

A Finnish SaaS start-up's scaling process to Scandinavia

Case: Vainu Software Oy

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<p>This practice-based thesis is a case study conducted with the zipper method. The thesis offers a detailed overview of a Finnish SaaS start-up's scaling process in Scandinavia, one market entry at a time. The commissioning party is Vainu Software Oy. The topic is interesting for the company and the writer of the thesis itself, as well as for entrepreneurs in this particular industry who are planning to undertake scaling in Scandinavia. The goal of this thesis is to give a proper and realistic understanding on how a SaaS start-up such as Vainu conducted the scaling process in Scandinavia, and how it has succeeded there as a Finnish growth company that it is today, with a complete Nordic solution.</p> <p>The theoretical framework of this thesis is based on books, web articles and blog posts related to each topic. Data for the empirical part is collected from interviews and analysis of the company's internal content and documents. The case study was conducted in September and October 2019. The thesis consists of two main subjects: scaling a SaaS start-up in a growth company, key performance indicators (KPIs) and B2B sales metrics. This is followed by a discussion part, including a summary of the thesis. The first two subjects include subchapters and a theoretical framework, intertwined with the empirical content, which is based on interviews and content analysis. The subchapters cover internationalization, market research and the goals of each market entry. They also describe the success factors and pitfalls involved, and what was learned from them.</p> <p>The results of this case study indicate that when scaling a SaaS company internationally, within the Nordic region, the somewhat similar business cultures, functional core team and active sales, with good market research, have shown themselves to be success factors for Vainu. The most useful KPIs of the whole process were meetings, sales per full-time employee and profitability. In this case profitability means covering all costs of the market entry in question.</p>	
Keywords	
Scaling, start-up, internationalization, KPI, SaaS, B2B sales	

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1 Introduction

This section introduces the commissioning company and explains the objectives and delimitation of this thesis. The introduction gives an idea of what was the company's starting point for scaling and gets the reader familiar with the scope of the thesis.

1.1 Company

Vainu is a service as a software company founded in Helsinki in 2014 by a group of sales-minded friends from Tuusula: Mikko Honkanen, Tuomas Rasila and Pietari Suvanto (Vainu.com 2019). Vainu Software Oy aims to revolutionize how companies utilize data to increase their sales. There are 200 employees at Vainu altogether and over 2000 clients (Careers.vainu.io 2019.) Another way to describe Vainu is that it's a SalesTech-company, since their only product that they're selling is a B2B sales tool for companies. With Vainu's tool companies can do real-time sales, target their marketing and find the most potential customers. (Vainu.com 2019) The company started operations in 2014 and has grown at a fast pace without external funding (Talouselämä.fi 2018). Vainu has participated different competitions like for example Best Bootstrapped in the Nordics at Nordic Startup Awards in 2017 and 2018, Finalist Nordic Startup or Growth Company of the year at Serendipity Challenge in 2017 and Best B2B Sales Tool of the Year at ProSales - The Sales Conference in 2017. In addition to Helsinki, Vainu has offices in Stockholm, Oslo, Amsterdam, Rotterdam, Copenhagen and New York.

Our mission is to make salespeople better at their jobs, ultimately changing public opinion towards them from a nuisance to people who are genuinely revered in society. We feel this is best done by providing them with high-quality data, when and where they need it to be successful (Vainu.com 2019).

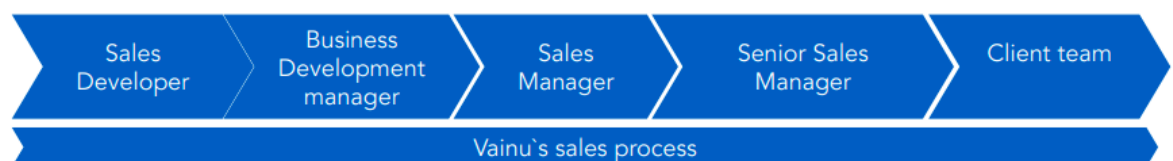


Figure 1. Vainu's sales process (Vainu Sales Playbook New business 2019)

1.2 Background

For a long time, I've been curious about startups and their growth processes. I'm fascinated by the startup culture and I've volunteered at Slush three years in a row so when I started my job as a sales developer at Vainu, already then I knew that I want to write my thesis for this company. They've grown without external funding which is quite

exceptional for a startup and the scaling process has been relatively fast-paced, which I find very interesting. Working in an international growth company was an encouraging factor in deciding the topic for my thesis and what really sparked my interest was my own experience in the company and my superiors' willingness to support this project.

1.3 Objective and limitations

The objectives are understanding the key performance indicators in the scaling process to Scandinavia as well as the success factors, from the perspective of a Finnish SaaS company. In this practice-based thesis, Scandinavia is limited to Sweden, Norway and Denmark, thus excluding Iceland and Faroe Islands. In turn, when observing Nordic countries in this thesis, they include Finland in addition to Scandinavian countries, since Finland isn't officially a part of Scandinavia. For the sake of smoothness of the vocabulary in this thesis, both terms "client" and "customer" are used to describe the same thing as well as when describing Vainu's "product" and "service", which in this case also mean the same. Other objectives are to inspire and give the reader a realistic insight of a SaaS company's internationalization to Sweden, Norway and Denmark.

The topic of this thesis is current and important because when many Finnish enterprises start scaling internationally, they usually start from Scandinavia. Therefore, this is a case study of how Vainu proceeded in the scaling process and what were the success factors and pitfalls of it. The questions this thesis covers the answers to are what, how and why. There are no other companies taken in consideration in this project.

1.4 Research method

This thesis is conducted with procedural thesis approach and the method is an intensive, qualitative case study using zipper-method. The empirical part of this thesis is based in interviews of the employees inside the organization, who still work there. The methods for data collection for the empirical part are interviews and document and content analysis.

The main objective of a case study is defining, analyzing and resolving it. (Eriksson & Koistinen 2005, 4.) Case studies can be divided into intensive and extensive studies. The intense case study that is utilized in this project, aims to provide a concise description, interpretation and understanding of a unique and theoretically interesting case (Eriksson & Koistinen 2005, 5.)

1.5 Structure of the thesis

The main themes for this thesis are “scaling a SaaS start-up” and “key performance indicators” of it. Under “scaling a SaaS start-up” there are two subchapters that explain SaaS as a business model and internationalization of a Finnish start-up. The point of view in this project is from the company’s perspective. Due to this thesis being a case study, it is conducted with zipper structure, in which the theoretical framework and the empirical parts are intertwined. After the two main topics comes the discussion-part, that includes conclusions and summaries of each topic as well as observations of the writer’s own learning. At the end of the thesis there is list of references and appendices.

2 Scaling a SaaS start-up to a growth company

A start-up is a young enterprise that is still looking for a functional business model whereby it aims for rapid growth. Start-ups usually are about a product or a service that the enterprise tries to solve an existing problem with. The aim to revolutionize an industry with scalable technology is typical for a startup which is why it differs from traditional companies. (Helaniemi, Kuronen& Väkeväinen 2018, 18-19.) According to Steve Blank, an author and one of Silicon Valley's most well-known entrepreneurial educator, the definition for a start-up is *"a temporary organization designed to search for a repeatable and scalable business model"* (Forbes 2012). Basically start-ups have a time-span of 12 months at a time, during which everything will be done, that can be done (Helaniemi al. 2018, 25).

Scalability is a crucial factor that separates start-ups from traditional companies. A product's, service's or company's ability to grow and expand accordingly to demand without increasing costs in proportion is considered as a definition for scalability. (Helaniemi al. 2018, 19.) A scalable and successful business is built with knowing what to measure and how (A. Maurya 2016, 2).

According to Vainu's CEO and one of the founders, ambition was probably the number one reason for the scaling process to Scandinavia; they started Vainu in Finland but knew that they wanted to expand abroad. Ambition played a big role in the decision of scaling to Scandinavia because when the business model is scalable, it is an affordable and smart next step business-wise. By expanding to other countries, the company's market size multiplies. These were the main reasons why Vainu decided to expand to Sweden, Norway and Denmark (Honkanen 17 September 2019.)

The meaning behind scaling was that the founders wanted to increase the size of their business while offering a better service for customers because often customers that are international companies and use their service in one country, want to use the same service in multiple countries as well. Thus better service to customers and a good business opportunity for Vainu. They had a profitable growing business in Finland which is why they wanted to do a profitable growing business in all the Nordic countries (Honkanen 17 September 2019.)

2.1 A SaaS company

Software as a Service (SaaS) is a solution model in which users can access a cloud-based software via web browser. Along with the software, the programs and user data

reside also in the cloud. Because of this solution model SaaS companies can easily scale to meet the clients' needs, most of which can pay for the solutions on demand i.e. only pay for resources they consume, usually on a per-user basis. (K. Jamsa 2013, 17.)

Compared to other starting businesses, start-ups which operate in software industry are seemingly more innovative and growth-oriented. They are also bigger in size, measured in terms of founder team and employment of the foundation year already in the beginning. (Hurri, Maliranta, Pajarinen & Rouvinen 2018, 4.) According to Kris Jamsa (2013), a site or an application is scalable when it is able to use additional resources on demand. The application or site may scale up or scale down depending on demand and resource usage. Cloud services are usually very scalable because the resources can be manually added or removed by the administrator or the cloud service can be constructed to scale automatically. (K. Jamsa 2013, 10.)

According to Honkanen (17 September 2019), if there's a model that works in one place in the country, it's then easier to scale these days, especially in this type of software model business where there's no need to make a big investment in the country, like a construction factory, big distribution channels or logistics, because it's a software that can be sold and operated from the cloud, i.e. over internet.

2.2 Internationalization of a Finnish start-up

According to (Hurri al. 2018, 33), 79 potentially scalable start-ups were activated in Finland in 2016, which actually means the new enterprises, that are private equity investors' target group. Scalable start-ups operate more frequently in software-industry than other starting businesses and they have higher growth expectations (Honkanen 17 September 2019).

The goal of the scaling process to Scandinavia was to make every new country's cash flow profitable within six to twelve months from its establishment, which means that they had to be very active with starting sales and marketing efforts. Nowadays, all of those countries are profitable, even though Norway's office didn't reach profitability within the first 12 months. They got the Swedish office into a profitable business quite soon after the first year. In this type of business where annual licenses are sold, by the time those annual licenses begin to run into the following year, the margin for the first year is often lower than the margin for the second year. This is due to the fact that in the first year there are sales and marketing expenses, and in the second year if things are done right, there is not the same amount of sales and marketing costs, which often makes it easier to achieve profitability after the first year of license renewals. They felt that Sweden's office had succeeded in that sense, thus they wanted to scale to the other Nordic countries. After all,

the Nordic countries are quite often treated as a whole, especially by big international companies. They tend to have a “Nordic team” that often is part of the EMEA team. The founders of Vainu thought it'd be good to have a really comprehensive service for companies that sell in all Nordic countries and that they could provide a Nordic solution, instead of a service that can only be used in Finland and Sweden (Honkanen 17 September 2019.)

2.2.1 Market research

Stockholm's office was set up in November 2015, being the first office outside Finland. After that, they opened an office in Oslo in January 2017 and Copenhagen in November 2018. That time they didn't do any proper market research, which is often recommended when scaling internationally. The business culture is not too different and in fact, it's actually quite similar especially in the software business and in all Nordic countries. It's also easy to find good employees in Sweden, although Stockholm is the most competitive labour market in the Nordic countries but in Finland there are a lot of people who speak Swedish and many people who want to move to Stockholm. Thus they felt that it would be possible to find a key team and it's easy to travel to Stockholm as well, which is why it seemed like a good first step. “I wouldn't call it an internationalization practice, but in a way our first self-pilot” the CEO of Vainu explained (Honkanen 17 September 2019.)

There wasn't really market research done according to Westrin, Vainu's Country Manager in Sweden. Many Finnish companies have a subsidiary in Sweden so scaling there was relatively easy. Honkanen and Suvanto, founders of Vainu had worked in Sweden and created a good network there, which is why very little research was done. “We just figured out as we went”. During Vainu's early days they got a lot of requests from companies asking for more data, company information, a technology- and financial filter to be added in their software. The market research and product development was based on these types of requests. There was no competition in Sweden even though there are some more traditional data offering competitors but not exactly in the same field (Westrin 18 October 2019.)

Vainu only conducted a market survey in Norway with its own tool to find out what types of customers they have in terms of the size of the industry, the digital index and whether they use different tools for marketing, for example. Vainu was interested if the clients use marketing automation, if they do active Google advertising or if they have a lot of CRM-systems in use. This kind of analysis was conducted in Norway at a relatively early stage, already in summer 2016 and it took about six months. There were a couple of employees who first started selling to Norway and shortly after they noticed that there were 20-30

customers and that the product clearly had potential there, Vainu started to develop the product significantly more for Norway's market. They scaled up and opened an office in Oslo when they saw how well the product was selling. It was after all quite simple market research that was conducted there (Kunttu 8 October 2019.)

The market research to Denmark was very similar to when scaling to Sweden but very straight-forward and they started doing sales right away. They had a "if you can get ten customers, you can get 100 and if you get 100 you can get 1000"-mentality. The market research was basically about getting ten clients, which after they'd know that it's a good market. In a way it makes a lot of sense to just start doing sales. Many businesses fail because of doing too much research or not doing sales systematically. Only when you have enough data you can say what works and what doesn't. It was very important to Younis to prove to Honkanen that he was conducting it in a data-driven way and systematically because depending on that market research, they could say if the business is scalable to the Danish market or not (Younis 15 October 2019.)

2.2.2 Goals of each market entry

Honkanen set really concrete goals for the Swedish team. However, they weren't exactly tracking customer acquisition cost or lifetime value, but rather focused on hiring more people, getting the first 20 clients and getting calling and meeting hitrate to 10 percent. They started by getting in touch with as many Swedish companies as possible that would fit Vainu's ICP, ideal customer profile. The team focused on IT-companies and real estate agencies. After hitting the targets, they could hire more sales people. The metrics were basically the same as in Finland (Westrin 18 October 2019.) According to Kunttu (8 October 2019), the goals for the Norwegian office were the same as in Sweden with the exception that they needed to be achieved faster and better.

According to Hubspot's blog post (Fontanella 21 January 2019), customer lifetime value is the metric that indicates the total revenue a business can assume from an individual customer account. It takes into consideration the customer's revenue value, and compares that number to the company's predicted customer lifespan. This metric is used to find the important customer segments that are the most valuable to the company.

Vainu is a different company today than it was two or three years ago when they scaled to Norway and Sweden. According to Younis the goals differed very much when scaling to Denmark, from the ones in other market entries. One very important goal was profitability of the Danish subsidiary and per employee, that's also why they didn't hire five people at once because the costs increase a lot at the beginning, which after it takes time to make

sure that everyone covers that low cost. McKinsey’s article (Lowell February 2007) suggests that considering profit per employee as the fundamental metric puts the emphasis on the return on talent. This approach observes the managers on increasing profit in relation to the number of employees. Revenue per full-time employee or simply just, per employee is an efficiency metric that calculates how much revenue a single employee generates in the company. This ratio is essential for defining an average employee’s efficiency and productivity (Corporate Finance Institute.)

$$\text{Revenue Per Employee} = \frac{\text{Revenue}}{\text{Current Number of Employees}}$$

Figure 4. Revenue per employee formula (Corporate Finance Institution)

Other goals obviously are growth, successful onboarding of everyone in the team and sales efficiency i.e. making sure the whole team of three reaches the goal of 10 000€ in sales per month. When the team hit that goal, they were able to hire more people, which made sure the team would thrive to always be efficient. “There was no time period for achieving the goals of scaling to Denmark and to be honest no one including myself, expected that it would go so well as it did. I think the expectation was to not make a disaster. We noticed soon that we we’d have a profitable business from early on; we got customers every month and we hit quota during the first months. Everyone was quite surprised” (Younis 15 October 2019.)

2.1. Prospecting - Vainu’s ideal customer profile

B2B COMPANIES ONLY

ACTIVE IN B2B SALES	DIGITALLY ADVANCED	TRIGGER EVENTS
Industries that rely on active sales: HR, Software, Saas, Finance etc. Companies with sales department Companies & organisations with lot of customers / members → they want to monitor what’s happening. Also municipalities & cities	Marketing automation in use (such as Hubspot, Marketo, Pardot) Modern CRM in use (such as Salesforce, Pipedrive) Other modern tech in use (such as Slack, Zendesk, advanced analytics tools etc) Active in social media	Growth: expansion, earnings release, funding rounds Invests in sales: job openings in sales Strategic moves: investments, projects, re-organisation, product launches Fiscal year ending soon.

Figure 2. Vainu’s ideal customer profile (Vainu Sales Playbook New business 2019)

For Swedish companies it was easy to understand what Vainu's product was about, so everyone's impression of it was that it's very innovative, cool and something that could help them out. Many early adopters like sales directors were very keen on Vainu. "Even though it's a Finnish company we have never hidden it but also never clearly communicated it either" Westrin mentioned. From early on they wanted to let everyone know that Vainu in Sweden is a Swedish company selling a Nordic product (Westrin 18 October 2019.)

According to Hubspot's blog post (2019), customer acquisition cost defines the necessary resources for a company to bring in new customers and continue its growth. If the goal is to expand the business, its customer base while making a profit, it's essential to understand what CAC means, its importance and how it's calculated. Both total sales and marketing cost required to earn a new customer over a certain period of time together form a company's CAC. The total sales and marketing cost consists of all marketing and program spend, bonuses, commissions, salaries and overhead expenses related to attracting new leads and converting them into customers (Bernazzani 22 April 2019.)

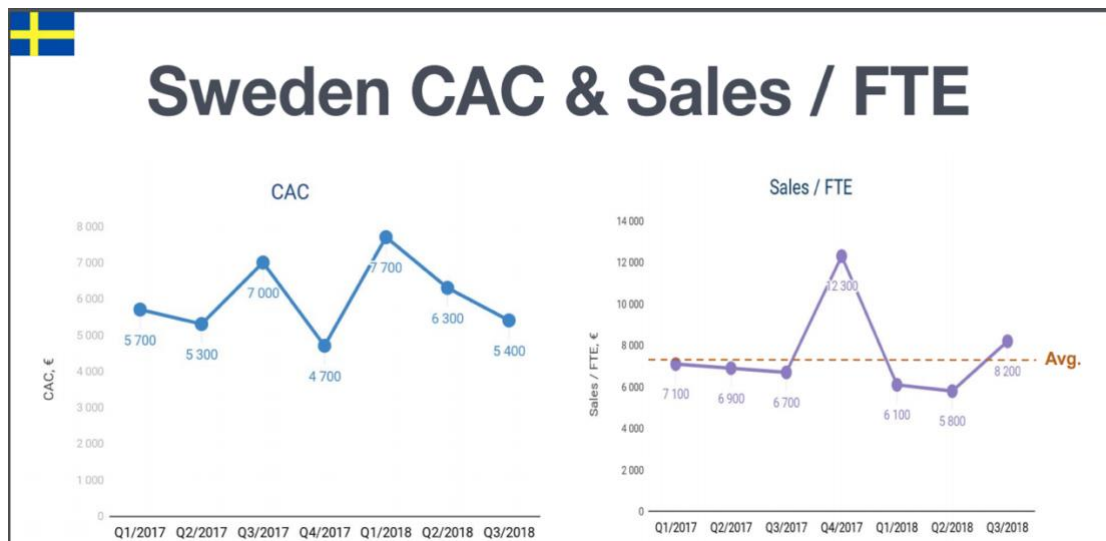


Figure 3. Sweden's customer acquisition cost and sales per full time employee (CM Meeting Vainu 2018)

Vainu was supposed to open the Norwegian office in Oslo as early as 2015 before Sweden. However, in practice it's all about the one person around whom the whole growth is built. The goal in Norway was to achieve the same things as in Sweden, just better and faster. Vainu's own tool was utilized to do the analysis at the time, comparing what types of customers they have in Finland and market fit to Sweden, Norway and Denmark. A suitable person was found in Sweden and that is why a subsidiary was opened in Stockholm first. Later in Norway they realized that the product market fit is great because

there is virtually no competition at all, a lot of open data and plenty of companies which was why it was a potential market.

In addition to that, the financial situation of these companies is ideal, because they have a lot of money. It was noticed that the product is quickly scalable there. When Vainu started operations in Finland, they only sold to HR-, logistics- and IT companies. Vainu had a very clear ICP on what they focused on. However, the Norwegian market entry was special because it started with such a large customer base. Sure, when sold from Finland to the Norwegian cases, quite many companies were already using Vainu when they went there. There were clients like Danske Bank, Scandic and Visma, which are really big in Norway. These were some of Vainu's customers at the time. The market entry to Norway was relatively easy because they already had good references when they started there and many of the Swedish clients have a subsidiary also in Norway (Kunttu 8 October 2019.)

When Kunttu moved from Finland's office to Norway to work as Country Manager, there were six employees at that time. Later on four more were recruited so it was practically a team of 12. Then he had to lay off six employees in order to rebuild the team. When they noticed that this is a pretty scalable business, the idea was to recruit a big sales team quickly that would focus on certain things. At some point they realized that maybe those recruits they made weren't the best fit for the job. Those were the human errors that happened in the recruitment process, which is why it failed in that sense. They got the business in Norway up and running between August and September. In September 2018 Kunttu hired three more employees which after in October he hired one and in November five more, so the recruitment was quite fast-paced but it got off to a good start with a lot of sales. The core team that Kunttu was leading was very solid. They sold nicely and they were what the whole growth was built on (Kunttu 8 October 2019.)

It would have been better for the sake of smoothness and performance to have made the right choice for Country Manager in the very beginning. As Kunttu started in Country Manager's role, it was a bit of a boost for the team as they wanted to show quickly that this is a profitable market entry and for their own for personal goals, too. Four months later it got off to a good start in November 2017; they sold more in Norway than in Sweden. They reached 1 million Norwegian crowns, i.e. 120,000€ in sales in December 2017. The business in Norway was so called "on fire" since then. However, the problem from January onwards was that the amount of employees would have had to stay around 15 for the business to be profitable there. Then in January six new ones started and the office had about 20 employees. The mistake was that the focus was on counting how much that office sells as a unit, instead of counting sales per FTE, full-time employee. The basis for the growth should have been all along about individuals making sales for the company.

Norway is also a relatively expensive country; all fixed costs, rents and subscriptions are clearly more expensive than in Finland so the business needed to become profitable quickly (Kunttu 8 October 2019.)

For Norway to have been profitable within six to twelve months, the company should have put the recruitment on hold. In the sense of MRR, monthly recurring revenue, Norway grew really fast. It was actually one of the fastest growth the company had had so far but there were too many employees, which is why growth in that sense was not profitable. Under the current model, if you are hiring a lot of new salesmen all the time, you need to keep in mind that the office is growing. The Norwegian office had to move to new, larger premises which caused the fixed costs to increase a lot.

The best metric is sales per full-time employee, because it's easy to recruit for sales when they pay back pretty quickly and especially when the salary model is based on the basic salary and the commission on top of that. Also the difference in Norway compared to Finland was that employees were transferred from New Business-team to Client Success quite quickly, faster than in any other country before. Four months after Kunttu started in Oslo there were 15 sales people in New Business-team, who solely focused on conducting meetings and doing sales, one person doing tech and one in Customer Success. All of that happened in less than a year. Helping the customer succeed and reach their goals is Customer Success-team's main responsibility, according to Hubspot's blog post (2019). A successful CS-team makes sure that the relationship between the company and its customers is mutually beneficial (Toder 31 May 2019.) Vainu had just under 100 clients in Norway when they had their first CS-team. It worked well at relatively early stage when viewing the SaaS business in general (Kunttu 8 October 2019.)

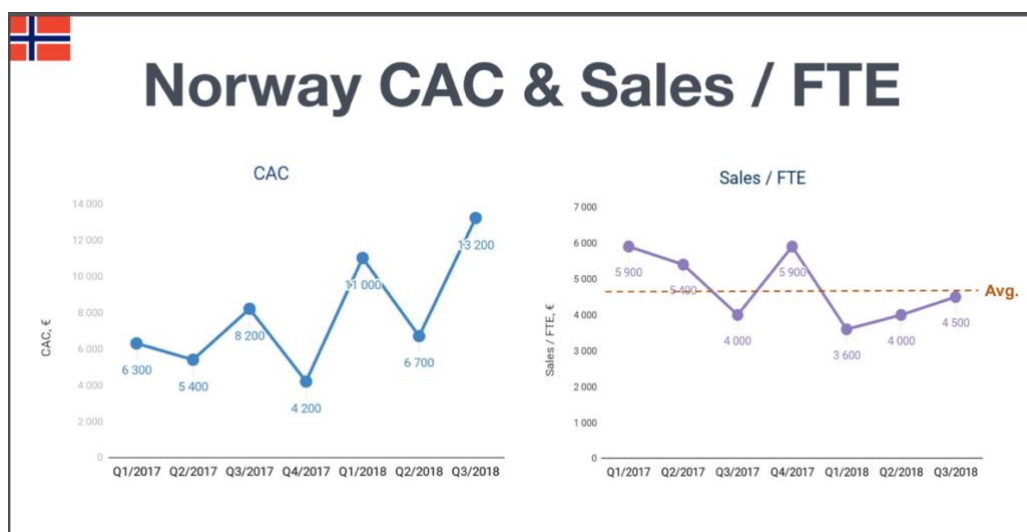


Figure 5. Norway's customer acquisition cost and sales per full-time employee (CM Meeting Vainu 2018)

Denmark's office was the last missing piece for Vainu. The biggest constraint for Vainu regarding the schedule for scaling there was firstly, that they have kept the company running with cash flow i.e. they have no external investors like venture capitalists or private equity firms. Thus, they needed enough operating cash flow before being able to open an office in Copenhagen, which is why it took some time. Secondly the software is special because it's based on local data so they needed to localize their service first before they could go to the market which is why they had to create the services one country at a time. The idea was to get that perfect coverage in the Nordic countries. That's why Vainu started operations in Copenhagen in November 2018 (Honkanen 17 September 2019.)

In 2018, Younis was doing sales in Stockholm while being also a team lead. "A one point I took the initiative and asked Honkanen why don't we have an office in Denmark? For me personally it was an important opportunity so I pushed it internally" Vainu's Country Manager of Denmark explained. There are offices already in Sweden, Finland and even outside the Nordics which is why it didn't make sense for him that they didn't have an office in Denmark that time. They had a discussion internally and different reasons for why they hadn't tried it, came up. When asking any Swede who has done business in Denmark, they will say it's a very different market. One might think that it's similar but according to Younis the cultures and onboarding markets differ a lot and it's notable especially when doing sales. Denmark isn't a huge market so it's understandable that from a management point of view that scaling there wasn't seen as something very urgent. Obviously there are many reasons for Vainu why it actually did make sense to open an office in Copenhagen when observing it now in retrospect. There was a lot of talk about going up markets, selling to bigger clients, doing solution sales, selling data in different ways and having a full Nordic solution. The scale-up became important because when looking at the bigger clients Vainu has, like banks etc., they operate in all Nordic countries. If there was no office in Denmark, that would make the product less attractive for potential clients. Thus, from a product perspective it was reasonable to scale to Denmark.

Younis convinced Honkanen to let him go to Denmark, which after they did the rollout in slower pace than in earlier market entries. That was because of what was learned from other market entries where they had moved and hired too rapidly. Norway is one example where it was done a bit too fast. Just like when scaling to Norway, in Denmark it started with doing sales remotely from Stockholm while applying the learnings from previous challenges the company had experienced. Copenhagen's office hasn't grown as fast as Stockholm's but the growth has been very stable and it has been the best market entry that Vainu has done from profitability point of view because they have been able to

cover their costs since day one. Basically it started in October 2018 when Younis would do sales on the phone to Denmark, which worked out well. A month later he moved to Copenhagen and hired two people in December. It's an office of five employees with the aim to hire more sales managers for beginning of January (Younis 15 October 2019.)

It's hard to say how Vainu was perceived by Danish companies because the name "Vainu" sounds obviously strange for Danes but it's the same in Sweden, according to Younis. It's a good thing when doing cold calls or sales pitches because they could start with explaining what it is. Younis thinks the product is really strong in Denmark, as it is in all countries Vainu operates in. However, there's a different competitive landscape in each market with different ways of working. Biznote is big in Denmark, as it is in Sweden but it provides only basic data, and the companies there are used to that. What makes Denmark as a market stand out from other Nordic countries is that people are more sales oriented in general; it's in the culture to do sales and in fact, many companies do active sales. When they see a product like Vainu it's something that they immediately think as a very interesting tool. In Denmark they pitch themselves as a fast growing start-up; they tell the story of the growth and being bootstrapped. According to Younis it creates a lot of trust when they explain how at Vainu they use their own product. It hasn't been particularly hard to get people to listen at least (Younis 15 October 2019.)

One could say that Denmark is a more sales oriented market than other Nordic markets but the Danish Country Manager could only compare to Sweden because he has only worked there besides Denmark. According to Younis there's a big difference between these two markets. Digital agencies being one of the industries that fits the company's ICP and thus, is good industry to sell to. Vainu obviously has a good use case for companies that do websites or online advertising. The problem in Sweden often is that it's easy to book a meeting with these types of companies but very often they end up in a situation where they understand that they have all this data, but don't know what to do with it, to which they get a reply that they should start cold-calling. In many cases the conclusion is that they don't do "that kind of sales", according to Younis's experience. On the contrary, in Denmark, all of these types of companies are very sales oriented; they have CRM-systems, people doing cold calls and they use dialer systems besides other tools. Because of this there's a very clear difference. (Younis 15 October 2019.)

Vainu didn't do much marketing in Denmark but rather translated some content, like one e-book and a few blog posts on the website. However, if you have the sales playbook and you have three people booking ten meetings per week and making 100 calls per week, that itself is very powerful marketing. Even if 90 percent of those who pick up say no to a meeting, they've still heard about Vainu. One might connect with them on LinkedIn

or send them an email. Having each week 300 new people they were talking to and telling about Vainu, is something.

Denmark isn't a big market and proper job was done during first six months in terms of spreading awareness, being active on LinkedIn and joining events. It definitely helps that Denmark is a relatively small market. If the same would've been done in Germany for example, it would've been more difficult; they would've needed more resources and most likely spend more on marketing. Improving the product manually would be pointless in Germany because it's such a big market. Younis and two others could improve the product manually quite a lot when looking at it percentage-wise. It helped in the process that Denmark is such a small market (Younis 15 October 2019.)

According to Digitalist's blog post (Tapani 24 February 2014) growth hacking, broadly speaking, means innovative marketing with limited resources. It combines creativity, analyticity and willingness to experiment. Growth hacking resembles in a way a mass marketing lab where hackers apply the techniques used by others while iterating them further. The faster the reiteration, the more likely it is to find ways to grow and scale the business.

2.2.3 Success factors of opening each market

To begin with, the product itself was a success factor, because it was revolutionizing, innovative in its market and unique. Fundamentally, it solved a very big problem as it saves time and helps the efficiency in prospecting for sales organizations. Recruitment wise everyone did a fantastic job. During first eight months, two out of three are still working at Vainu since they had a very good team from the beginning, including the founders. Their mentality and the KPIs they set show that they are all sales oriented people which makes it a lot easier if you are trying to establish a sales organization. They set a great sales culture for the Swedish office. The team was very active and visible on LinkedIn since day one. LinkedIn is probably one of the biggest reasons why the Stockholm's office has been able to grow to the size that it is today. Another significant success factor is activity in sales; they called thousands of phone calls and conducted almost 200 meetings in two months with the team of five. "We took a lot of ownership; we worked very hard and stayed in the office until late at night prospecting" (Westrin 18 October 2019.) According to Hubspot's blog post (Frost 4 September 2019) activity sales metrics are among others, number of calls made, number of conversations, number of meetings and number of demos. These are manageable metrics meaning that sales managers can directly control them.

The team knew the Norwegian market very well when Vainu scaled there. There had already been a lot of sales, which is a big thing that there are paying customers in the market already before opening an office there. They had big clients like banks for example. It was important for a brand new company entering the market, in terms of creating credibility, that they could use those local cases as references. Quite soon the team made Vainu into a “Norwegian thing”, which was another single clear success factor. Norwegians typically respect the Finnish tech scene quite a bit and Norwegians and Finns are very similar culturally. It's a sum of many things, but Kunttu believes that the right recruits were made in the early stages.

Mistakes were made too, but the core team of three to five was extremely strong. In addition, there were already clients because the market research was done well. The cultural difference between Finland and Norway is much smaller than that between Finland and Sweden. Sweden is a super big market and there is a lot of competition, ten times more tech companies than in Finland. The situation in Norway is that there are no players like Vainu there, which was why there was not the slightest competition. On the other hand, it's also a bad thing because that market may not have been fully ready when Vainu scaled there. Much fewer businesses have CRM-systems in use. In a nutshell, success factors were good market research, there were a lot of customers already when they started there, the cultural fit was good and there really wasn't competition (Kunttu 8 October 2019.)

According to Younis, the sales oriented culture made the scaling process easier, especially because they are directly contacting sales directors which makes the selling process even easier. “When someone cold-calls me, I’m interested in listening what they have to say because it’s related to my job and maybe I can learn something from the conversation that’s interesting” Younis explained. They call sales directors because they are much easier to approach than HR directors or CFOs, who don’t necessarily work with sales. If you add the sales oriented culture to the equation, it’s even better. Denmark is a good market for that reason, maybe even better than Norway. Another success factor was Vainu’s own sales playbook; it’s very structured about how they do sales and there’s certain methodology that they follow and has been proven to work in every country with some adjustments.

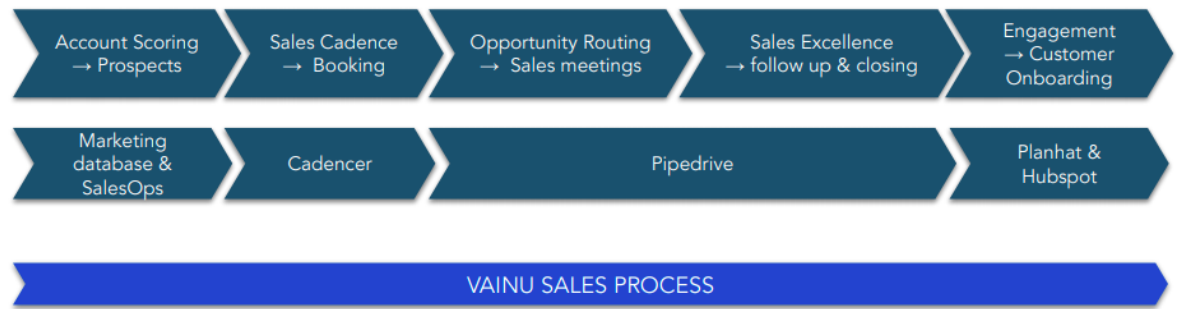


Figure 6. Vainu sales process and the tools for it (Vainu Sales Playbook New business 2019)

Third success factor is implementing the sales book and following the guidelines. It was a success factor in all the market entries that have been done, according to Younis. Something that was unique for Denmark, and what was put a lot of focus on in the beginning, was the product. Tech-department is obviously responsible for the product but a lot of things can be done manually by adding data and developing it. Vainu's product in a new market has never been as good as it was when scaling to Denmark. The Vainu product is never done, it can always be better, you can always add new data there. It's always a question of when is it good enough and then you go to a new market. In Denmark it was better than good enough. For Younis it was really important that the product always improves and that the quality of the data is good. That lead to the first clients getting a lot out of it fast and they spread the word which was how awareness about Vainu in Denmark was spread pretty fast (Younis 15 October 2019.)

2.2.4 Pitfalls and key learnings

When you open your first new office abroad, you often face the communication challenge of making sure that communication is adequate. They provide good technology for it but people still need to meet face to face. Scaling to a new country also changes the culture in the sense that a lot of people who do not speak Finnish start to come in, which means that company language changes, which may affect culture because corporate culture is built a lot on how we are and behave. There were no big challenges, Sweden was a good market entry. Vainu went there with the same playbook as in Finland and succeeded. One thing was that the first country manager moved on six months after being hired, but we had a good guy to replace him immediately with Westrin, who still, four years later, works there as country manager. Norway clearly faced more challenges and it was decided not to continue with the first country manager (Honkanen 17 September 2019.)

A lot of things could've been done better in Sweden, but at the same time the company grew organically since day one. Today they know how the importance of proper

onboarding and how to decrease churn, which they didn't know back in the day when the office was opened in Stockholm. One concrete thing Westrin mentioned is that they could've leveraged the first 20 clients much better. "We should've almost gone out of our way to make them really happy. That's something I would've done different. We also should've done more localized marketing" (Westrin 18 October 2019)

There was one Country Manager who started in December 2016, officially in January 2017 and then built it up from there. When Kunttu went there, the previous Country Manager was given the opportunity to remain as a salesman on that team, and he actually did for six months. In retrospect, you could say it was a catastrophic solution. He sold quite well but in the case of personal chemistry it didn't go well and after all it's a hard place to sort of downgrade (Kunttu 8 October 2019.) After getting the first customers and proving there is a market and interest, they would hire three guys who were strong in sales and performed well overall. Soon they hired 20 people out of nowhere and the efficiency started to go down. Various challenges came too early and too fast which is why Norway had to scale down a little bit. "There have been four country leaders in a relatively short period of time, which I think is a clear challenge. Nor did we gain that profit there fast enough, even though we scaled up quickly", Vainu's CEO explained. Earlier in 2019, the number of people was scaled down slightly so that the company could meet the economic realities. The aim is to have profitable cash flow and they are hiring more people in Norway in the autumn. That, of course, slows down the development when it comes to going back and forth on the terms of economic realities (Honkanen 17 September 2019.)

Vainu tried a new kind of pricing model in Denmark in which the service could be bought by a single user and it worked well because that country is profitable for the company. There are many clients per number of employees. They had been there for a long time, but the challenge was that when there is suddenly one country with a different pricing model. It means that you have to consider twice everything that before only needed to be considered once. When viewing a new product, you have to think about two prices instead of one.

The team has stayed the same with some new recruits in the Danish office, meaning there were no personnel challenges. In Sweden there was a good stability, the core team has remained well together. In Norway, there has been a shift in staffing, which is partly due to the people leaving and partly because the company decided not to extend the contract of the first Country Manager, which slowed down the development. There was nothing to suggest that the market situation was any different. "All markets in the Nordic countries have been very good, open markets to us and we have every ability to succeed very well" (Honkanen 17 September 2019.)

Even though the growth happened in a quite slow pace, the first time there was talk about opening an office in Denmark was in January 2018. Later that year Younis moved to Copenhagen in November 2018, so the discussions had been going on for a relatively long time because they made a plan for it. By the end of the year they made the decision to grow but the aim was a little bit rushed especially in terms of hiring because they put out the job advertisement a little late. The hiring process could've started earlier definitely. Because it's a new product that Vainu is selling, every time they expand to a new country they need to get the local company data and every market has their own ways of getting it. There are different sources in all countries and once they get the basic data, the process is the same. However, they still need to collect all the websites, the news and do the machine learning locally. That also could've been done earlier and during a longer period of time. According to Younis, the product was ready enough when they started in Denmark, but they had to spend a lot of time working on it during the first couple of months, which could've been done earlier as well (Younis 15 October 2019.)

3 Key Performance Indicators and B2B sales metrics

Key performance indicators, or KPIs are crucial metrics that managers use to understand whether their business is viable or not. (Bernard Marr 2012). Carefully selected indicators bring out problem areas and highlights the performance. Without the right KPIs the business is being steered aimlessly. The problem with finding the crucial metrics is that most managers find themselves struggling with them; they collect and report a massive amount of data of easily measurable things instead of understanding and identifying the few important ones.

Marr (2012) suggests that KPI development needs to go together with the strategy and the objectives the business is aiming for. According to inbound marketing, sales and service platform Hubspot's blog post (Alfred 3 September 2019) the B2B sales key performance indicators are, amongst other things, new leads by source, estimated revenue by lead source, customer acquisition cost, pipeline creation by month, sales pipeline velocity. Other sales productivity metrics are percentage of time spent demoing, performing data entry and percentage of time spent on the phone (Alfred 3 September 2019.)

3.1 Company-wide KPIs

3.1. KPIs in new business

Business Development Manager

- 300 companies through cadence per month → 60+ meetings booked / month
- Total sales > 6.600 € (1 deal)

Sales Manager

- 120 companies through cadence per month → 25+ meetings booked / month
- Total sales > 20.000 €

Senior Sales Manager

- 0 companies in cadence
- Total sales > 20.000 € and hit rate above 20 % in demos

Real-time sales expert

- Total revenue from marketing & signal pipelines. Expectation 20.000 € per person (measured as a team)



Figure 7. KPIs in New Business (Vainu Sales Playbook New business 2019)

The first KPI is the reality set by the economy, meaning that business must be profitable from a cash flow within six to twelve months. That reality comes from the fact that if you want to do business and there is no outside funding, you have to have the cash to pay the bills and invest in things. In Sweden and in Denmark it happened, in Norway it did not

happen in that time span, i.e. two out of three market entries were successful. There are a few harder to measure indicators that are related to the quality of service and how the company succeeds in the eyes of their clients. It also has to do with whether or not Vainu has all the companies in that country in the database, how rich the company profiles they can provide (Honkanen 17 September 2019.)

Vainu has all the legal entities in its database and those profiles are quite rich. Of course, it is not absolute that it's now "ready" because it can never be ready as long as the amount of data in the world keeps on increasing explosively, thus it is impossible to say what the "perfect" amount is. It is more a question about whether the sales go well and whether the customers are satisfied. It's more about achieving these things. However, Vainu has very specific business metrics that measure sales efficiency, customer loyalty and marketing effectiveness. These are the metrics that are measured every month to see how many new customers are coming in. They also use metrics on full-time employee level that also help. These are for example, the number of meetings that have been agreed upon, the number of meetings that have been held, how many of the meetings lead to a sale, what the average price is and how long time the average clients' sales cycle takes (Honkanen 17 September 2019.)

3.4. Lead Time

- Lead time = average sales cycle.
- Measures the time in days between the first meeting / demo and the signed contract.
- Our average is around 15-30 days.
- Best sales people get not only more deals but also more NOs. In general, best sales people get lot of decisions.
- Lead time can be improved by steering the process and setting clear expectations at the beginning of the first meeting.



Figure 8. Lead time (Vainu Sales Playbook New business 2019)

These are the five indicators which of one is called sales velocity formula. In addition to that, SaaS companies use metric such as client acquisition cost, that indicates the effectiveness of sales, meaning dividing direct sales and marketing costs with the new clients, whereby they know how much it costs to get an individual client. Then there are also customer relationship metrics since customer loyalty is most important to these kind of companies that sell a service that is valid indefinitely or for a limited period of time, with the goal of the client renewing the licence. To measure that, there's a metric called

customer lifetime value. Since Vainu sells annual licenses, the value of the year license is multiplied by the average length of time they have that customer relationship. For example, if an annual license of 5000€ is sold and the client has a lifetime of five years, the lifetime value of the client is 25 000€ (Honkanen 17 September 2019.)



Figure 9. Sales velocity formula (Vainu Sales Playbook New business 2019)

In order to get the average cost of a customer relationship, the company needs to know the length of the average customer relationship. The SaaS-industry uses the term “churn”, for which there are two different examples: gross churn and net churn. Gross churn means that there are for example 100 units of turnover that are about to be renewed, they are calculated to see which ones actually carry on for next year. If 80 units continue, then churn is 20%. Net churn differs from it in a way that it does not take into account those extra sales to the same customer. Hereby if there are 100 customers of which 80 continue and 20 leave, gross churn is 20% but if the remaining 80 customers upgraded their subscription worth for example 10 customers, they’d end up with 90, which means that the net churn is 10% and gross churn is 20%. From churn can calculate the average length of a customer relationship i.e. if 20 customers are about to leave then the average customer lifetime value is one divided with 0.2, which equals five years. In terms of sales efficiency, Vainu’s success in Sweden, Norway and Denmark is very close to the figures in Finland (Honkanen 17 September 2019.)

According to Hubspot’s blog post churn rate is a crucial metric for companies whose customers pay for a monthly or an annual licence, like SaaS and other subscription-based companies. Despite the company’s monthly revenue, if their average customer doesn't stay with them long enough for the company to at least win back its average customer acquisition cost, the business will have a problem (Bernazzani 29 October 2019.)

3.5. Track your numbers

1. How many cadence calls
2. How many answered
3. How many meetings booked
4. How many held meetings
5. How many % of demos get postponed & no-shows
6. How many deals & ACV

You have these numbers in Pipedrive (Progress --> Reports)

Make sure that you Pipedrive is updated all the time.



Figure 10. Track your numbers (Vainu Sales Playbook New business 2019)

Vainu aims for their customers' LTV, lifetime value, to always be at least three times the size of its CAC, customer acquisition cost for it to be a healthy business. There is also a meter called customer payback time. In other words, the goal is to pay off all customer relationships within 12 months, which means that the price of the annual license is at least the same as its customer acquisition cost. These are the key metrics, and in marketing there is a huge variety of tactical metrics on how well advertising works, how many inbound leads or demo requests they get, that are measured in each country. Often, brand awareness reflects these numbers and in Finland they're the best, in Sweden second-best, and surprisingly the third is Denmark ahead of Norway. In Denmark Vainu did a little more advertising than in other countries.

Vainu is a very data-driven company and all of the market entries were measured very precisely. Why they did so is that they believe that by knowing what's going on and verifying it in numbers will give the confidence, security and foundation that can be built on when things are not done with just gut feeling. In these market entries a very central thing, that is not directly a KPI, but the tool they have used is Vainu's own playbook. They have a lot of playbooks in use at the company, a playbook for sales, documenting their way of selling and it's the same in each country. It's also a way of transferring the company DNA, operational processes and routines from one country to another. They also have a customer book, a marketing book and a product book coming up (Honkanen 17 September 2019.)

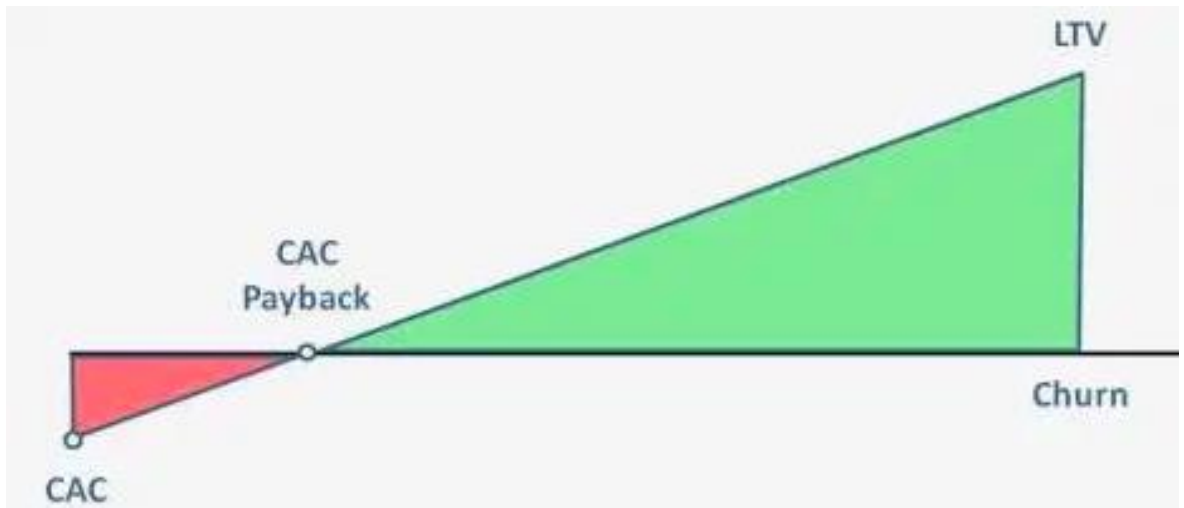


Figure 11. Customer acquisition cost, its payback and lifetime value (Smartbear-Blog 2014)

3.2 Country specific metrics

There are no drastic differences between countries when it comes to KPIs, the same things are measured in different countries. However, when looking at the importance of certain metrics in each country, there were some variations. When Vainu started operations in Sweden they only had one market that was well growing and profitable, that was Finland. They had the ability to invest faster in growth in Sweden. When scaling to Denmark in 2018, they already had a lot of countries that were not yet “ready”.

Vainu had less money to invest in growth over there, which is why they progressed more calmly. The metrics themselves were more or less the same in every country (Honkanen 17 September 2019.) In Sweden, the metrics were kept pretty simple. The first month they had a number of customers and employees, those were the basic metrics besides the very important ones; monthly recurring revenue or MRR, annual revenue or AR and average contract value (Westrin 18 October 2019)

3.3. ACV

- ACV = average contract value
- Main drivers: demo quality, respecting our pricing model, negotiations by increasing value, not by giving discounts

Target:
ACV - 5.400 € / 54.000 NOK/SEK



Figure 12. Average contract value (Vainu Sales Playbook New business 2019)

According to Kunttu in Norway the best KPI is the amount of conducted meetings. It is by far the best to measure how much they meet potential customers. It's a good KPI also because it's more likely that the meeting leads to sale after certain amount of conversations with the potential customers. If the sale doesn't follow the meeting, it's easier to track afterwards where something went wrong. Sales per full time employee is another KPI that they in fact, started to measure a little later. It was because it wasn't followed at the beginning, which was a mistake; it needs to be tracked carefully. Sales per full time employee and conducted meetings were the biggest metrics (Kunttu 8 October 2019.)

3.2. Hitrate

Total Sales = Sales Opportunities x Hitrate x Average contract value (ACV)

- Meeting hitrate definition: percentage of demos that end up buying. Example: you conduct 30 meetings and close 3 deals → your hitrate is 10 %
- Booking hitrate definition: percentage of pick ups that end up in booked meetings. Example: you do 20 calls and book 3 meetings → your hitrate is 15 %
- Booking Account hitrate: percentage of companies in your cadence that end up in booked meetings. Example: 300 companies in cadence, you book 60 meetings → hit rate is 20 %

Targets:

Booking hitrate > 15% (main driver: pitch quality)
Booking account hitrate > 20 (main driver: pitch quality)
Meeting hitrate > 13% (main driver: demo quality)



Figure 13. Hitrate (Vainu Sales Playbook New business 2019)

In Denmark the main KPI was profitability i.e. covering all their costs and this year the company had certain strategic initiatives or company-wide goals, that Vainu is focusing on this year. Other KPIs are booked meetings and conducted meetings; at least ten booked meetings per week, 20 conducted meetings per month and making 10 000 e sales per full time employee (Younis 15 October 2019.)

4 Discussion

Even though Vainu has expanded quickly in Scandinavia compared to a traditional company, the scaling process to Denmark was slower than in Sweden and Norway. As the Danish office was the last to open out of these three offices, Vainu had learned quite a bunch along the way, especially regarding the hires and apparently, market research too. Due to that, growth in Denmark has been slow but steady. In Sweden the key to success was presumably the combination of a functional core team i.e. right hires and a good network in Sweden that was established by Honkanen and Suvanto.

Clear success factors in all market entries have been a functional core team, around whom the growth has then been built, a good network in the country and/or proper market research that was done beforehand as well as similar cultures in Nordic countries. In Denmark the business culture seemed to be very different according to Younis, while the Finnish and Norwegian cultures match well, as Kunttu mentioned. In turn, according to Honkanen Finnish and Swedish business cultures remind of each other. There were some contradictions between the views of the interviewees. Another clear success factor was Vainu's own sales tool, that was used for finding potential customers inside the Scandinavian market, one country at a time. It was particularly useful for conducting market research and thus, for developing the product itself.

Regarding pitfalls, there were clear differences between Norway, Denmark and Sweden. In Norway the back-and-forth-recruits slowed-down the growth and in Denmark the hiring process should've started earlier to avoid the rush. Even in Sweden, where it seemed to be very little challenges, the team could've put more effort in onboarding process and learning how to avoid churn.

Key performance indicator-wise and like Honkanen mentioned, the KPIs were same in all countries but prioritization of the metrics depended on the market; in Norway it was sales per FTE, in Sweden held meetings and in Denmark profitability. The reasons behind these metrics were the lessons learned from the previous market entries and the fact that Vainu keeps the business running with only cash flow from customers and without any external funding.

4.1 Summary

Firstly, it is notable that a SaaS start-up is capable of scaling relatively fast, only within months. This is due to the fact that SaaS is located in a cloud which makes the whole process easy since there is no need for logistics or building a factory, for example. In the

beginning when opening the Swedish office, there only needed to be enough cash flow to get the process going. It is apparent, that the product development needed most of the effort because before entering the market, the product needed to be localized first.

As a result of this thesis, I can with confidence say that the formula for a successful market entry in Scandinavia is to do a proper market research of potential customers before the market entry, develop the product locally, hire smartly and do active sales from the very beginning. In Denmark, Sweden and Norway, booked meetings and conducted meetings were seen as very important metrics firstly for sales and being profitable and secondly for spreading awareness fast and doing marketing in that sense. In this kind business or industry, the market research isn't that much about what is being done, but rather how the research is conducted. In Vainu's case, market research process was very similar in all market entries; before scaling it was made sure that there actually are potential clients, interest and thus, potential for the product. As soon as they'd close the first 10-20 clients and sell actively to the market, they'd open an office and hire a team of approximately five in the capital of each country.

4.2 Own learning

I didn't have preconceptions or knowledge in general of Vainu's scaling process to the Scandinavian countries when choosing the topic and starting this project. Due to that, it's likely that it was easier for me to stay objective during the whole process. My learning during writing the thesis happened progressively while proceeding with it. Despite the challenging topic, out of genuine interest towards a company's scaling process to Scandinavia the decision to have Vainu as the commissioning company, was easy.

Finding adequate and relevant sources for the theoretical framework-part of this thesis was the biggest challenge in my opinion. The interviews supported the learning process with various perspectives and experiences the interviewees offered. In the process of writing the empirical part I realized that scaling a SaaS company internationally isn't at all as complex as one could think. In Vainu's case it was about conducting what had been already working well in Finland and measuring the same things in Sweden, Denmark and Norway while transferring the company DNA to these countries with common guidelines, like Vainu's own playbook. As the company expands internationally, it's essential by then to switch the company language to English, especially when the company is Finnish.

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Appendices

Appendix 1. Interview questions

Mikko Honkanen. CEO and founder of Vainu. 17 September 2019.

1. Where did the idea to open an office in Scandinavian countries come from and why?
2. What was the purpose of the scaling?
3. What were the realistic expectations and assumptions?
4. How they differed in each country?
5. How Vainu has achieved its goals in the Nordic countries it now operates in?
6. What were the success factors and pitfalls of scaling to each country and overall?
7. What was the team involved in scaling and why?
8. What challenges Vainu faced when opening the office in the Scandinavian countries.
9. What were the KPIs and why?

Juho Kunttu. Head of Real-Time Sales & Partner. Vainu. 8 October 2019.

1. When did you yourself go to Oslo as Country Manager and did you go directly to Country Manager?
2. Did scaling to Norway have the same goals and expectations as scaling to Sweden?
3. In your opinion, did the relatively frequent change of country leader in Norway influence the achievement of the objectives?

4. Was a market study carried out in advance in Norway?
5. What should have been done differently to make Norway profitable in 6-12 months?
6. What is particularly successful in Norway compared to Sweden and Finland?
7. What were the KPIs in Norway?

Mo Younis. Country Manager, Denmark. Vainu. 15 October 2019.

1. Did you work at Vainu before opening Copenhagen's office?
2. When did you start as a country manager? What the opening team consisted of?
3. What were the goals when scaling to Denmark and why?
4. Was there a schedule for reaching the goals?
5. How Vainu was perceived by Danish companies?
6. What were the KPIs?
7. What could've been done better regarding the process of opening the Danish office?
8. Would you say that Denmark is more sales oriented than other Nordic countries?
9. Do you think that this made the scaling process easier?
10. Was market research done beforehand to Denmark?
11. In terms of market research, how different was it between Sweden and Denmark?
12. What were the success factors and why do you think they were such?

13. Was something with marketing of Vainu, was it different in Denmark?

14. Would you say that it's a good thing that Denmark is a relatively small market and why?

Emil Westrin. Country Manager, Sweden. 18 October 2019.

1. Did you work at Vainu before opening Stockholm's office?
2. What were the goals of scaling?
3. Was there any market research to Sweden before hand?
4. How was Vainu perceived by the Swedish companies?
5. Was there competition that time?
6. What were the KPIs?
7. What could've been done better regarding the scaling process?
8. What were the success factors and why?