

**Plan for profitable entry to the Swedish market by a Finnish startup company**

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<p>Many Finnish companies are looking to expand internationally. Most of them seek out close market as their first step to internationalize their business. Sweden is an attractive market for many Finnish companies.</p> <p>The thesis outlines the theoretical basis for internationalization, and presents the project management method, followed by the practical testing of hypothesis using a cyclical approach for improvement known as the Plan Do Check Act (PDCA) method. The outcome of the project is an implementable action plan for a startup company operating in the software as a service business to enter Sweden.</p> <p>The actions taken during the PDCA cycles are based on the profitability of the ventures, and the calculations are made to ensure a successful and cost-effective entry to Sweden. Based on the project outcome, the company has decided to postpone the entry until sufficient resources have been acquired. The labor costs of accessing a new market are higher than initially estimated and the company has decided to use limited resources for other purposes until further notice.</p> <p>This thesis functions as a good source of information for any small company looking to expand to Sweden from Finland, highlighting the cost-benefit point of view of international ventures. The action plan is implementable and usable in any born global venture and can be modified to fit the market and industry needs.</p>	
<b>Keywords</b> Internationalization, Profitability, Sweden, PDCA, Action plan, Born global	

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# 1 Introduction

“I knew that if I failed, I wouldn’t regret that, but I knew the one thing I might regret is not trying.” (Jeff Bezos — Academy of Achievement 2018).

The 21<sup>st</sup> century has seen an influx of new startup companies, providing the general public with innovative services, products and ideas. Technology is developing at enormous speed and people all over the world are monetizing their ideas into successful global businesses. Many of the new startups start small-scale and reach rapid growth during the first years of establishment. They reach their international market quickly and gain an international audience. But what does it take for a small startup to enter into a foreign market and become profitable?

This thesis aims at providing a fintech startup company in Finland the tool for taking their service to the Swedish market. It highlights the issues to consider and makes profitability calculations, ensuring that the company resources are most effectively used. This introduction will present the background for pursuing the thesis subject, the project objective and scope. The case company will be presented, and the current status of the company will be discussed. Thereafter, the theory, that the project will be based on, is discussed in chapter two. The project will be completed in chapter three. The main focus of the project is the profitability of the venture. The fourth chapter of this thesis will focus on the findings made during the project. The thesis will be discussed, summarized and analyzed.

## 1.1 Project objective

The aim of this thesis is to provide the commissioning company (and other companies in Finland) methods to enter into the Swedish market profitably. This will be done by first researching the theoretical framework for establishing a company in a foreign market. Subsequently, the process for this project will be presented and tested, and possible obstacles and enablers are discussed. The profitability of the project will be based on estimations and forecasts. Once the calculations have been made, an action plan will be constructed for the company to complete. The project follows the workflow of the PDCA method (Plan, Do, Check, Act). The project objective is to create a plan for initializing a successful Finnish fintech service in Sweden.

## 1.2 Project scope

The thesis aims at creating a plan for the launch of a profitable fintech service for one case company looking to expand from Finland to Sweden. One single case company will

be used during the project. The case company operates in the fintech industry. The direction of communication is from company to market, i.e. from the case company in Finland to the potential Swedish market (both business and consumer market). Geographically the study is centered to Finland and Sweden.

### **1.3 Case company**

The case company, hereafter named company X, is a startup company established in 2017 in Finland. Company X offers a fintech solution directly to consumers and businesses in Finland and globally in English. The company is interested in launching their services in Swedish for Nordic consumers. At the moment, the company is looking to launch globally and especially wants to target a few markets, such as Sweden and Germany. For the end consumers company X offers [REDACTED] as well as an [REDACTED]. Being a small startup company, much of the work relies on the founding partners and a small team of experts. Therefore, the resources and workforce is limited. Any actions, suggestions and developments made during the thesis project will be made with the company resources in mind.

### **1.4 Background**

Company X established their service in 2017 and has a small test client base in Finland. The company estimated that the service could be useful in other countries as well and has developed their services for an international audience from day one. The company is in the process of launching globally in English and has a target of reaching the Nordic market with the product in a Scandinavian language. In order to successfully enter the market, the company is looking for a profitability analyses of the entry and an action plan to do so. The company is currently focusing on business to business sales (B2B) as their product is free for end consumers on the market. If the profitability analyses prove beneficial for the company, the action plan will subsequently be implemented by the company. Once Sweden has been established as a market, the company is interested in expanding to other Nordic countries and to Germany.

## 2 Internationalization project

In the following chapter the theoretical framework for taking a company international will be presented and discussed. The key concepts of this thesis will be briefly explained. After the key concepts have been established, internationalization theories will be presented. After the internationalization theory has been discussed, the concept of PDCA will be presented. The workflow of the thesis project follows the PDCA cycle. Based on the theory, further internationalization plans will be made.

### 2.1 Key concepts

**Startup:** A startup company is an enterprise in its early stage. It is a company that has moved on from being an idea to initiating trading, setting up the business and financing. (Business Dictionary 2017) Many startups seek rapid growth, their future is uncertain (Robehmed 2013). According to venture capitalist Paul Graham (2012), the only thing that separates startups from other newly founded companies is growth.

**Fintech:** The term fintech derives from the words *financial technology*. The broad definition of the word is: any technological innovation in financial services. These technologies have the potential of disrupting the financial markets. (CNBC 2017)

**Profitability:** The state or condition that yields financial gain or profit. It is the ability of a company to use its resources, so that the expenses are less than its revenues. (My Accounting Course 2018)

**Born global:** A born-global firm is a venture that seeks to satisfy a global market from day one. The firm is international by design, not by emergence. (Tanev 2018, 5)

**Business to business (B2B):** A business that sells its products or services to another business (Collins Dictionary 2018).

**Business to consumer (B2C):** A business that sells its products or services directly to consumers (Hom 2013).

**PDCA:** A methodology used for continuous improvement. PDCA stands for Plan Do Check Act, comprising four cyclic steps of improvement. The method is the most used continuous improvement method in businesses and enterprises. Also known as the Deming cycle. (Bernal 2014)

## 2.2 Taking a company international

The decision to take a company international is not one that should be taken lightly. The cost and risks of internationalization should be taken into consideration prior to entering a new market. There are several entry modes that can be utilized during the internationalization process which are presented and discussed in this chapter. After the entry modes have been presented two major theories on internationalization will be presented. Subsequently the formation of “born global” companies is discussed.

### 2.2.1 Entry modes

**Exports** is the simplest way to take a company international (Cavusgil, Knight, and Riesenberger 2017, 157). Exporting means producing in the home country and sending the product to be sold in another country. Many companies choose exporting as their way to internationalize. The exporters role is fairly low-risk, as the company can enter and withdraw from a country without significant investments or risk. (Cavusgil, Knight, and Riesenberger 2017, 376-377) Exports is an excellent way to increase sales, increase market share and economics of scale. It minimizes the cost of foreign market entry. The downside of exporting is that the company does not earn as much knowledge about the target market as it lacks physical presence, the company is also exposed to tariffs, trade barriers, currency fluctuation and vulnerable to new companies due to the required logistics needed to export a product. (Cavusgil, Knight, and Riesenberger 2017, 377-378) Exports is a low risk entry mode, which means low return rate. While providing operational control in the new market, it lacks essential marketing control. (Agarwal and Ramaswami 1992, 7) There are two types of export modes: direct and indirect exporting. Direct exporting means exporting through intermediaries in the foreign market, indirect exporting on the other hand takes place through intermediaries in the home market (Cavusgil, Knight, and Riesenberger 2017, 378-379). Studies show that exports is the preferred entry mode if the potential risks for the other entry modes are considered high (Agarwal and Ramaswami 1992, 20).

**Foreign direct investment** is the most complex entry mode, as it requires the company to establish physical presence in another country. The company establishes a production factory, an office, equipment etc. This is a substantial investment and entails high risk. The entry can take place as a sole venture, an international collaborative venture (cross-border business partnership for international venture) or as a joint venture (a collaboration between partners where a third company is created). (Cavusgil, Knight, and Riesenberger 2017, 410-411) Larger firms tend to prefer sole ventures, this is mainly due to the ownership advantages that are available when venturing alone (Agarwal and Ramaswami 1992,

18). Small firms with limited experience on international ventures, tend to prefer to target high potential markets through a joint venture. The shared costs and risks are significant factors for smaller companies to consider. (Agarwal and Ramaswami 1992, 20)

There are also **contractual entry modes**. These are international ventures based on a contract. This is often the case when it comes to franchising, licensing, service contracts or management contracts. In these cases, the rights to a company, product or intellectual property is given to another partner through a contract. The cost of this arrangement is often a royalty fee taken by the parent company, or other monthly costs. Licensing means giving the right to a third party to use parts of the product or service, whereas franchising means taking the whole business idea and setting up a similar company that is governed by the parent. (Cavusgil, Knight, and Riesenberger 2017, 440)

### 2.2.2 Internationalization theories

**The Uppsala model** sees internationalization as a process that takes place over time. In other words, firms become international during an incremental process of different stages. The process is a lengthy learning process for the firms and may take years to establish. The model is based on the assumption that companies always target similar nearby markets. The model is highly focused on risk aversion and has therefore been criticized. (Moreira, Raposo and Ribau 2015, 530-531) Researcher have also found that the geographical emphasis may be too narrow. In addition, the model does not fully apply to the new era of “born global” companies that will be discussed later on. (Kubičková 2013, 245)

**The eclectic paradigm** (or OLI paradigm) is a model developed by J.H. Dunning and combines a number of different theories into one: transaction cost elements, comparative advantage and macroeconomics (Moreira, Raposo and Ribau 2015, 533). It has become one of the most used internationalization theories globally (Carlsson and Meixger 2017, 12). According to Dunning, three factors determine international activities of a company: ownership advantages, location advantages and internalization advantages (Rugman 2010, 1). The ownership advantages are competitive advantages, such as strategic control over tangible and intangible assets, whereas the location advantages rise from economical, geographical and political resources in a specific country (Moreira, Raposo and Ribau 2015, 533). The theory states, that companies develop ownership advantages in the home market, that are then transferred abroad to a new location, which allow the company to internalize the advantages of the ownership in the home market (OLI) (Rugman 2010, 2).

Critics argue that the theory is too focused on the ownership aspect of the company, and that the ownership advantages and location advantages are difficult to separate from each other. As with the Uppsala model, the theory does not take into consideration the new born global companies that do not take on their home market initially. (Carlsson and Meixger 2017, 15-16)

In the modern day, traditional internationalization theories of step, by step internationalization and gradual growth in new countries may not be up to date. Today, many companies are so called “**born global**” companies. According to Eurofund, in 2012 one fifth of new enterprises are global at birth. (Carlsson and Meixger 2017, 2) These young companies pursue global customers from an early stage and seek rapid growth in foreign markets. (Cavusgil, Knight, and Riesenberger 2017, 157). Their product might be global and scalable, but the company lacks experience and resources (Carlsson and Meixger 2017, 2). Despite the scarce resources and lack of experience these companies experience rapid growth and success in a foreign market (often within three years of establishing the company) (Cavusgil and Knight 2004, 125). They have been established mainly due to two circumstances: globalization and technological advancements (Cavusgil, Knight, and Riesenberger 2017, 157). The following aspects tend to be prominent in born global companies according to Carlsson and Meixger (2017, 3):

- Products and services are drive by technology, innovation, differentiation.
- The company is led by the founder or a small team of entrepreneurs enthusiastically spreading their product or service
- Strong networking skills and collaborative relationships
- Small domestic market

Cavusgil and Knight argue in their research of born global firms, that the success factor of these companies is innovation. This innovation also drives the acquisition of knowledge, that in turns drives to a superior product or service. They lack the deeply rooted administrative heritage of larger, older companies, and are more agile in their development. The innovative nature of the company opens up the firm’s product or operations for reinvention to serve the new market. This also requires that the company is knowledgeable about its own internal capabilities and can improve in these aspects. (Cavusgil and Knight 2004, 134-137)

### **2.2.3 Choosing the entry mode**

The choice of entry mode is critical to the success of the venture (Agarwal and Ramaswami 1992, 1-2). The preferred entry mode is often based on the firm’s asset and

it's need for ownership and control (Thrassou, Vrontis and Wei 2006, 154). According to the transaction cost analyses theory, the choice of the most suitable entry mode is based on the cost of the trade-off between control and cost of course commitment (Thrassou, Vrontis and Wei 2006, 156). Figure 1 below presents the consideration of the market entry decision according to Thrassou, Vrontis and Wei. This figure does not account for born-global firms.

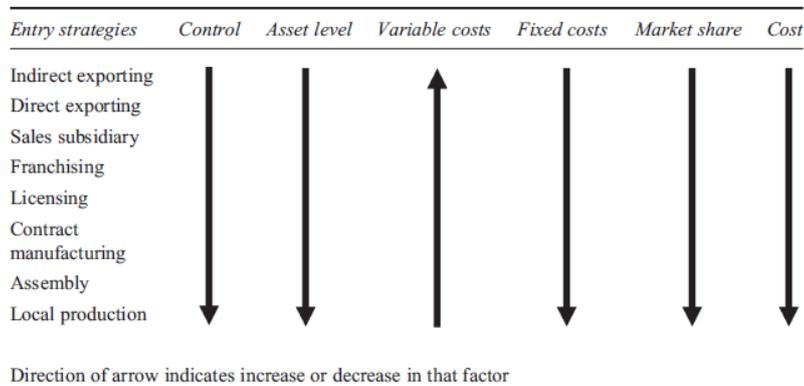


Figure 1. Market entry decision (Thrassou, Vrontis and Wei 2006, 156)

According to Dunning's eclectic theory, the choice of entry mode is based on: ownership advantage, location advantage and internationalization advantage. Whereas the resource based view is built upon a company's own ability to understand and evaluate its internal resources, strengths and capacity. (Thrassou, Vrontis and Wei 2006, 157-158)

When it comes to born global companies, they do not specifically choose an entry mode as they are international at birth. According to research by Astbury and Lux, born-global companies follow a theoretical model of internationalization. The model is presented in Figure 2 below. (Astbury and Lux 2017, 54-55).

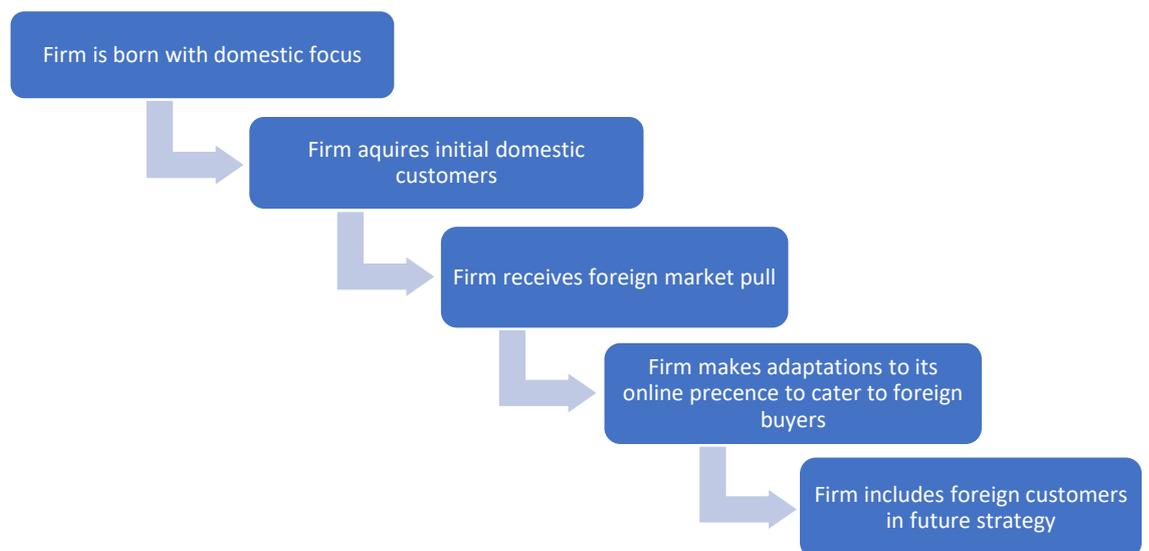


Figure 2. 5 step model (Astbury and Lux 2017, 54)

The 5 step model presents the process of internationalization that born-global companies encounter when reaching their global status (Astbury and Lux 2017, 53-55). The five steps in the process are: 1. Firm is born with domestic focus, 2. Firm acquires initial domestic consumers, 3. Firm receives unprovoked foreign market pull, 4. Firm makes adaptations to online presence to cater for international market, 5. Firm includes foreign market in strategy. (Astbury and Lux 2017, 54-55)

#### **2.2.4 Finnish companies in Sweden**

Many Finnish companies have ventured into Sweden, therefore, it is wise to take a short look at the entry methods chosen. There is no full data available on the subject, but by examining the data that is available, one can get a general idea about the situation.

In line with globalisation many Finnish companies acquire foreign owners. This is especially the case with companies in the industrial sector. Despite the global era, most companies acquire their foreign owners from a country close to them. Almost 40 % staff of foreign owned companies in Finland are based in another Nordic country. (Rikama, 2009)

Many Finnish companies own subsidiaries in foreign countries and have decided to venture into foreign direct investment. According to Tilastokeskus, in 2016 there were a total of 688 subsidiaries in Sweden, with a combined staff of over 62 000 people (Tilastokeskus, 2016). Direct exports is also popular among neighbouring countries. In the fourth quarter of 2018, the net trade in goods (BoP) between Finland and Sweden was 3 097 million euro in exports (Finlands officiella statistik, 2019).

When it comes to born global companies, it is impossible to get a full estimate of how many companies sell their services online to consumers abroad. There is no such data available for Finland. However, by looking at the e-commerce in the countries one can get a general idea of the situation. 27% of e-commerce sites in Finland sell their products to a foreign market (Liana Technologies, 2014). Sweden is an industry leader in e-commerce, yet only one out of every hundredth Swedish consumer has bought items from a Finnish online store (Rämö, 2014). The Finnish online store presence in other markets has been criticised for being too modest, and lacking long-term commitment (Rämö, 2014).

### **2.3 Plan, Do, Check, Act – the theory behind the Deming cycle**

The PDCA method, or also called the Deming cycle, is a method of continuous improvement frequently used by companies. In this chapter, the method will be presented.

### 2.3.1 Early days

The science of continuous improvement has a long history, dating back to Chinese quality control during the 16<sup>th</sup> century B.C. (Moen and Norman 2006, 1) In 1872 the philosophy of science took a leap towards a more pragmatic approach, as a group of men outside of Cambridge formed a “Metaphysical Club” that believed in the following: 1. “Philosophy is not a path to certainty, only a method for coping” and 2. “What makes beliefs true is not logic but results”. They believed in testing of beliefs. (Moen and Norman 2006, 2)

A few years later, John Dewey elaborated on the subject of pragmatism further. He believed that ideas and thoughts have no value, unless they are tested. (Moen and Norman 2006, 4). “The scientific experimental method is...a trial of ideas; hence even when practically -or immediately-unsuccessful, it is intellectual, fruitful; for we learn from our failures when our endeavors are seriously thoughtful.” (Dewey 1984, 36).

Dr. Walter A. Shewhart was the first person to draw the cyclic approach that is the corner stone of the PDCA model. The model was presented in Shewhart’s book “Statistical Method from the Viewpoint of Quality Control”. Instead of seeing specification, production and inspection as a linear model to be completed only once for a product or service, he argued that the approach should be cyclical. The model was called the “Shewhart cycle”, shown in Figure 3 below. (Shewhart 1939, 45)

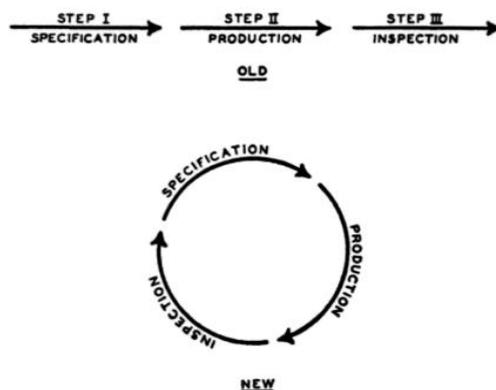


Figure 3. The Shewhart cycle from 1939 (Shewhart 1939).

Shewhart’s book was edited by W. Edwards Deming in the 1950’s. Deming’s view of the line of production was: design, produce, sell, and a fourth step: redesign through market-research. The steps should be rotated continuously in order to achieve best quality. This became the cycle, that is now the “Deming wheel”. (Moen and Norman 2004, 5-6)

### 2.3.2 PDCA

The Japanese took the Deming wheel and transformed it into the PDCA cycle (figure 4). What was previously named design was now plan, produce was do, sell became check, and research became act during the translation from English to Japanese. By the 1960's it had evolved into a widely used management tool. (Moen and Norman 2004, 6)



Figure 4. PDCA cycle

The cycle of improvement is more efficient than a “right the first time” approach. The method is efficient in both project management, implementation, and quality control. (Sokovic, Pavletic and Pipan 2010, 477)

**Plan:** Identify the problem at hand. Collect all relevant data and analyze. Understand the root cause and lay out hypothesis (Johnson 2002, 120). The planning stage is a three-step progress. 1. the problem needs to be identified. 2. the problem should be analyzed carefully. This can be done by asking: *What is the information needed to solve the problem? What data do we have, what do we need?* 3. establish hypothesis (Skhmot 2017).

**Do:** Develop and implement the planned hypotheses. The implementation should be measurable. Test the solution and measure results reliably (Johnson 2002, 120). In some cases, it is wise to implement the plan on small-scale and implement fully once initial results have been analyzed. In this step, measurement is key (Skhmot 2017).

**Check:** Analyze results by comparing the data and results. Decide on if hypothesis is supported by the results (Johnson 2002, 120). Results should be identified. Questions to consider during this step are: *Did the action achieve desired results? What did we learn? Is another test necessary* (Skhmot 2017).

**Act:** Document results, inform about process changes and make suggestions for the next cycle. If solution was successful, implement it. Use results of cycle to plan and identify problems and repeat cycle (Johnson 2002, 120). This phase of the cycle is where the hypothesis is implemented, or the cycle should be repeated. Use all the data and make improvements by starting another cycle based on the results (Skhmot 2017).

### 3 Project

The following chapter focuses on the project at hand. The project design is presented and discussed, followed by a brief description of the current status of operations of the company X. The project is divided into several development cycles according to the PDCA cycle theory. The process and stages during the project are presented in the chapter below.

#### 3.1 Project design

The aim of this thesis is to create a plan for profitably initializing a Finnish fintech startup company's service launch in Sweden. The goal of the project is to introduce the market to the company and carefully consider internationalization efforts from a cost-benefit point of view. The outcome of this project is a first action plan to the Swedish market based on profitability.

The case company is a "born global" company mentioned in the theory chapter 2.2.2. From the establishment of the company, the founders have had a clear vision on taking the company international. Due to its born global, entrepreneurial status, the company is agile and quick to make amendments and implement changes. Therefore, a method of continuous improvement is a natural way for the company to seek another market. The company is able to implement the needed improvements during the cycles and can benefit from innovative solutions and implementations. Thus, the continuous cycle of the PDCA method is ideal in this situation. The risk with this project, is that the company puts efforts on internationalization without significant gain. Any ventures need to be made with careful consideration and with the support of the case company.

##### 3.1.1 Project management method

The project management method in the thesis is based on the iterative process used in PDCA. The method is most commonly used as a quality improvement tool, but is also usable in business development, as mentioned in Chapter 2.3.2. By creating a step by step approach, one can visualize the process clearly, available in Figures 5 and 6 below.

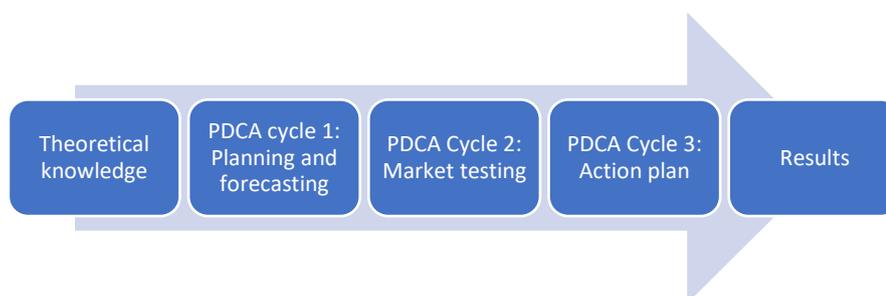


Figure 5. Project design

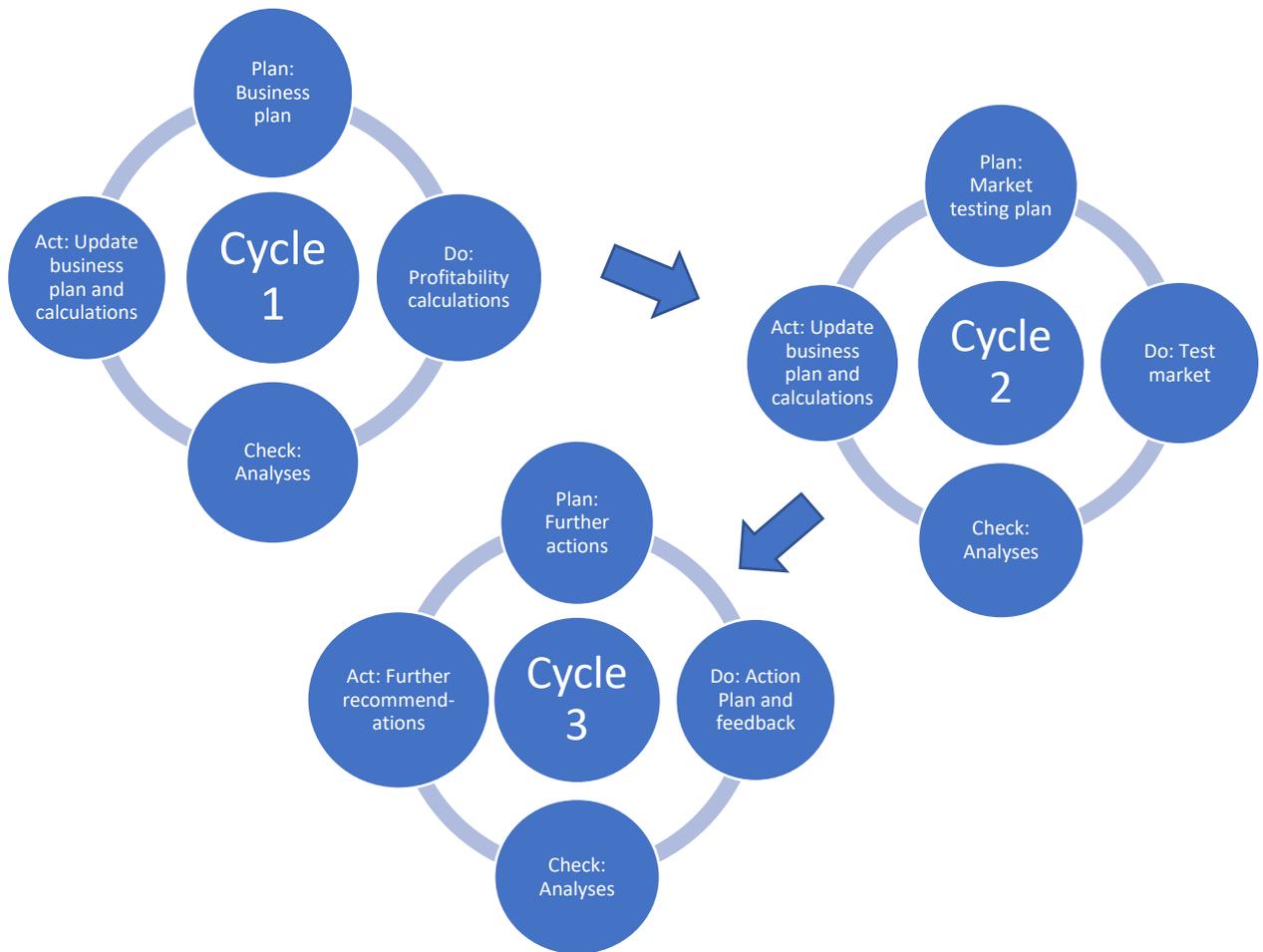


Figure 6. PDCA management

The initial stage of the process has already been completed, and the results are presented in the second chapter (theory). The first cycle will begin with a planning stage, during which a rough business plan is laid out. As mentioned on page 13, the planning stage is important to understand the problem at hand. Based on the problem a first hypothesis can be laid out. The company X will work in close cooperation with the researcher in order to obtain a full understanding of the company's wants and needs during the project and future establishment of the business in Sweden.

There are many aspects that can be included in a business plan (Lavinsky 2013). The following has been chosen to be included: business overview and product presentation, operations plan, market and industry analyses, sales and marketing efforts. The data needed for the business plan is in large extent already available at the case company and can be utilized during the process.

After initial planning the second step of the PDCA cycle is Doing. During the first cycle, this will consist of profitability calculations. The profitability is an important aspect, as the

project's aim is to establish a *successful* business in Sweden. This means that the endeavor needs to be profitable in order for the company to pursue with its internationalization efforts. Financial forecasts are an important aspect of any business operation. The financial forecast and profitability calculations are presented in depth in the Appendix. The main findings are presented in brief in the chapter. The profitability calculations will be based on data given by the company, cost-analyses, forecasts and estimations, and expected revenue from Sweden. A deeper analyses of the findings will be made based on this data during the checking stage of the first cycle. Step 4 of the PDCA cycle is the Act-stage. For the first cycle, this includes possible updating of profitability calculations, updating the business plan and providing recommendations for the second cycle.

The second PDCA cycle is focused on testing the market in accordance with the findings made during the first PDCA cycle. Once the results from the first cycle is clear, the second cycle will be planned. The market testing plan will be implemented on small scale and the hypothesis tested. The analyses form the base for the scalability of the market and the cost of the possible future actions should be taken into careful consideration at this stage.

The third PDCA cycle focuses on the action plan for the internationalization. The cycle will be planned, and any actions will be taken based on the findings made during the two previous PDCA cycles. During the third PDCA cycle an action plan for taking the company international will be designed, feedback will be collected, and the results analyzed. An action plan is a roadmap to the success of the business plan, and therefore crucial for the project (Business Development Bank of Canada 2018). The plan will include: selection of clearly defined objectives, deciding on measurement methods and timeline for the implementation.

Once the cycles have been completed follows the finalization of the project. It will summarize all the data gathered during the project, discuss profitability and therefore provide valuable future insight to the company X. Based on the discussion, future recommendations will be provided for the company, the final stage of the cycle will therefore in a sense be another *plan*. This final step will be done with the PDCA method in mind, providing the company with the needed recommendations for completing another cyclic process of improvement.

### **3.1.2 Current status of the company**

The case company X is a newly established fintech startup company. It is currently testing the product with some 300 test users. The company is in the [REDACTED]  
[REDACTED] The company has

from an early stage established that it seeks an international market. The product itself has been made available for an international audience from the start. The strategy of the company has involved international aspects from day one. As Carlsson and Meixger argue (page 8 of chapter 2.2.2) there are a few prominent aspects of born global companies. Let's consider the case company X based on these aspects. 1. The products or service is driven by technology, innovation, differentiation. This is true, as the company is a fintech startup company. 2. The company is led by the founder or a small team of entrepreneurs enthusiastically spreading their product or service. True. The company is led by the founders and a small team of experts that want to spread their service rapidly. 3. Strong networking skills and collaborative relationships. True. The founders have a large network and rely on collaborations with other stakeholders in the market. 4. Small domestic market. True. The Finnish investor market is relatively small compared to many other countries. There are less than [REDACTED] [REDACTED]). The amount of [REDACTED] is considerably smaller. The case company therefore fits all the aspects mentioned by Carlsson and Meixger. This makes the company a so called "born-global firm" mentioned in the theory chapter 2.2.2.

As the company is born global, there is no need to specifically choose an entry mode for internationalization. The service is global and scalable in itself (see chapter 2.2.2 on born-global companies). The company will continue to be based in Finland and offer its products and services to consumers and companies globally. During this thesis project, the Swedish market is targeted. The other methods of internationalization, such as exports, foreign direct investment or contractual modes, mentioned in chapter 2.2.1. are not valid as the company is a born global company. The company does not need to enter into traditional exports, as the [REDACTED]. The product can be made available to end-consumers in foreign market without intermediaries or traditional export activities. The company has indicated that there are no resources for entering another market through foreign direct investment. There is also no need to set up a physical presence in the target market, as [REDACTED]. Contractual entry modes may at some point become timely, if for example, the company were to grow considerable in the new market and would not be able to provide service or support to all the customers. At the moment, this is not an issue that would have to be dealt with and the company is able to service all customers in the future market.

According to the 5 step model of born-global firms presented in chapter 2.2.3, the case company X is currently in step [REDACTED] of the process. The company has [REDACTED]  
[REDACTED]

The company has stated that it is interested in pursuing business to business sales (B2B) as the service is [REDACTED]. The case company X is interested in introducing their service to the Swedish market and establishing new visibility agreements with companies in the target market. In order to be able to provide the service for the Swedish market the company needs to translate the service and make some technical adjustments and upscaling. This initial investment cost is very modest.

For their B2B sales, the case company is specifically targeting [REDACTED] [REDACTED] that the case company provides.

The company is looking to establish [REDACTED] [REDACTED] [REDACTED]

The case company's service is used by customers that are interested [REDACTED] and by connecting [REDACTED] [REDACTED] T

The case company has suggested a monthly sales price of [REDACTED] euros per agreement for this service to the company. The information on visibility agreement sales is visible in Table 1.

Table 1. B2B visibility agreements sales year 1

Target market	[REDACTED]
Product	Visibility agreements
Market share	[REDACTED]
Agreement price	[REDACTED] € / month

The case company is expecting to obtain a [REDACTED] market share out of these [REDACTED] during the first year of entering the market. In other words, the company is looking to make [REDACTED] in year 1.

### 3.2 Cycle 1: planning and forecasting

The first cycle of PDCA focuses on planning and successful forecasting of the business venture. Firstly, a business plan will be presented followed by the Do phase of profitability calculations for entering the market. Once these steps have been concluded the results are analyzed and in the final stage adjustments to the initial plan will be made in addition to recommendations for the second PDCA cycle. These steps followed the flow of the PDCA cycle presented in chapter 2.3.2.

### 3.2.1 Plan

Phase 1 of the first cycle is presented below. In the following section, the business plan for entering Sweden will be laid out. Firstly, a closer look on the company and its product is given. Secondly the market and industry is analyzed, followed by an operations plan, and sales and marketing efforts.

#### Business overview and product presentation

The case company offers an [REDACTED]. The product is designed for [REDACTED]. The service is [REDACTED].

The company is a recently established limited company with two founding partners. The company is a [REDACTED]. (Company X 2018). In figure 7 below a basic SWOT analyses has been made.

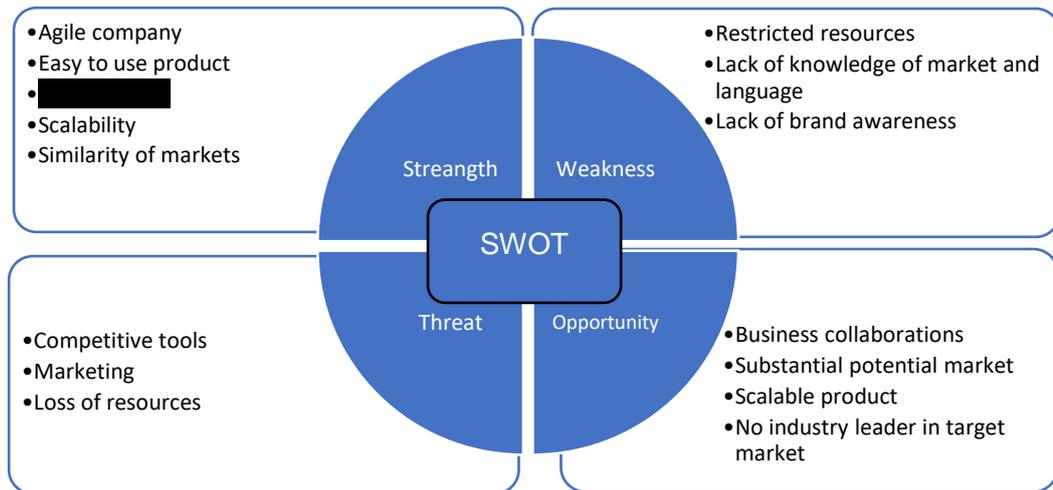


Figure 7. SWOT analyses of the company entering Sweden

The information gathered is collected from the company's available SWOT analyses (Appendix 1) and the authors own perception of the company and product in terms of entering the Swedish market.

#### Market and industry analyses

*Market:* Sweden is the desired market of the case company. The case company has done an initial market study for entering the Swedish market (Appendix 1). Sweden is the largest potential market in the Nordic region, and a member of the European Union. It's close distance and similarity to the Finnish market attracts many companies from Finland (Business Sweden 2018:a). The country has one of the world's highest disposable income, which makes the target market suitable for [REDACTED] (Statista 2018). Sweden is

ranked highly in political stability, freedom of press and democracy (Appendix 1). This makes the country a risk-free investment market in terms of political stability. The target market is suitable for an [REDACTED] [REDACTED] (World Bank 2018). About one fifth of the Swedish population currently [REDACTED] and the market is growing (Dagens Industri 2018). [REDACTED] (Dagens Industri 2018).

The unemployment rate in Sweden is currently under 7 percent (SCB 2018). According to company X market research, household financial savings (new savings minus increase in debt) amounted to SEK 46 billion in Q2 of 2017, and millennials are especially eager to [REDACTED] (Appendix 1). What is interesting for the case company, is that the [REDACTED] (39 percent during a five-year period) in the age group 21-30 years, which is the case company's target market (Dagens Industri 2018). Figure 8 shows the willingness of young people [REDACTED]

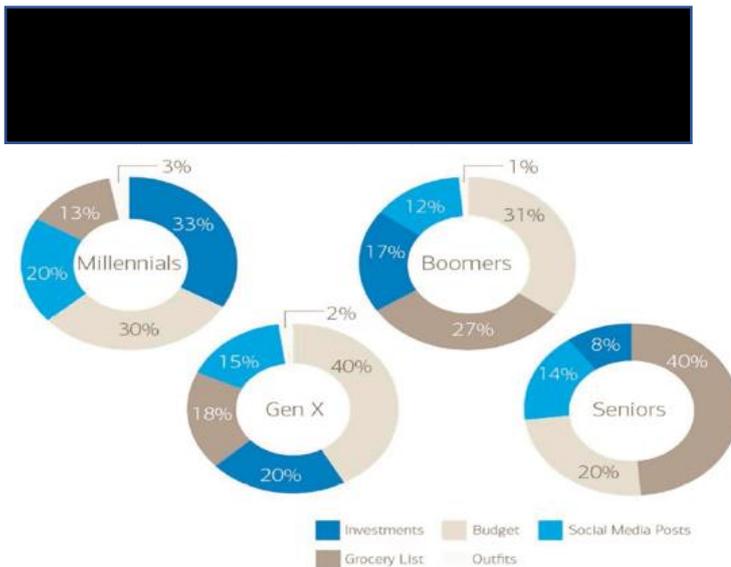


Figure 8. Millennials [REDACTED] (Source: Company X, Appendix 1)

A survey conducted by the case company shows, that almost 60 percent of young students and entrepreneurs [REDACTED], many of whom in the global market. Almost half of the respondents say, that they do not find [REDACTED] [REDACTED] (Appendix 2).

*Law:* Legally, entering a foreign market might prove difficult, but for an [REDACTED] company, the venture into a foreign country is somewhat easier. The case company is not setting up a physical presence in the target market and will therefore not register as a new

company in Sweden. It is a born global company, functioning online. The company will continue to operate in Finland but provide its services to potential end-consumers in the Swedish market and conduct sales to companies in the Swedish market. The company is legally bound by the Finnish law and taxation system. Both countries are part of the European Union, which binds them both to the common European legislation system. The company is not under the [REDACTED]

[REDACTED]. It is advisable that the company familiarizes itself with the rules and regulations of the Swedish [REDACTED] prior to entering the market to avoid any future nuisance.

*Tax:* The taxation of the service should be taken into consideration when selling to another country. The company is tax liable in Finland. As Sweden is part of the EU, the internal tax laws of the European Union should be followed. If a company sells its service directly to consumers, the company should file taxes according to its home country's tax laws. In this case, should the case company focus on B2C sales, taxes should be declared in Finland. However, if the company sells its service to another tradesman (B2B), the taxes should be declared at the buyer's country of residence. (Verohallinto 2010)

*Facilitators:* There are several institutions that can facilitate trade between the two Nordic neighbors. Business Sweden, for example offers companies that are interested in investing in Sweden advice and support functions free of charge (Business Sweden 2018:b). Nordiska Investeringsbanken (NIB) is an international finance institution that functions in the Nordic and Baltic region. NIB offers loans and credit on long term to companies willing to internationalize (Nordiska Investeringsbanken 2018).

*Competitors:* When looking at competitors there are two different fields to consider. The company needs to consider competitor's both in making their [REDACTED] (B2B), as well as competitors that attract the end-consumers (B2C). When it comes to competitors in B2B [REDACTED], any person or company that provides [REDACTED] is a competitor. In a sense, [REDACTED] etc. can be seen as competitors. One can take closer look at direct competitors that offer a [REDACTED] at the moment but that may in the future also go into B2B sales. A few competitors in their industry has been identified:

[REDACTED]  
[REDACTED]

[REDACTED]

### **Operations plan**

The case company is based in Finland and is a born global, entrepreneurial startup company. The initial internationalization calculations and analyses will largely be managed by the author of the thesis as a project. The company founders will act as supervisors and provide guidelines and resources for the project. The physical and immaterial resources needed to complete the project are available at the company. This includes IT equipment and company email address. The service will be made available in Swedish for the market.

### **Sales and marketing**

Once the product is ready and the profitability calculations have been made, the author will identify and contact relevant stakeholders to test the premises of the business to business [REDACTED]. This will test the market and pricing of the service. The company is not looking for elaborate market testing, but only a very simple initial feeling of the feasibility of the idea. Business to business sales and marketing will be done through contacting potential stakeholders via email and asking them to complete an electronic questionnaire. The author will be responsible for identifying, contacting and maintaining a relationship with stakeholders for the market testing.

### **Benefits of entering the new market**

There are many potential benefits when entering a new market. For the purpose of this thesis, the forecasts and calculations are based on financial gains (revenue). Although the

calculations are based on revenue, one must not forget other benefits. Most benefits cannot be easily calculated but are nevertheless important to consider. These benefits may, among others, include:

- Increased brand awareness
- End-consumer increase and diversified
- Attractiveness to potential investors
- Increased company value
- Pilot case for other international efforts
- Long-term sustainability
- Competitive advantage
- Protection from economic slowdown in home market

### **Hypothesis**

Based on the information available in the business plan, the company has a potential market, a viable product and a service that is in demand. The hypothesis for the first cycle is: *The case company can establish a successful business in Sweden with the current information and resources at hand.* The hypothesis will be tested in the Do phase of the cycle through profitability calculations.

### **3.2.2 Do**

The second stage of the PDCA cycle, the Do-phase. Profitability calculations are made.

#### **Profitability calculations**

The goal of this project is to create a plan to initialize a successful launch in Sweden. For the company to proceed with the project, the benefits need to be equal to, or exceed the costs of the project. If the project proves unfruitful, the company will not seek to enter the Swedish market through the means presented during this project but will find other solutions or dismiss the market. There are a few stakeholders in this project: the company itself, future end-consumers (B2C) and potential [REDACTED] (B2B). The measurement used in the analyses is monetary impact on business operations. All costs and benefits are valued to the euro. The profitability calculations are available in Appendix 3 onwards. The calculations and forecasts are briefly presented below.

#### *Costs and benefits*

The costs and benefits of the internationalization is presented in Appendix 3. There are many different kinds of costs associated with taking a company international. There are the initial investment costs, fixed costs, variable costs and monthly costs. The benefits are more difficult to estimate. Some benefits (such as revenue) are easily calculated, but indirect benefits (such as increased brand awareness) cannot be pinned to a certain amount

in euro, as mentioned above. These benefits are listed in the appendix and above. Although these benefits aren't straightforward monetary benefits, they are nevertheless important to consider. The basis of the calculations is the information provided by the company: internal labor hour cost [REDACTED] €, market share [REDACTED] % and monthly agreement price [REDACTED] €. The annual benefit with this data is [REDACTED] euros in sales revenue. The investment cost is estimated to be [REDACTED] euros, excluding cost of labor and visibility agreement costs. The costs and categories for the first year are visible in Figure 9 below.

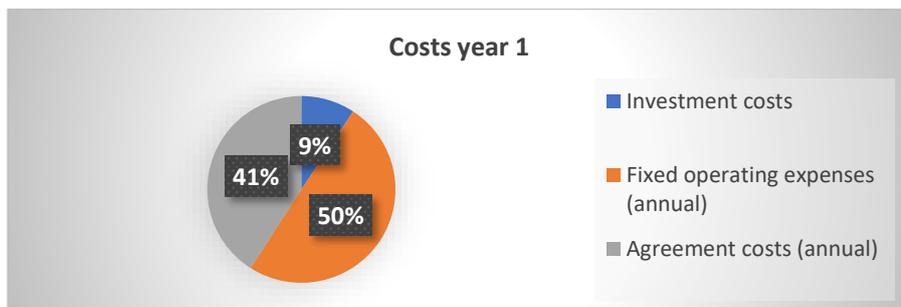


Figure 9. Cost per category year 1

The monthly cost for [REDACTED] is almost [REDACTED] euros if [REDACTED] % market share is obtained. This is mainly due to the high overhead costs that occur monthly. The monthly labor hours needed to obtain the market in Sweden is [REDACTED] hours. This amounts to a monthly labor cost of over [REDACTED] euros. The [REDACTED] cost is presented in Figure 10.

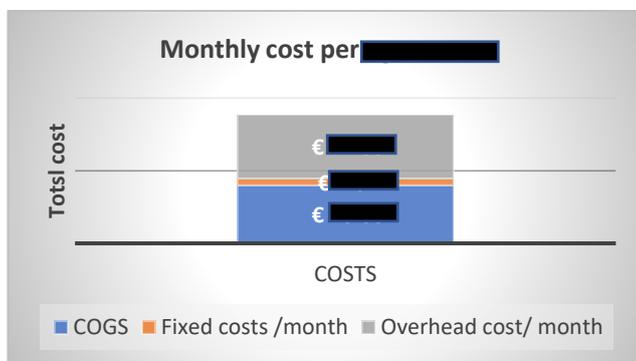


Figure 10. Monthly cost per agreement

The overhead costs include technical costs and labor costs.

### Working hours

The estimated labor hours for the project is visible in the Appendix 4. The labor hours are forecasted based on estimations. The hours are visible in Figure 9.

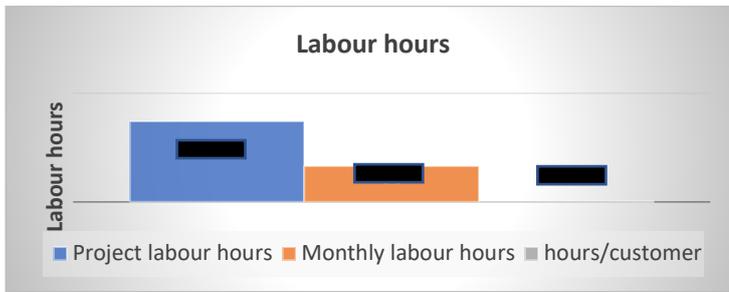


Figure 9. Labor hours

The total labor hours for the project is [REDACTED] hours. [REDACTED] of those hours are invested on a monthly basis. Each customer requires [REDACTED] hour additional of labor each month (CRM and administration).

### Market share

The company has estimated that they are able to obtain a [REDACTED] % market share for their service. In Appendix 5 the calculations for market share and revenue are presented. Assuming that the company sells their service for [REDACTED] and makes [REDACTED] then company revenue is [REDACTED] euros annually. As can be seen in the calculations, the cost structure for the service is not viable. With these amounts and market share, the company will make a gross profit of [REDACTED] euros. But once the fixed costs and overhead costs are considered the company is making a loss of over [REDACTED] annually. In figure 10 the annual revenue of the company can be seen based on increased market share. In figure 11 the market share in terms of revenue is presented in combination to the whole market.

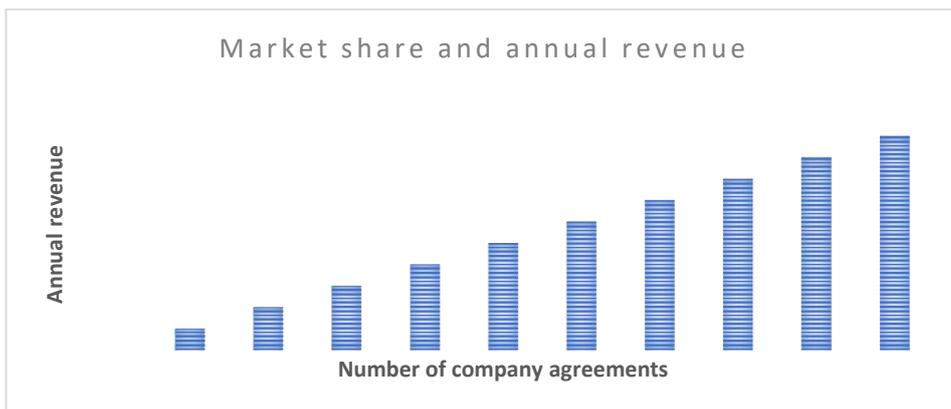


Figure 10. Market share and revenue growth



Figure 11. Market share and revenue

Annual revenue of [REDACTED] euros is equal to [REDACTED]% of the market.

*Profits and losses*

In the profits and losses forecast available in Appendix 6, one can see the breakeven point for the international venture. Based on the cost estimations made, the company would not make a profit with a [REDACTED] % market share. The company X would need to obtain over [REDACTED] % of the market in order to make a profit. A breakeven analyses has been calculated and is visible in the Appendix 8. That analyses shows, that when initial investment costs are included, the company needs to make [REDACTED] in the target market in order to achieve a zero-sum position. In figure 12 below, the costs and revenues are presented.

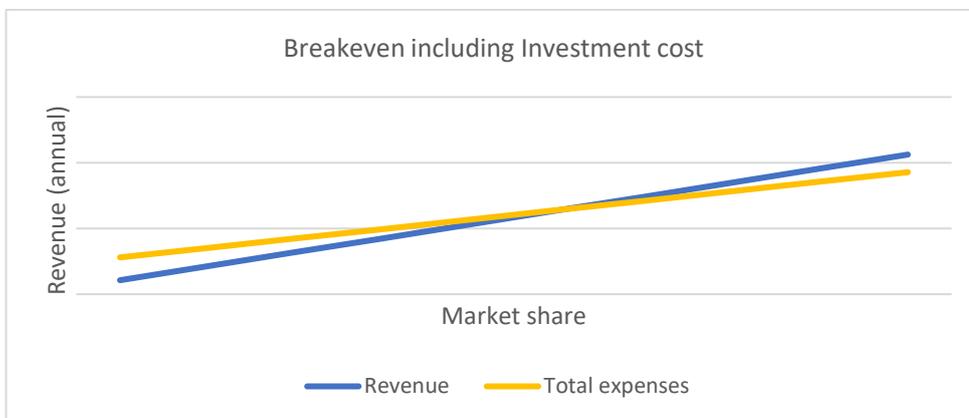


Figure 12. Breakeven analyses

The breakeven analyses show that the breakeven point is much higher than expected.

**Price sensitivity**

The estimations for different prices in comparison to market share are displayed in Figure 13. The full calculations are available in Appendix 7. The company has indicated that they planned to sell their service for a price of [REDACTED] euros per month. That price is not profitable

for the company. Therefore, other options need to be considered. Below the price, revenue and market share are calculated. In figure 14, the forecasted price and drop in demand is visualized. These calculations are based on estimations and forecasts and would need to be tested prior to initializing efforts. The full calculations are available in Appendix 8 and 9, including a three-point estimate for future demand.

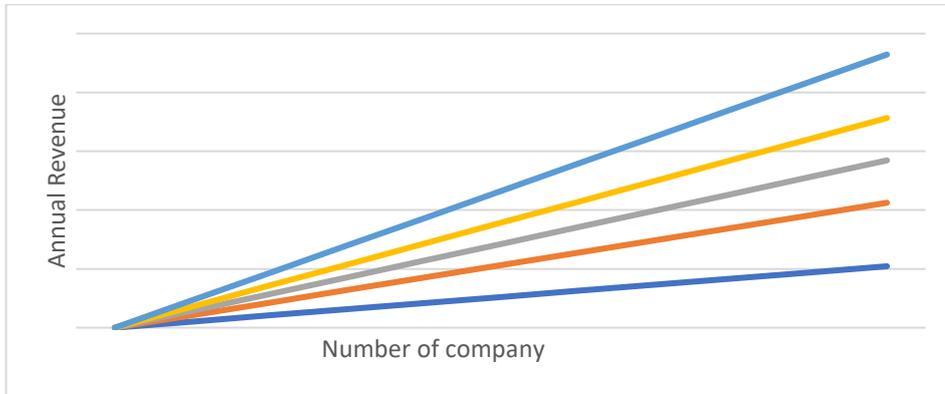


Figure 13. Price sensitivity



Figure 14. Price and demand

A heavier price on the service may be a solution for the company going global.

### 3.2.3 Check

This subchapter focuses on the third phase of the PDCA cycle: Check. This means that the findings in the second phase are analyzed. The hypothesis going into the first cycle was that: *The case company can establish a successful business in Sweden with the current information and resources at hand.* Now that the profitability calculations have been made, one can see, that this is not the case. The case company will not be able to establish a successful business in Sweden with the current information and resources. This is due to the fact that the price of the service is underestimated to the costs. The company will be making an annual loss of over [REDACTED] euros if it continues its planned course of providing its service for the price of [REDACTED] euros to the estimated [REDACTED] % market share.

The costs of producing the service in Swedish for the Swedish market are too high. A substantial part of the costs are labor costs. The initial labor investment is [REDACTED] working hours. In addition to that, it is estimated that the company needs to put down [REDACTED] working hours per month in order to sustain the operations in Sweden during the first year. These working hours are fixed costs, the variable expense of 1 working hour per month [REDACTED] is to the labor costs. The time spent monthly [REDACTED] will decline as the process gets more familiar and automatized. The labor costs without considering the variable labor costs are already almost [REDACTED] euros monthly. The [REDACTED] costs are too high compared to the price of the service. Based on the estimations with [REDACTED] % market share, [REDACTED] costs the company almost [REDACTED] euros. Out of the [REDACTED] euros, the monthly costs are almost [REDACTED] euros. The hypothesis can due to the profitability calculations be dismissed. The company will not be able to pursue their current course and establish a successful foreign business.

### 3.2.4 Act

As seen in the previous chapter, the company will not be able to establish a successful business in Sweden by pursuing a [REDACTED] % market share at a price [REDACTED] euros monthly [REDACTED]. The company now has a few options to consider. The company could dismiss the internationalization project completely, which is not recommend as the company has a highly scalable product and market demand exists. The company has a strong will to enter foreign markets and the Swedish market is only a start. Therefore, the company is willing to pursue other options for making the venture successful.

The company could reduce amount of labor going into the internationalization. This option should be taken seriously, and once the company has decided to venture abroad, it should focus its efforts on reducing labor hours going [REDACTED] and sustainment of the Swedish market. At the moment the company has indicated it will not be able to cut labor hours going into the project. In the long term, the [REDACTED] can be reduced to only a [REDACTED]. The company may need to consider [REDACTED] direct business to consumer sales (B2C). This is an option that the company has considered in their home market as well. [REDACTED]. The company would have to build a payment platform, add labor hours for direct customer service and familiarize themselves with the local laws regarding B2C sales. The company has indicated that they have a strong will to keep their platform free of charge for end-consumers, thus attracting more web traffic. If the company however would be willing to consider the

entry into Sweden through B2C sales, the calculations are presented in appendix 13. The data used is visible in Table 2.

[REDACTED]

Table 2. Annual B2C sales

Target market	[REDACTED]
Product	[REDACTED]
Market share	[REDACTED] %
Price model 1	[REDACTED] //month
Price model 2	[REDACTED] / /month

The results are visible in Figure 15 below. The calculations are based on an estimated [REDACTED] % market share and two different pricing models. The pricing [REDACTED] is based on analyses of [REDACTED]. The costs of B2C sales will not be presented in this thesis, as extensive additional calculations would be needed in order to produce a credible cost-benefit analyses. The company would need to consider [REDACTED] etc. if it were to pursue B2C sales.

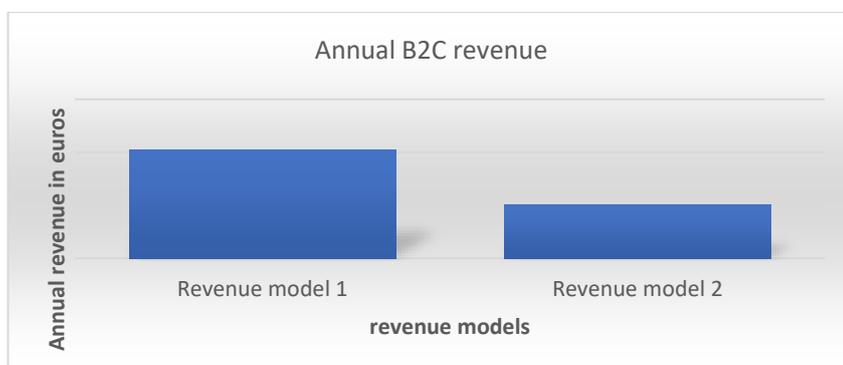


Figure 15. Potential business to consumer revenue

Another option for the company is to increase market share and/ or increase price [REDACTED]. The company would either need to sell more or charge more for their service in order to become profitable. It is not probable, that the company would be able to increase expected market share drastically. Therefore, the company has no other option than to increase the price [REDACTED]. Table 3 presents how the price affects expected revenue with a [REDACTED] % market share. The company should consider charging a higher price for the service.

Table 3. Price sensitivity, annual B2B sales

Target market	██████████
Product	██████████
Market share	██ %
Annual income price xxxxxxxxxxxxxxxxxxxx	██████████

With a price of ██████████ the company would be making an operating profit of ██████████ annually (Appendix 10). The company will need to consider whether the higher price is too high for it to be attractive to customers. For the following PDCA cycle it is suggested that the company should proceed with a preliminary estimation on price sensitivity. By interviewing a potential customer for a B2B ██████████ the company will get some valuable insight on whether the client is willing to pay a higher price for ██████████

### 3.3 Cycle 2: Market testingx

As mentioned in chapter 2 (p.11) on the PDCA method, if the results of the first cycle are not implementable, the second cycle should focus on the problems that arouse during the first cycle. The second cycle of the PDCA in this project focuses on testing whether the price of ██████████ according to the findings of the previous PDCA cycle.

#### 3.3.1 Plan

The second PDCA cycle begins with the planning stage. Now that the company X is aware of the fact, that its initial service price and estimated cost of producing the service are not viable, the company needs to pursue other courses of action. As the company does not want to gain revenue by charging the end-consumer, the increasing of price ██████████ is in order. The company is interested in this option but wants to test the

market prior to making decisions. Therefore, a small-scale market testing will be done using a simple survey tool. By testing the market demand, and willingness [REDACTED] [REDACTED] the company is able to make a more informed decision on whether to pursue internationalization efforts. By asking a small number of potential clients about their interest in the company's [REDACTED], the company will get a sense of accurate pricing and demand. The survey will be made using the online survey tool Survey Monkey ([www.surveymonkey.com](http://www.surveymonkey.com)). The survey will be short and consist of under 10 questions regarding the service and the company's willingness to [REDACTED] based on limited knowledge of the case company's proposal. The survey will be sent to 5 companies listed on the [REDACTED] [REDACTED]. On the basis of the responses to the survey, the company will be able to adjust the price of the service for its target market both in Sweden and in other potential markets. The hypothesis going into the second PDCA cycle is: *Companies are willing to [REDACTED] [REDACTED] euros or over.*

### **3.3.2 Do**

The survey has been created in collaboration with the case company using the Survey Monkey tool and has been sent out to 5 companies in the target market. The survey is available online at the following link: [www.xxxxxxxx.com](http://www.xxxxxxxx.com). The questions and a summary of the answers are presented in appendix 11. The questions are designed to answer whether if there is demand [REDACTED] and if yes, how much a company is willing to pay [REDACTED]. The questionnaire is fully anonymous, the name of the respondent or the company is not available. The respondents were provided with a link to answer the questions and may do so at their convenience.

During this step, the planned actions are implemented and tested. In some cases, it is wise to implement the plan on small-scale initially and only implement fully once initial results have been analyzed, as mentioned in the theory chapter 2.3.3. In this step, the results are key in determining the following steps in the cycle (Skhmot 2017). The choice of only sending the questionnaire to five companies was made based on the theory of initial small-scale implementation.

### **3.3.3 Check**

The questionnaire was answered by two of the five respondents. The questionnaire response summary is presented in Appendix 11. The response rate for the questionnaire

was 40 %. The respondents answered all multiple-choice questions and provided additional information when needed in the text boxes. The main findings were that 100% of the companies that answered are in fact interested in [REDACTED]

Another interesting find is the services that the company provides in their B2B sales. The case company X would offer companies the following four service categories:

[REDACTED]

The companies are interested in category 1,2, and 4. Neither of the responding companies were interested [REDACTED] which was thought to be one of the additional services that the case company could provide. The results are visible in figure 17 below.

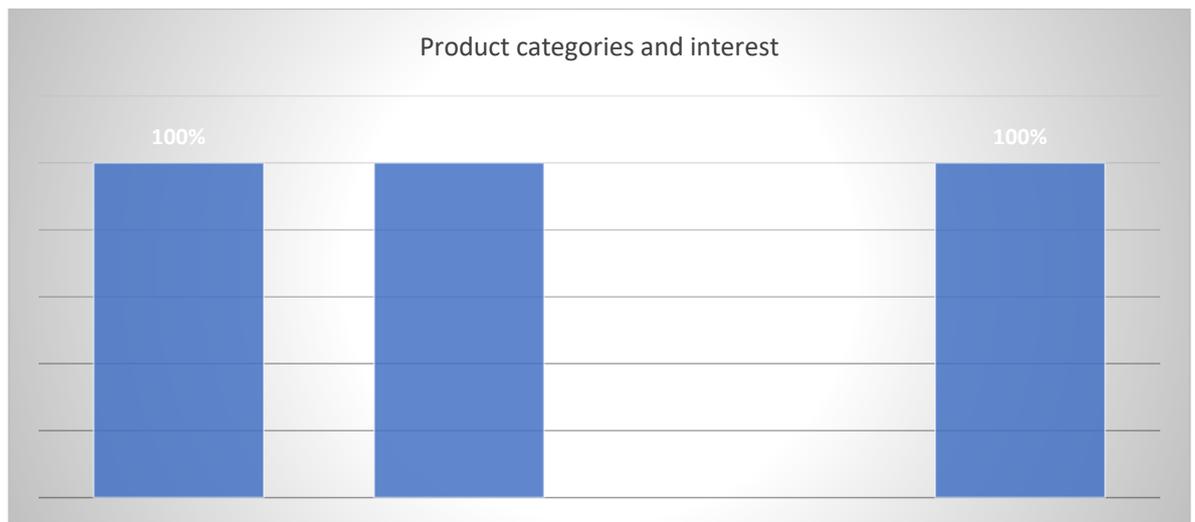


Figure 17. [REDACTED] categories and interest

The responses to the questionnaire have now clearly outlined that there is a demand for the service, but also what kind of service categories that especially interest the companies. This is valuable information for the following steps in the internationalization process of conducting B2B sales.

The hypothesis going into the second cycle of the PDCA cycle was: *Companies are willing to [REDACTED] euros or over.* Once the demand and nature of the service has been established, question 6 in the questionnaire establishes the price that the respondents would be willing to pay. As the previous cycle proved, the company

would have to be able to [REDACTED] In order to make a profit, the company would need to set their price [REDACTED] responses to the questionnaire show, that the [REDACTED] is not realistic. The companies have answered that they would be willing to consider the lower price categories of [REDACTED]. Neither of the respondents were willing to pay a higher price for the services. The hypothesis is not true, as the companies are *not* willing to [REDACTED] euros or over. The hypothesis is therefore dismissed.

### 3.3.4 Act

The second cycle of the PDCA wheel has shown the company that a higher price level is not feasible for the current product. The company will not be able to [REDACTED] [REDACTED] In order to pursue its internationalization efforts, the case company needs to consider other options. As mentioned in the previous chapter, the company could go into B2C sales, selling directly to consumers. However, the company is currently of the opinion, that B2C sales is not a viable option as a sole solution. The company has also looked at the labor hours going into the [REDACTED] not currently see a way of cutting costs through limiting the labor hours.

The company is looking for innovative ways to enter the market profitable and is willing to consider other financing opportunities as well. One option could be to focus their sales efforts in another direction.

[REDACTED]  
[REDACTED]  
[REDACTED]

income. Selling [REDACTED] could be a solution for the company. [REDACTED] could be made available for all kinds of companies in the business, and the company would not rely solely on [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

The sales revenue from [REDACTED] can be calculated in a number of different ways. The seller can, for example, set a fixed price

[REDACTED]  
[REDACTED]

[REDACTED] To give the case company an estimate on [REDACTED] sales revenue for the first year, a simple calculation has been made based on the estimated data available for the case company. By allowing free of charge usage for the end-consumers, the case company is looking to attract [REDACTED] market share from the Swedish market. This amounts to [REDACTED]. Based on current available user data, the company is expecting the [REDACTED]. This amounts to [REDACTED]. An average [REDACTED] euros (Scocco 2008). The most used [REDACTED]. If the company is selling [REDACTED] it is able to raise a revenue of [REDACTED] the annual revenue for [REDACTED]. The calculations are presented in the appendix 12 and the data is listed in table 4.

Table 4. Annual [REDACTED] sales data

[REDACTED]	[REDACTED]
Product	[REDACTED]
[REDACTED]	1
Price [REDACTED]	[REDACTED] euros /month
[REDACTED]	[REDACTED] euros

For the following PDCA cycle it is suggested that the company should proceed with a combination of [REDACTED] sales. By targeting the market on multiple fronts, the company may be able to enter the market profitably.

### 3.4 Cycle 3: Mixed entry

The third cycle of the PDCA focuses on establishing an action plan for entering Swedish market. The plan is based on the findings in Cycle 1 and 2. The plan will not be implemented at this stage, as there currently are no resources for the implementation. The action plan will serve as the roadmap for the business plan to be successful.

#### 3.4.1 Plan

As established during the previous two PDCA cycles, the company's initial entry plan is not viable. After testing two hypothesis and dismissing them, the third hypothesis stands as follows: *The company can enter the Swedish market profitably with a mix of entry strategies.* The third cycle will begin with updating the profitability calculations followed by the creation of an action plan to be fulfilled at a later date by the company. The action plan will



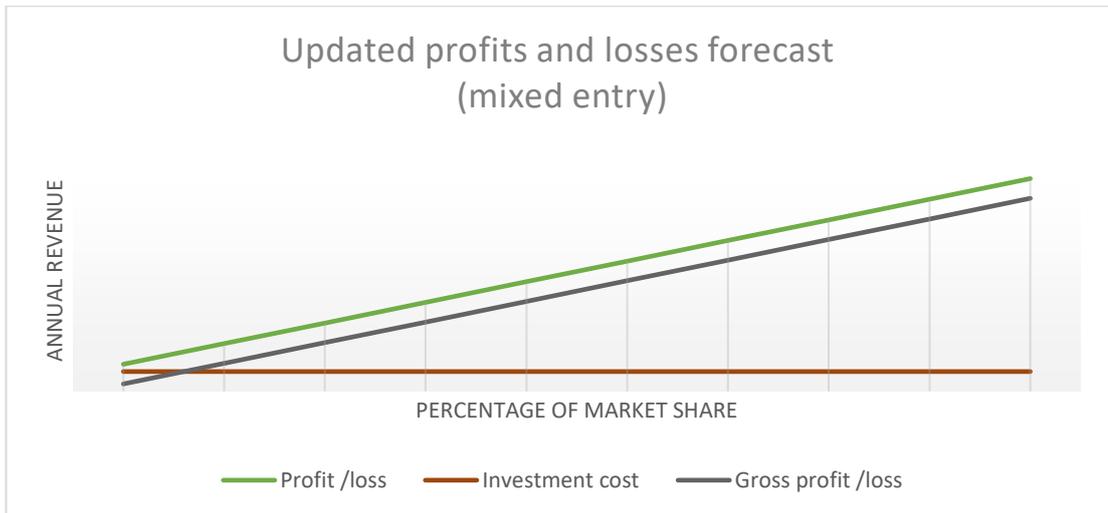


Figure 18. Updated profits and losses forecast

### Action plan

Considering the calculations above, the action plan is created with a mixed entry model in mind. The action plan includes the following components: project objectives, measurement methods and suggested timeline. The action plan is visible in Figure 19 below.

Action Plan			
Goal	Actions required	Target Date	Measurement
Estimate cost [REDACTED]	Make calculations	Jan 1st 2019	Profitability calculations created
Initiate process of internationalization B2B	Create contact list of potential customers	Jan 5th 2019	Contact list created
	Create sales pitch	Jan 7th 2019	Sales pitch created
	Contact potential customers	Jan 15th 2019	100% of target market contacted
	Pursue potential clients	Jan 31st 2019	50 % reply rate
Initiate process of internationalization B2C	Review legal and tax constraints	Feb 15th 2019	Legal and tax cleared
	Create online marketing material in Swedish	Feb 28th 2019	material ready to publish
	Initiate marketing in Sweden through online media	March 1st 2019	Marketing launched
	Contact influencers	March 5th 2019	Influencer(s) contacted
	Create influencer marketing agreement	March 30th 2019	1 Influencer agreement made
			March 30th 2019
Initiate process of internationalization	[REDACTED]	March 30th 2019	[REDACTED] recognized
	Create information sales pitch on advertisement [REDACTED]	April 10th 2019	Sales pitch available
	Identify potential [REDACTED]	April 15th 2019	List of contacts available
	Contact potential [REDACTED]	April 20th 2019	100 % of target market contacted
		May 15th 2019	Attracted [REDACTED]
		May 30th 2019	Monthly revenue [REDACTED]

Figure 19. Action plan for internationalization of case company

The action plan shows the three entry modes, actions to fulfill and a suggested timeline.

### **Validity**

At this stage, feedback from the case company will be included in the process. The case company looks at the effectiveness and usability of the calculations, suggestions and finally the action plan. This determines the validity of the project and plan. The full feedback is available in Appendix 15. All citations are direct quotations of written feedback translated by the thesis author obtained November 16<sup>th</sup> 2018.

The company has been actively involved in the three PDCA cycles. The calculations have proven valuable, as it has, among other things, made clear to the company the amount of labor that would go into the internationalization. Working hours should be carefully planned and the company should focus on a few strategic directions. The company summarizes the issue as follows:

“When an outsider does the work, the calculations etc. are more realistic. Johanna successfully brought up an issue that many entrepreneurs forget: the price of their own labor. Things can look successful when you do not include pricing on your own labor, but that is not a sustainable solution.” (Appendix 15)

The company has stated that the action plan is a viable option and a useful tool for not only entering the Swedish market, but other markets as well:

“Through the process we have gained a more structured model to enter the Swedish market and the decision making is based on facts...In our opinion an action plan, at least for startups, is a god and clear way to start building a business in a new market...In startups, the lack of resources is the highest barrier for new ventures, this has been considered in the action plan. It is doable with the resources of a small company.” “I believe this work can be adapted to other market entries as well. The model seems somewhat generic and is not location bound. For this reason, it will surely form the base for when the company considers launching the service in other markets as well. I believe the model could be suitable for other [REDACTED] launches as well. With small modifications the model is adaptable to other companies too.” (Appendix 15)

The company has reviewed the data, calculations and the action plan. Based on the results of these, the company has decided to reconsider or at least postpone the Swedish market entry:

“Through the iterative process (PDCA) the understanding and level of knowledge grew and was refined continuously... The calculations were realistic and made in collaboration with Johanna. The results of the calculations have led us to postpone the entry into the Swedish market and to refocus our business model. The results of this thesis and the discussions related to it, have led us to review the Swedish entry in order to minimize risks.” (Appendix 15)

The company has found the PDCA approach useful, as the method has allowed for the project plan to be continuously adapted and refined. The company has gained valuable insight and has been able to modify their internationalization efforts accordingly. “For me the PDCA cycle is a familiar tool in quality control and leadership. It has been fun to realize how suitable it is for project management as well, even if it is a quality tool to begin with.” (Appendix 15)

### 3.4.3 Check

The hypothesis going into the third cycle of the PDCA was that: *The company can enter the Swedish market profitably with a mix of entry strategies.* The hypothesis was tested by creating revenue forecasts on a mix of entry strategies. The revenue forecasts were based on income, the costs of adding two additional strategies ( [REDACTED] [REDACTED] ) were not included at this stage. These two options require additional labor hours and other expenses (such as marketing) will occur as well. Nevertheless, the company *could* gain enough [REDACTED] by adding on additional strategies to their agenda. Therefore, the action plan was created with these three strategies in mind. The action plan created is short and concise and allows the company to take a step-by-step approach to the entry. The preliminary schedule was also added to provide the case company an estimate on project timeframe.

The company finds the calculation, PDCA process and action plan useful, and will be able to utilize these in the future internationalization efforts. Based on the findings made the company has decided to postpone the Swedish market entry. The main reason for postponing is the required labor hours, that have been clearly visualized. The company believes it is able to direct its resources more strategically in the home market at the moment and will therefore, based on the thesis calculations, revise their business model of internationalization. The hypothesis of the third cycle cannot at this point be fully dismissed. If the company were to make further investigations into the needs for a more diverse entry into the Swedish market, the mixed entry model may prove profitable. At this point however, the company has decided to postpone the entry.

#### 3.4.4 Act

The final stage of the third PDCA cycle is to provide the company with the recommendations for another PDCA cycle. As the company has decided to postpone the entry into Sweden until a further point, it is advisable to first test the service and market in Finland on a larger scale. Once the service and revenue form has been confirmed it is easier to take the company international using the same model. Despite the fact that the company is born global, many aspects of its internationalization efforts now take on more traditional ways of entering international markets. At this stage an internationalization strategy based on the Uppsala model presented in chapter 2.2.2 is more valid. This model focuses on similar markets and a step-by-step internationalization based on risk aversion. The action plan is ready to be revised and used when the company is ready. Once the company has a solid revenue stream, they may have the resources to hire more labor, thus the additional working hours needed would not be a barrier anymore. The company should also make calculations related to the costs for both [REDACTED] [REDACTED]. The company is able to build a solid business plan based on the material and findings available in this thesis and when the time comes, implement it in Sweden and potential other markets as well.

## 4 Discussion

The final chapter of this thesis will focus on summarizing the thesis and discussing the results of the project. This thesis was introduced with a broad introduction of the project at hand. For the reader to understand the business and case company, the case company X was briefly presented, and its current status was discussed. This formed the introductory chapter for going into the project thesis.

The second chapter of this thesis focuses on the theoretical base upon which the project was built. The key concepts for the project were presented shortly. The key concepts were followed by a theoretical presentation and discussion on internationalization of a company. The most common entry modes were discussed, as well as the guiding theories of internationalization. The focus of the theory narrowed down to focus mostly on the theory behind the so called "born global companies". Traditional theories such as the Uppsala model or the Eclectic paradigm, do not fully explain or serve the purpose of companies that are location independent and seek rapid international growth from day one. After the internationalization theories had been presented, the theoretical process behind the PDCA was established. The PDCA cycle is a quality tool, that many businesses use for continuous improvement. For this project, the PDCA cycle was chosen as a project tool, as it is well suited for an innovative flexible approach to internationalize a startup. The case company is agile and quick to make amendments to plans.

The third chapter initiated the project phase of the thesis. The project followed the cyclic cycle of continuous improvement learned during the theory section. The cyclic improvement focused on improving the entry modes and thus arriving at an action plan that would lead to a successful profitable market entry in Sweden.

The first cycle was the initial cycle, during which the business plan was laid out and the planned pricing and market share were tested. Profitability calculations were made. The analyses of the first cycle showed, that the company could not be profitable with their planned pricing and the amount of labor going into the internationalization. As the company stated in their feedback, it is important to set a price tag to the entrepreneur's own time and working hours to obtain a sustainable business model. Thus, the conclusion to the first cycle is that the company needs to consider other entry methods and their service pricing model.

The second PDCA cycle focused on market and price testing. The second cycle was based on the findings in the first cycle, that the pricing needs to be revised. Through

small-scale market and price testing, the second cycle was able to confirm the demand, but not a higher price for the service. The desire for the service was evident, but the companies would not be willing to pay a higher price than originally planned. This meant that in order to pursue the Swedish market the company would have to add on other entry methods as well in order to be successful.

The third cycle focused on creating a mix of entry methods, creating an action plan that is adaptable by the case company. The case company then provided feedback on the validity of the project. The result of this project has led the company to reconsider the entry into Sweden and to postpone their internationalization efforts. In the final stage of the third cycle, the company has now moved on from a so called born global approach to a more traditional entry model based on risk aversion (the Uppsala model).

The project has been interesting to complete, and the PDCA cycle has proved to be a useful project management method. Even though the tool is mostly used for quality improvement it is well suited for a cyclical project where the hypothesis and plans could be tested and revised. In many day-to-day working life situations this kind of working process is unfortunately not possible as it requires quite a lot of time to complete.

The aim of this thesis was to establish successful methods for a fintech startup company to enter the Swedish market. To some extent that aim has been fulfilled. The company has an action plan that they can implement at their convenience. On the other hand, the thesis project has provided the company with facts and calculations that they can make their decisions on. Based on the findings, the company has decided to postpone the Swedish entry. This cannot be seen as a failure for the thesis, as the company has highlighted that their venture needs to be profitable in order to pursue the course of action. Due to the calculations, the company now has a broader and more informed understanding of the costs and labor requirements for entering the foreign market and can make information-based decisions. The company has stated that the plan itself is useful, but that current resources are too scarce to enter a new market profitably. In my opinion this is a very successful outcome. As a startup company the case company X does not have resources to spare. Going into a new market without enough resources would mean extra costs and possibly even failure of the venture. Through the results of this thesis, the case company has been able to revise their internationalization plans, and to return to the subject and action plan when sufficient resources have been secured.

The thesis project was focused on the Swedish market, but as the project has evolved, it has become apparent that the action plan could be used for other markets as well. The

action plan is not location bound, and with small amendments it is easily transferrable to other markets (such as Germany, Norway, Denmark etc.). If the target market is similar to that of Sweden [REDACTED], there are no barriers for using the plan in a broader market. The case company itself has also indicated in their feedback, that the scalability of the action plan and project is an added bonus. The company has stated that they will use the action plan as a base for all future internationalization efforts.

This thesis project has been made with one fintech startup company. The project workflow and usage of the PDCA cycle as a project tool could be used for any small company looking to internationalize. The steps during the process are adaptable and can be amended to fit other companies as well. Especially companies that offer [REDACTED] can benefit from the findings made in the project and the resulting action plan. The action plan itself focuses on three modes of entry, the steps in the action plan can be useful for any company looking to expand their markets. The thesis focuses on the Swedish market but is not limited to it. Therefore, the project and results may be utilized by small companies in Finland looking to enter new markets globally.

The PDCA approach could have resulted in a number of different thesis outcomes. The choice of action course was highly dependent on the case company, their wants and wishes. The steps and results presented in this thesis is only one way of examining internationalization efforts. In order to gain a full understanding of the profitability of the action plan, the costs of the two additional entry modes [REDACTED] would have to be calculated. I recommend that the company X looks further into these two options when additional resources have been secured. For the outcome of this thesis, it would be interesting to implement the action plan and analyze the results obtained one year after the implementation. Unfortunately, due to lack of resources and time constraints, this was not possible at this stage.

There are many advantages for entering a new market. The company has the ability to attract new customers and end-consumers, gain brand awareness and to enter the market at a time where there is little or no competition. But as the results of this thesis shows, it is always important to consider full costs and resources available prior to venturing abroad. A new market is always a new market, and many times requires equal or more attention than the home market. Just because the product itself is scalable and international it does not mean that the company has the resources to serve another market.

This thesis project has been a great learning opportunity for the author. It has provided a great challenge, and the author has been able to work with a startup company closely. To

work with a completely new quality tool (PDCA) and to adapt it to fit the needs of this project has been an educating experience, that I am sure will prove useful in the future as well. The author has had fairly free hands and has been able to develop the project in needed directions, therefore it has been interesting to see how the initial ideas and plans of the company have adapted during the process. The thesis project has been quite long, and required several amendments along the way, but the outcome is successful. I believe I have learned a great deal and provided the case company with the needed information to make sound business decisions based on tested facts.

Startup companies often seek rapid growth and fast internationalization. The aim of this thesis was to provide a Fintech startup company with the tools to enter Sweden profitably. This aim has been fulfilled, as the results of this thesis is a doable action plan. As with any project, sometimes the expected outcome might differ from the reality. For the case company, this thesis process has proved that the company would require an unexpected amount of resources for entering the Swedish market. Therefore, the company has decided to postpone the implementation of the action plan and return to the subject at a later date. This is a wise decision made by the founders. Too rapid growth and internationalization may lead to startups draining their funds and resources. Strategic use of resources will make this startup flourish, and one day they might be ready to conquer the Scandinavian market with their investment service and premade action plan.

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## Appendix 1. Case company resources

### 1. Swot Analyses

**SWOT analysis**

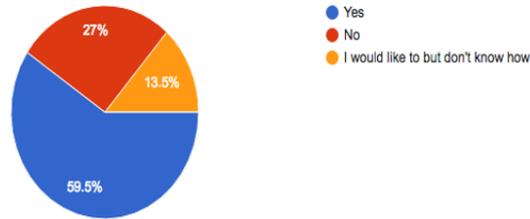
<b>Strengths</b> Easy to use Possibility for free subscription Highly scalable due to technical capabilities and no legal restrictions (at least within EU)	<b>Opportunities</b> Business subscription Easy to expand in EU due to MOSS Scheme Possible [redacted] No industry leader at the moment Swedish [redacted]
<b>Weaknesses</b> Cannot [redacted] Restricted resources Marketing	<b>Threats</b> Competition (possible new and existing) Marketing

(Europa.eu, 2017; Finnish Tax Authority, 2017.)

### 2. Market Research by the case company

Market research by the case company X in the Swedish Market.

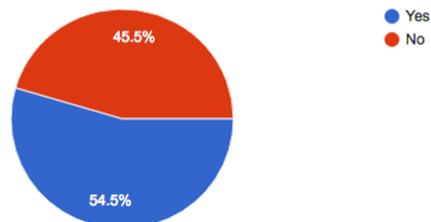
## Appendix 2. Case company research on investing



Do you find it easy to



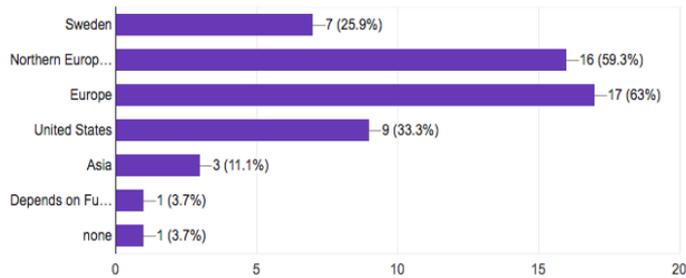
33 responses



What markets do



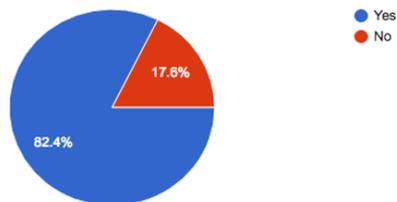
27 responses



Would you be willing to



34 responses



### **Appendix 3. Costs and Benefits**

Cost and benefit calculation data and material.

## **Appendix 4. Working hours**

Estimated labour hours for internationalisation project.

## **Appendix 5. Market share**

Market share calculations and projections.

## **Appendix 6. Profit and loss**

Profits and losses calculations.

## **Appendix 7. Price sensitivity**

Price Sensitivity Calculations and forecasts

## **Appendix 8. Breakeven analyses and demand curve**

Calculations on breakeven point and demand graph.

## **Appendix 9. Three-point estimate for demand**

Three point estimate for demand and calculations.

## **Appendix 10. Market share and revenue with higher price**

Updated price calculations and market share calculations.

**Appendix 11. Questions in questionnaire and answer summary**

1. Is XXX a familiar [redacted]  
Answer: Yes 50 % No 50 %

2. Has your company tried to [redacted]  
Answer: Yes 50 % No 50 %

3. If yes, which channels have you used? Please comment

[redacted]

[redacted] Would you consider [redacted]  
[redacted]  
Answer: Yes 100 % No 0 %

5. Would it be interesting to you if [redacted]

- Check boxes if yes
- [redacted] Yes, 100 %
  - [redacted] Yes, 100 %

6. How much would you be willing to pay [redacted] ?

- [redacted] Yes, 50 %
- [redacted] Yes, 50 %
- [redacted] No, 0 %
- [redacted] No, 0 %
- [redacted] No, 0 %

7. Would your company be interested in the following additional services?

- [redacted] No, 100 %
- [redacted] Yes, 100 %

8. Would your company be interested in any other kind [redacted]  
If yes, please provide additional details

[redacted]

9. Additional feedback?  
[redacted]

## Appendix 12 [REDACTED] revenue

Calculations of additional entry modes and their revenue.

## Appendix 13. Updated calculations

Updated Demand curve

Updated B2C revenue

## **Appendix 14. Updated project return on investment**

Updated calculations of project returns and investment returns.

## Appendix 15. Case Company Feedback

Own translations. Written feedback provided by case company founder [REDACTED] November 16<sup>th</sup> 2018.

“Through the process we will gain a more structured model to enter the Swedish market and the decision making is based on facts. The Action Plan that has been created can be used as a guideline to create business outside of Finland.”

“In our opinion an Action Plan, at least for Startups, is a good and clear way to start building a business in a new market. For a larger company it may not be suitable, because of the amount of resources available. In startups, the lack of resources is the highest barrier for new ventures, this has been considered in the Action Plan. It is doable with the resources of a small company.”

“The Plan is especially useful because the company did not have a foreign entry plan. This can be used as a base.”

“I believe this work can be adapted to other market entry’s as well. The model seems somewhat generic and is not location bound. For this reason, it will surely form the base for when the company considers launching their service in other markets as well. I believe the model could be suitable for [REDACTED] launches as well. With small modifications the model is adaptable to other companies too.”

“When an outsider does the work, the calculations etc. are more realistic. Johanna successfully brought up an issue that many entrepreneurs forget: the price of their own labor. Things can look successful when you do not include pricing on your own labor, but that is not a sustainable solution.”

“The conclusions made the company think about internationalization and the edge for it more in depth, and to consider its profitability and whether significant more resources are needed to go through with it.”

“Through the iterative process (PDCA) the understanding and level of knowledge grew and was refined continuously.”

“The calculations made us rethink the edge with which it is profitable to venture into new markets.”

“The calculations were realistic and made in collaboration with Johanna. The results of the calculations have led us to postpone the entry into the Swedish market and to refocus our business model. The results of this thesis and the discussions related to it, have led us to review the Swedish entry in order to minimize risks.”

“It was encouraging to see that there is a need for this service and that clients are willing to pay for it during the market testing.”

“The process of the commissioned thesis has been good in the sense that it has been done in constant interaction. Therefore, the company has gained additional value, in addition to the benefits available in the thesis. And what’s best, it has forced the founders to stop and consider these things.”

“For me the PDCA cycle is a familiar tool in quality control and leadership. It has been fun to realize how suitable it is for project management as well, even though it is a quality tool to begin with.”