärä, tuotteet, logistiikka

## **Interview- Road to internationalization**

*Short questions, answers to why, how, problems, help, results? (notice used model)*

1. What made your company to start the internationalization process?
  - a. In which step is the process currently?
2. Were there problems in the start?
3. What did you do first?
  - a. Did you make a plan or how did you start the process?
  - b. Did you face any problems in this step? (what, when)
4. Did you seek for funding?
5. Did you easily find/get help for problems? (where)
6. Did you use other company/organization as a help along the way?
7. Do you think the process succeeded?
8. Did your company change a lot during the internationalization process, if you compare it from the beginning to what it is now? (staff, products, logistics)