



**Networked business consultancy as  
an enabler of the international  
success of a SME**

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## **PREFACE**

This Master's Thesis deals with the main question; "What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?". It concentrates on the business area of SME Internationalization consultancy and exhibits Finnish Trade Organization FINTRA Ltd (later Fintra) as a business case, for the practical applicability of the work. Fintra is fully owned by the publicly listed company Soprano Plc. Two megatrends digitalization and globalization, and changes in the global management consultancy business, are the main drivers behind the research. This paper is relevant for all the academic or business people dealing with or researching the fields of management consultancy, business networks as an enabler of international growth and internationalization of SMEs.

The research was conducted in Helsinki, Finland and in co-operation with several Finnish Internationalization & consultancy business experts and SME companies.

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## ABSTRACT

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The global field of management consultancy is in a cusp of disruption, the Finnish economy is still in downturn, the demands on the Finnish SME corporation sector's international growth are increasing. There are two megatrends globalization and digitalization shaping the business world as we know it. Networks are becoming more and more important in getting the right knowledge and knowhow, in order to gain business growth and succeed in global competition.

These changes create great pressure on SME consultancy businesses, especially working in an international setting. The questions that growth seeking consultancy companies should ask are; what needs to be done in order to become a successfully growing global top player in the consultancy market and how is it done? Therefore this thesis is looking to answer a specific question of "What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?".

To answer the main question in this paper, previous academic studies, a market research and Fintra Ltd. business case are used. However difficult the business landscape might be, there is definitely room for new and agile ways of conducting successful consultancy business and serve SME clients globally, as can be seen from the results concluded.

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## ABBREVIATIONS AND TERMS

Megatrend	A megatrend is a large, social, economic, political, environmental or technological change that is slow to form. Once in place, megatrends influence a wide range of activities, processes and perceptions, both in government and in society, possibly for decades. They are the underlying forces that drive trends.
Client	An SME company, being served by a consultancy corporation.
B-TO-B services	Refers to a situation where one business makes a commercial transaction with another.
TAMK	Tampere University of Applied Sciences.
FINTRA/Fintra	Finnish Trade Organization FINTRA Oy.
SME	Small and Middlesized Enterprise. Small and medium-sized enterprises (SMEs) are non-subsiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union.
Internationalization	A process of which a corporation is growing and expanding their business globally.
Born Globals	A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. (McDougall & Oviatt, 2005).

Globalization	Globalization is a process that encompasses the causes, course, and consequences of transnational and transcultural integration of human and non-human activities. (Al-Rodhan, 2006).
Digitalization	Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. (Gartner, IT-Glossary, 2015).
MC	Management Consultancy. Management consulting is the practice of helping organizations to improve their performance, operating primarily through the analysis of existing organizational problems and the development of plans for improvement.
M&A	Merger and Acquisition. A general term used to refer to the consolidation of companies. A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed. (Investopedia, 2015).

# 1 INTRODUCTION

## 1.1 Background of the study

The domain of Finnish internationalization consultation and advice services given to SME companies has gone through a big change during the last 3 years. This is mainly due to the breakdown of Finnish Innovation Ecosystem structures. One visible example of this has been the privatization of Finpro ry's management consultancy business unit, through selling the business consultancy unit to the public company Soprano Plc at 1.6.2014. The newly formed company is called Finnish Trade Organization FINTRA Ltd. Finpro was previously a partly government supported, a Public Private Partnership type of an organization, who had both sufficient resources through a vast international network and strong brand name. This in turn gave Finpro, some might say, an unfair position within the market of Finnish management consultancy business in regards to internationalization consultancy. Due to the changes within Finpro, structural changes in ELY-centers and TEKES in terms of public funding, the Finnish market of SME management and internationalization consultancy changed permanently.

These major changes in the market created room for new type of consultancy businesses, as well as put the traditional players in a more vulnerable situation. One of these players is Finnish Trade Organization FINTRA Ltd. Fintra is in affect a start-up company and represents a newcomer to the market of Finnish management consultancy, as well as holds extensive experience and knowledge regarding the internationalization of Finnish SME businesses. The use of business case gives more insight to the underlying reasons and facts behind the research process and enables practical applicability of the possible new opportunities and business benefits. Fintra is facing the constraints and burden of "old days", but is also in a perfect situation to create new and innovative ways to serve their client's success and growth. However as stated in this thesis, this is not an easy task for a company with diminishing cash returns, bad profitability and poor market situation of the whole management consultancy industry.

At the same time the Finnish economy in April 2015 is struggling with 4 % decline in industrial output, compared to April 2014. There is also a 1,2 % decline in economic output in April 2015, compared to April 2014. (Statistics Finland, 2015). On the positive side, the Finnish consumer confidence is up from June 2014 compared to June 2015

(Consumer Survey, Statistics Finland, 2015). The indicators for the Finnish exports show that, since 2008 there has been a continuous decline in export business. According to the preliminary statistics of foreign trade of goods provided by Finnish Customs, the value of Finnish exports decreased by 12 per cent in comparison to last year. (Findicator, 2015). It can be stated that the overall economic situation in Finland is difficult, and any new company seeking growth should look for more favorable markets and business areas.

There is also a global change taking place in the management consultancy business, partly due to the megatrend of digitalization of services. According to recent studies there is a clear change happening in the global consultancy field, where new forms of competition is emerging through the use of new type innovative business models, especially concentrating on the broad middle segment of the consultancy market and invoked by the digitalization of services and business models. (Harvard Business Review, 2013). This research takes a deeper look into the implications and opportunities beyond the above mentioned changes and challenges, including relevant theories and Fintra business research case.

The research, analysis, results and discussion presented in this thesis are a combination of: author's personal business experience from the field of Finnish management consultancy and internationalization consultancy from over 7 years, literature review, and a more comprehensive market research into the challenges and opportunities within internationalization consultancy business from the market expert and client perspectives. Market research includes: literature review of relevant scientific articles, in-depth interviews with both market experts as well as Finnish SME companies and the solution proposition for Fintra business case.

## **1.2 Business case Fintra**

Soprano plc is a Nordic communications, training and consultancy corporation, which stock is quoted in the NASDAQ Helsinki Stock Exchange as SOPRA. Fintra is a Soprano company, specializing in the internationalization and management consultancy. Soprano operates in two main business domains; corporate, management, communications and ICT training & Internationalization consultancy services. Soprano has its own offices in Finland, Sweden as well as Estonia and St. Petersburg Russia. Due to Soprano



plc being a publicly listed company, individual data or information on Fintra Ltd is not public. Therefore for the purpose of this report all public data and financial figures are based on Soprano public records. As an employee of Fintra I can confirm, that the public data and financial figures are applicable to describe the Fintra's business situation, hence reliable and valid to be used in this study.

Soprano's clients are public operators and SME companies seeking international growth, and in a need of developing their knowhow and strategy. It has been growing aggressively over the last 10 years, mainly through corporate acquisitions and mergers. This growth strategy has been putting pressure on the profitability of business, as well as created some cash flow challenges. Also the combining the new offering and utilizing the competitive advantages of the several different acquired brands and businesses has been very challenging especially from the change management and leadership point of view.

Although the year 2014 has been clearly challenging for Soprano, the company has been able to hold on to their clients and generate new business, hence the future looks better in terms of profitability and managing the change. However in order to become a serious contender within the Nordic market, and keep growing profitably, Soprano needs to be able to better create long term value to their clients, as well as look to renew their business over long term. The company should not sacrifice its future long term growth, by chasing short term quarterly wins.

Based on Soprano's press release of 15.10.2014 there has been a turn to better profitability of the business although slower than expected. Based on the Interim report of 30.09.2014: The third quarter net result was 0.6 million Euros negative, but the operating income at the end of September was already positive. The reasons behind the poor financial result have been the general downturn of Finnish economy, the poor performance of the industry and the slow growth rate of the Finnish SME's, the main Soprano's client group. Third quarter turnover did grow from 3.3 to 4.4 million Euros, making the overall turnover 16.2 million Euros (for the period of 1.1.2014-1.9.2014), a 48 % growth comparing to last year figures. The rapid growth strategy through Merger & Acquisition has had a major negative impact on cash flow and profitability. This situation however is forecasted to change for better by the end of 2014 and first quarter of 2015 is forecasted to be on the positive.

Looking at the competitive landscape of Soprano's business and future trends regarding the main client groups the following challenges/risks and opportunities can be identified:

(+) Market demand for International growth of Finnish SME's: Due to the saturation rates on most industry areas and small size of Finish market, it can be stated that any significant future growth of SME business needs to be in an international level. This has been confirmed by Finnish political leaders as well as industry heads and business leaders. One example of a public figure promoting international SME growth is Mr. Alexander Stubb, The Minister of Finance for Finland (he was especially active on this agenda, when acting as a Foreign Minister for Finland). SME's being one of the main client segments of Soprano Plc, would indicate that there is need for Soprano services in the future.

(-) Significant changes in the government funding instruments and offices: During the last 2 years there has been major restructuring and rearrangement of government offices and governmental financing bodies. A few examples of these being restructuring of Finpro ry during 2014, where its private consultancy business was separated from the rest of operations and its international network was re-structured, also the lay-offs and restructuring of ELY-centers around Finland had an impact. The main consequences of these changes where; the lack of funding available for Finnish SME's regarding their international growth, lack of advice and right contacts in order to plan and prepare for the growth. This had a direct impact on Soprano plc business and growth, especially delaying the sales process hence impacting on cash flow and profitability on short term.

(+/-) Digitalization of business: Due to the digitalization of business companies need to continuously develop new ways to engage their clients as well as deliver their products and services to the market. This trend is a clear opportunity if utilized fully by developing new offering and services around the agenda of digitalization. Soprano risks of lagging behind competition, losing clients and ultimately suffering loss of business. Digitalization can be a window of opportunity for Soprano, if it can keep up with the modern growth models. This will demand development of service offering as well as continuous learning and training of their key personnel, which requires investments on personnel training and service development: Which again eats into short term profits.

(-) Increasing competition from small industry and or business specific consultants and international consultancy business: Due to the restructuring of government support on international growth for Finnish SME's, in terms of financing tools and organizations offering their services, a market gap has been created for a niche consultancy companies to offer their services. Also the networked business world, has made it easier for Finnish companies to seek assistance and consultancy directly from the target markets, hence the need for Finnish al internationalization consultancy services is losing its appeal and it also affects price competition. It is cheaper for Finnish companies to buy directly from local partners, rather than have a middleman in Finland taking their own share of business. Still, a Finnish project manager can be vital in choosing the right local partners, creating the strategy and also saving client's own time and money that is needed in order to have the partner negotiations and scoping in the internationalization projects.

### **1.3 Purpose of the study & research questions**

As described above, both the Finnish economy and SME business sector in Finland are struggling in terms of growth and productivity. There is evidence supporting the fact, that in order for Finland and Finnish SMEs to prosper, they need to seek growth through internationalization. It can also be stated, that due to the limited resources and often lack of market knowledge from the international domain, SME corporation needs some kind of third party professional advice and consultancy in order to internationalize effectively (Johanson & Vahlne, 2009). At the same time the international consultancy field is changing through the application of digitalization and new types of business networks. Therefore the main purpose of this study is to further investigate future opportunities and potential models for successful and internationally operating network based business consultancy business serving SME clients, through the problematics and challenges related to the field.

This thesis aims to answer the main question: **“What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?”**. For the practical applicability of this thesis a Fintra business case was conducted. Regarding the business case in question the aim is also to bring insight into the question on **“How to successfully conduct international management consultancy through a networked business structure?”**. In relation to these two main questions there are the following sub questions to be answered: **“How to build success through business networks?”**,

both from the demand (client) and supply (Fintra business case) perspectives. **“What are the challenges in relation to international management consultancy field?”**.

Market study included in this paper was conducted through in-depth face-to-face interviews. The basis for the market research was the study on relevant theories, previous studies in academic articles.

#### **1.4 Literature review**

For the purpose of this thesis, several main topics had to be researched through studying relevant academic articles and publications. This was done in order to find out supporting or opposing research results and views, in relation to the market research and analyses. The literature review includes a study of 37 different academic articles and publications (timeframe of the articles c. 2000-2014). The literature review created the basis for constructing the relevant open-ended questions for the in-depth face-to-face interviews. It also gave a solid framework for further analysis of market research results and findings. Fintra business case study was included, in order to have practical applicability of the study and results. In other words, linking the theory directly to practice.

Literature overview consists of articles from the following topics:

- ***Internationalization theories:*** Johanson & Vahlne, 1977, 2009.
- ***Internationalization of services:*** O'Farrell, et al., 1998; Roberts, 1999; Frances & Frei, 2008.
- ***International Management Consultancy:*** Clayton et al., 2013; Kipping, Armbrüster, 1999; Welch, 2004; Westhead, et al., 2001).
- ***International expansion of management consultancy:*** Welch, 2004; Vachani, 2005.
- ***International growth models:*** McDougall & Oviatt, 1994, 2000, 2005; Zahra, et al, 2000.
- ***Internationalization of SME companies:*** Sharma & Blomstermo, 2003; Rialp & Rialp, 2001; Holmlund, et al, 2007.
- ***Networked business approach and network based growth models:*** Wills-Johnson, 2008; Hoffman & Schlosser, 2001; Vachani, 2005; Welch, 2004; Gulati, et al., 2000; Gulati, R., 1998; Parkhe, 1998; Rainer & Österle, 2011).

Business networks are shown as an enabler of business development and growth in most of the above listed pieces of literature. From internationalization point of view it is seen vital, for not only company growth, but also SMEs survival: It can be one of the profitable growth strategies for a small company that wants to become international and still avoid the biggest risks of investment failure. (Welch, 2004; Roberts, 1999; Frances & Frei, 2008)

Network driven approach to internationalization is also supported by the evidence found in the Uppsala Internationalization Model Revisited article, where the concept of “Insidership” was introduced. This is a concept where a firm that is well established in a network is an insider. It is also concluded that it is via this insider type of relationships that firms learn and build trust and commitment – the essential elements of the internationalization process. Also knowledge sharing, enables stronger ties and commitment between client and company internationalizing. (Johanson & Vahlne, 2009)

Also prevailing were the changes due to digitalization and globalization, two megatrends driving the change in the whole global domain. From the economics theory point of view, one can point out an interesting factor, that business networks can create a significant impact on company growth. This can be seen when comparing the more traditional cost-based theory and resource-based theory, to the more modern knowledge based theory. (Grant, 2002; Eisenhardt & Schoonhoven, 1996). This comparison indicates, that both from the theoretical and scientific research point of view, there is a shift from traditional cost and resource based business models and structures regarding internationalization of an SME company and consultancy business, towards new network driven models. (Gulati, R., 1998)

From the literature and theory point of view it can be argued, that there can be seen a trend supporting a change in the way business could be conducted successfully in the international domain by an SME, for example by using knowledge driven networks and networked business models. However it must be concluded that in the global consultancy industry, the use of business networks is especially vital for the companies that are operating in the middle market segment, and are mostly new to the consultancy market. In other words these companies are new actors within the global consultancy market or an existing contender renewing their business model or operational model?

## 1.5 Delimitations

From the limitations point of view, the study concentrates on SME internationalization and the positive effect of network for consulting company, excluding internationalization of large companies and network effects for big companies. Also so called Born Globals are excluded from this study, i.e. the rapid growth and high risk and quick investment seeking companies are out of the focus. In relation to networks and network theories this paper limits its view on intercompany and partnership relations. In other words looks deeper into companies dealing with each other in an international business domain. All the sociological and psychological network theories are excluded. Business case Fintra is used as an example, as an example and a practical comparison of theory and research into actual business context. Fintra business case also limits the research to SME management consultancy companies operating on an international domain, excluding the large sized global companies from this research.

## 1.6 Theoretical framework

Below is a construct of the framework of different theories investigated and applied in this thesis paper:

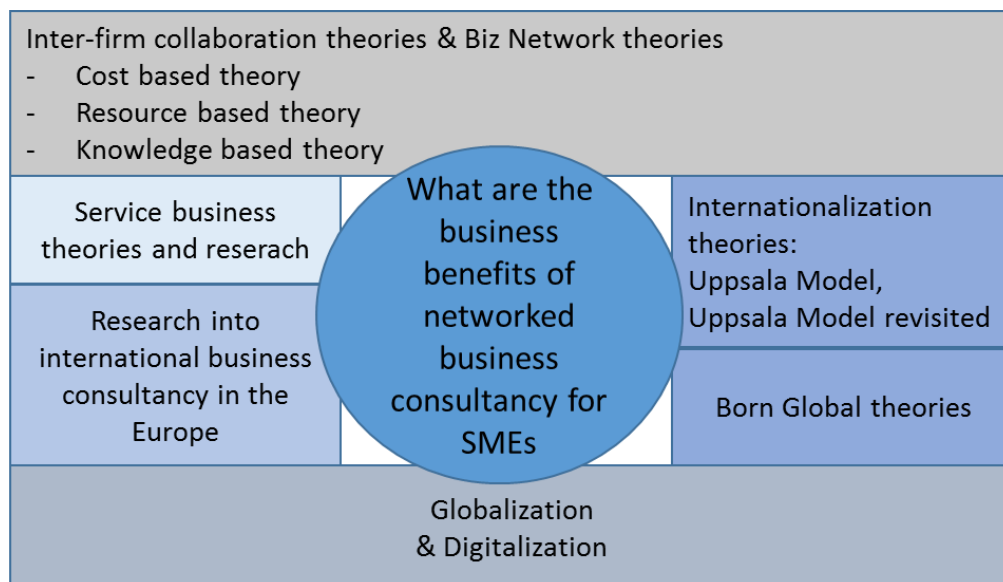


FIGURE 1. Theoretical framework of the thesis

Selected theories deal with the issues of; internationalization of SME business, successful SME business growth, networked business models and business consultancy theories. The above illustrated theories were selected, in order to formulate relevant ques-

tions for the face-to-face interviews, as well as creating a framework for the analysis of the results of this study.

The two underlying megatrends of globalization and digitalization were also taken into the account, due to the vital role regarding the successful business growth. They also create a basis for comparing the other theories in relation to the research question. The economics theories of cost based, resource based and knowledge based views of the firm are included when assessing the change regarding SMEs conducting international business and driving growth through networks.

### 1.7 Structure of the thesis

The chapter 2 of this thesis deals with the theories and research behind business networks and business to business services in relation to successful internationalization. Chapter 2 also outlines the challenges and situation regarding the management consultancy industry. Then a deeper look is taken into the networked business theories as success factors in SME internationalization in chapter 3. Chapter 4 deals with the market study conducted for this thesis. Study is based on the theories and topics outlined in the previous chapters. Finally the results and findings, and conclusion are drawn in chapters 5 and 6. Below can be found the outline and structure of the Thesis:

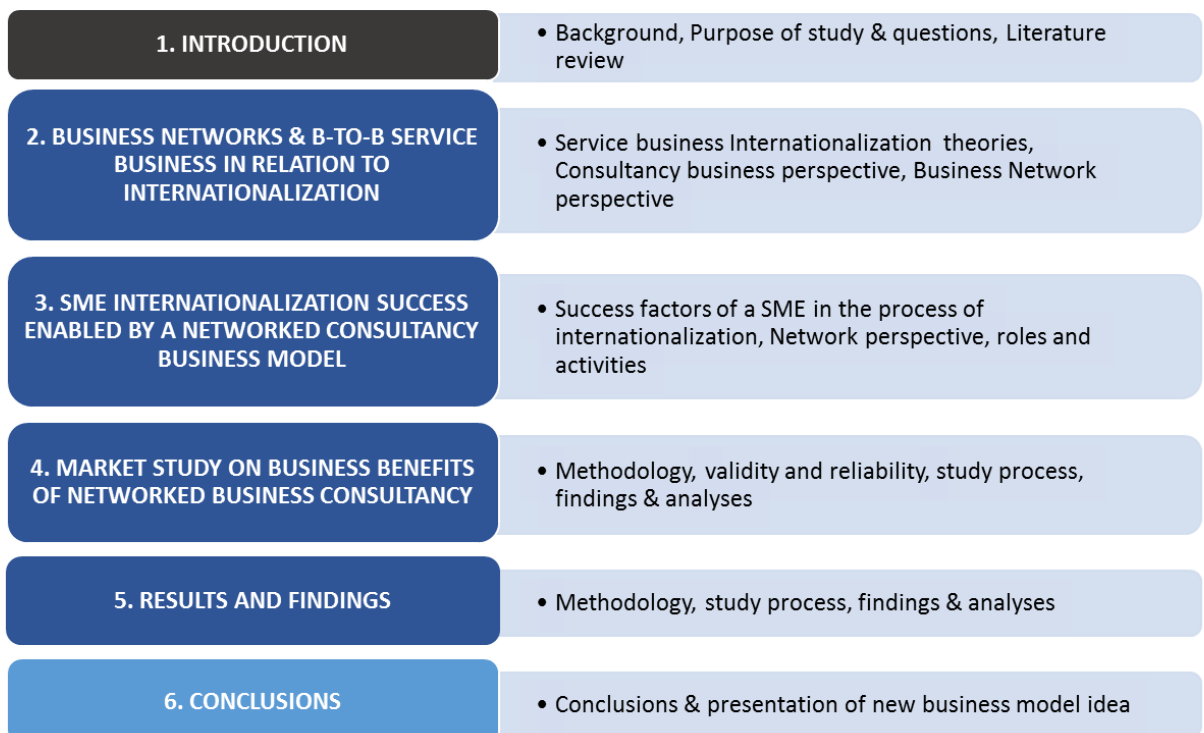


FIGURE 2. Outline and structure of the thesis.

## **2 BUSINESS NETWORKS & B-TO-B SERVICE BUSINESS IN RELATION TO INTERNATIONALIZATION**

This chapter links different theories and facts dealing with service business and consultancy business to internationalization and business network theories. The relationships between internationalization process of SME's and service business growth and networked models are discussed.

### **2.1 Internationalization theories behind service business**

It has to be concluded that up to this date the international expansion of B-to-B service firms, especially SME's is not widely researched subject. The traditional internationalization theories such as the Uppsala Theory of Johanson & Vahlne from the 70's concentrated on the international expansion of large manufacturing firms and described the internationalization process as a step by step process of four stages: includes four stages. (1) no regular export activity, (2) selling via agent, (3) sales subsidiary, and (4) production subsidiary. This model also suggested that a company first seeks to internationalize to "physically close" markets, meaning nearby markets which they have prior knowledge of and once committed and invested in these markets through the learnings of doing business there, they can seek so called "physically distant" markets. (Johanson & Vahlne, 1977)

The revisited Uppsala internationalization model (Johanson & Vahlne, 2009) and other research into service business related internationalization models suggest, the international expansion of service business is often varied and complex and as research indicates the internationalization process of a service company is often unsystematic, and ad hoc (Wood & Zheng, 1998). However there are some models of expansion of service business, concentrating on the B-TO-B service business and excluding the Born Global firms, such as Robert's five stages in the internationalization of B-to-B-service firms: (1) provision of services to domestic clients only (no exports), (2) provision of services to foreign clients in the domestic market (domestically located exports), (3) provision of services to foreign markets through embodied service exports, trans human exports and Wired exports, (4) establishment of a presence through which to deliver a service largely produced in the domestic market (intra-firm exports), and (5) establishment of service production facility in the overseas market. (Roberts J., 1999)



Coviello and Martin 1999, found that both firm resources as well as external stimuli influence internationalization decisions of B-to-B-service firms. They outlined the following company resources important in international expansion of B-to-B service company: specialized knowledge based on nature of services, acquiring professionals with international experience, networks of formal and informal relationships, desire to minimize and spread risk, changes in organizational structure, and increased management experience. Other important factors included; external stimuli cover, lack of domestic growth due to competitive domestic market, government trade initiatives, host government regulations, client requirements and client following, foreign market size and growth rate, and geographic location. (Coviello & Martin, 1999)

International expansion of a B-to-B Service based company, is also often related to client following, the act of moving offshore to serve the foreign affiliates of a home country client (Welch, 2004). A process where a service company starts its internationalization by following its clients to foreign markets. This process in turn requires different type of knowledge in comparison to more traditional firm internationalization. The next stage after the client following has been proven to be the change of serving the international operations of domestic clients, to serving foreign clients. A shift also proven empirically by Coviello and Martin's 1999 study of the internationalization of engineering consulting firms.

Client following tends to have implications for the internationalization process of service firms, including decisions about market selection and development, entry mode choice, timing of entry, degree of market commitment and market knowledge. Company needs to early acquire specific information regarding the value chain, competition and business culture of the particular business domain, in order to be successful in serving their clients in the local context. It also suggests the importance of 'networking' motives for and processes of internationalization, in order to acquire this important data and info early on. (Coviello and Martin, 1999).

By comparing the above mentioned theories and research regarding the internationalization of b to b service companies one can conclude, that the successful expansion of B-to-B service corporations involve elements of knowledge and know-how sharing as well as display the relevance of using business networks and networked business models.

## 2.2 Consultancy business perspective

As stated by the Harvard Business Review (later HBR) in their 2013 article “Consulting on the Cusp of Disruption”, there is a change occurring in the field of international consulting, both from the service development and internationalization mode point of view. This change especially present in the SME consultancy businesses having the ability to expand and grow internationally in order to serve their clients’ needs, enabled by digitalization.

The global management consultancy (later MC) business has been growing steadily over the last years, even the forecasts and market sizes vary depending on the source and segmentation of the market itself. Below can be seen a graph illustrating the growth of the industry 2011-2015, prepared by a US based analyst firm Kennedy Consulting Research & Advisory, 2015:



*FIGURE 3: Global consultancy market size by Kennedy Consulting Research & Advisory. As displayed in the webpage: <http://www.consultancy.uk/consulting-industry/global-consulting-market>.*

According to Kennedy the size of the global MC market size worth is more than 209 bn €s and with a forecasted growth of 4,5% for 2015. Largest market being EMEA (Europe, Middle East, Africa) region worth 85 bn €. From a country perspective the US is with a distance the largest market, #2 and #3 are the UK and Germany. Looking at

growth rates, Latin America and Asia show the largest growth potential, while North America is expected to grow the least.

Based on the FEACO, 2011-2012 survey the Finnish consultancy business saw a 14 % growth rate in the 2011, however mainly coming from the larger consultancy business segment. The trends in the MC industry in Finland can be stated as follows:

- Business consultancy dominates the market.
- The consultancy daily fees have been reduced.
- Larger consultancy companies have grown the most and have turned the best profitability.
- There are new consultancy companies emerging especially in the sector serving SME clients. (FEACO, 2012)

Relating to the above trends regarding Finnish MC Market one could conclude, that the SME consultancy companies need new ways to operate and seek growth from the international markets due to the slowing business in the domestic markets. What is not seen from the above analyses were the effects of the continued downturn of business during 2013-2015, which in turn added to the difficult market situation in Finland and had a negative impact especially in the profitability of MC companies.

Recent trends according to EUROSTAT, 2014 in the field of a management consultancy in Europe and beyond:

- Management consultancy is a rapidly changing world. New players, disciplines and capabilities are continuously being integrated into the business field.
- Internationalization of services is a norm and management consultancy trade is becoming a global network of businesses, covering a wide spectrum of areas.
- The biggest challenge of management consultants is to be able to convert the global change of business into an advantage for their clients.
- The consulting industry itself is facing a variety of new players and services that enter the industry and causing even some long-established players and familiar names to disappear or become condensed through mergers and acquisitions.
- New financial structures have developed being indispensable for continued competitiveness and leveraging capital markets away from the traditional partnerships.
- With ongoing processes of Europeanisation and globalization, management consulting companies have to think big and smaller companies are obliged to look

for partners and develop networks to be in a position to achieve the internationally oriented ambitions of their clients. (EUROSTAT, 2014)

Based on recent studies and surveys the following changes impacting the management consultancy business can be listed:

- Digitalization of services and products (EUROSTAT, 2014; Harvard Business Review, 2013).
- New disruptive business models enabling international growth (Harvard Business Review 2013; EUROSTAT, 2014; FEACO, 2011-2012)
- Rising new types of Middle sized and Small consultancy businesses. (Harvard Business Review 2013; EUROSTAT, 2014; FEACO, 2012).
- Price eruption of services (e.g. clients pay less). (Harvard Business Review 2013; EUROSTAT, 2014; FEACO, 2012).
- Availability of free information and advice (One example of this being Finpro ry in Finland, offering free advice services for companies going international: [www.finpro.fi](http://www.finpro.fi)).
- Networks of individual experts and consultancies offering a wide arrange of services.

The above mentioned trends and changes impacting the management consultancy industry, doubled with the global downturn in business, can be seen as main drivers for the development of new and agile ways to conduct consultancy business in a networked setting. Networks and networked business models being especially important due to pressure on profitability and globalization of business and specialized client needs. This been great news for the newcomers to the industry or existing players willing to change, and having the capability to develop new business models and services. (HBR, October 2013; Kipping & Kirkpartick, 2005)

### **2.3 Business Networks as a driving force in internationalization & digitalization**

There are several theories regarding business networks and business relations through the use of business networks (e.g. Gadde and Mattsson, 1987; Anderson et al., 1994; Wills-Johnson, 2008; Hoffman & Schlosser, 2001; Vachani, 2005). For the purpose of this study the business network perspective is limited to the use of formal business rela-

tions in a networked way and in an international context, in order to acquire either relevant knowhow, knowledge and or client or partner relations.

Business Networks have an important role in the successful internationalization of a service business and business consultancy, especially from the SME point of view. This is present especially when a firm acquires knowledge about business opportunities through its business networks (Sharma and Johanson, 1987). Sharma and Johanson, 1987 view the relationships within these business networks as the most important asset of the firm in a process of internationalization. Uppsala revised model provides a basic theory to understand the networked approach in internationalization of a company:

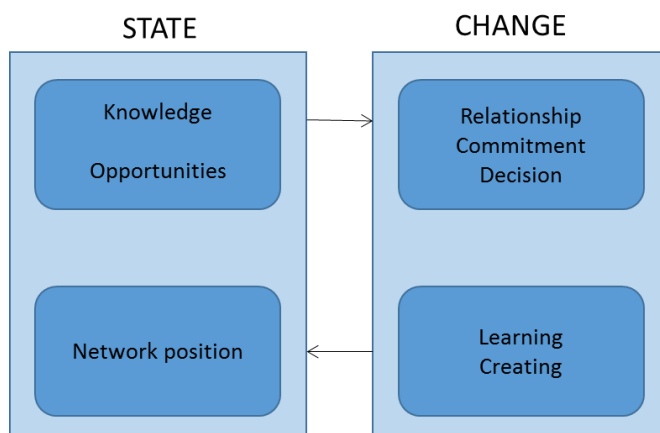


FIGURE 4. Adaptation of the Uppsala revised model by Johanson & Vahlne, 2009.

This model justifies the internationalization of companies, in a network context, based on the interaction of two dimensions include state and change. State variable refers to long-term variables that they facilitate internationalization and changing aspect points out to short-term variables or daily activities, which support them (Johanson & Vahlne, 2009).

Taking into account the previous network based theories, such as Uppsala revised model by Johanson & Vahlne, 2009 or Sharma & Johanson, 1987 there can be found a direct correlation to the market study conducted (see chapter 4). Which found out that at a company looking to expand internationally and lacking resources to do so, can acquire the knowledge and extra resources needed through the proper application of professional or expert networks. This would in turn indicate that the use of business networks as a growth model for a consultancy company offering service in the international domain, should be considered viable in the light of research and theory. Additional support to the

aforementioned view, can be found in analyses of the market study conducted in relation to the Fintra business case presented in this thesis. (see chapters 4 and 5).

Networking from the technological point of view is well illustrated in the book *Business Networking: Shaping Collaboration Between Enterprises*. According to the book throughout the history 5 different stages of Business Networking can be identified. The stages are due to the development of the computerized world and start from the 70's. The stages can be clearly seen in the below picture, and give a perfect illustration of the evolution to effective business networking and collaboration through technological advantages.

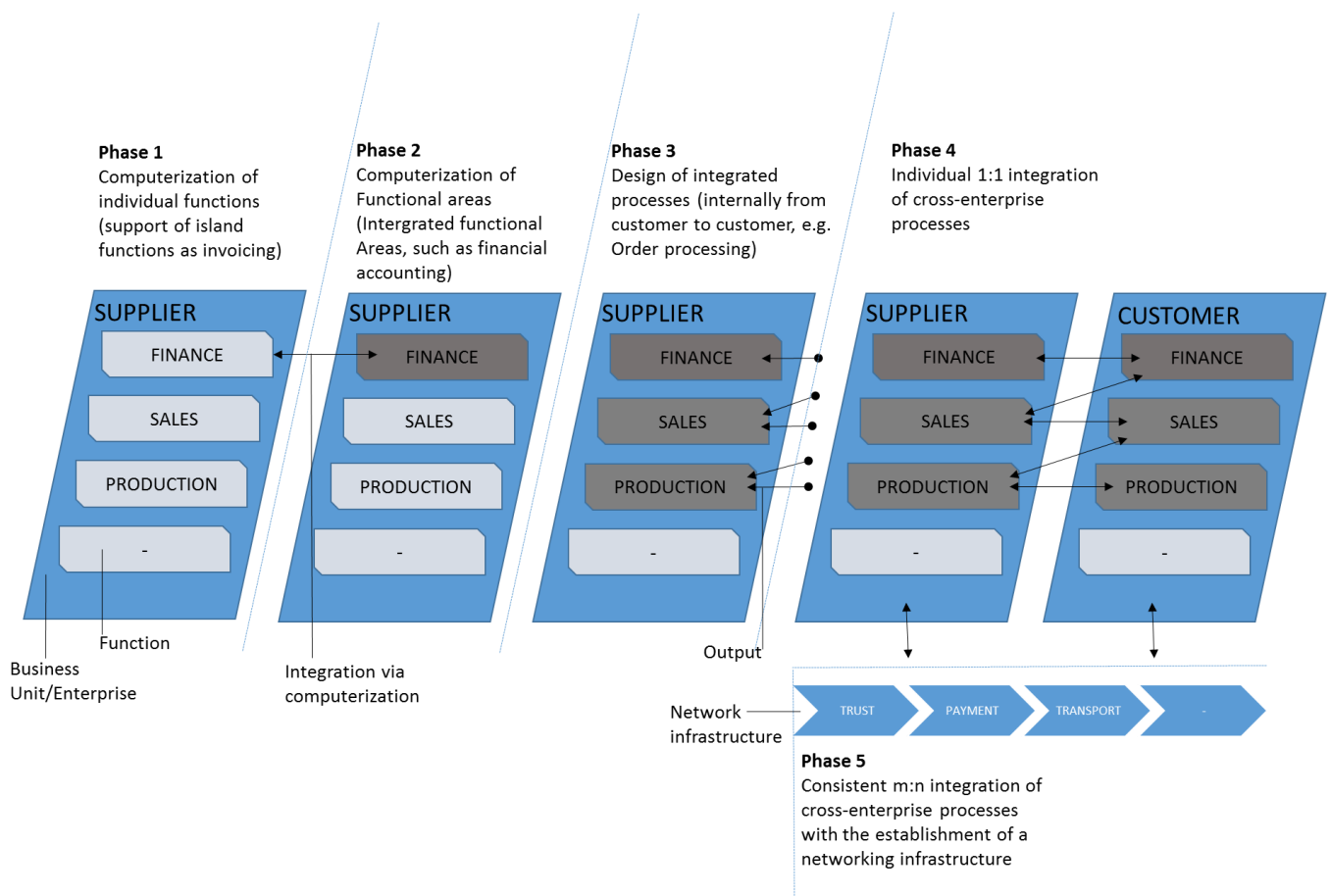


FIGURE 5: Adaptation of an illustration in *Development of Business Networking* (Österle & Rainer, 2011).

If looking deeper in to the fifth stage and taking into the account the Megatrend of digitalization, the basis for efficient use and application of a technology driven network construction, in order to both serve client's and drive international growth. This is enabled by the evolution of cross-enterprise processes and unified business processes, empowered by digitalization. This type of network mode and networked operations are

best utilized by SME's operating in the international domain, and especially by the B-to-B service companies. They often face a situation where resources and knowledge is scarce, and proper application of cross-enterprise technology can provide a platform and channel to overcome these challenges.

### **3 SME INTERNATIONALIZATION SUCCESS ENABLED BY A NETWORKED CONSULTANCY BUSINESS MODEL**

Chapter 3 deals with SME success factors regarding internationalization and networked business perception and models. Chapter also discusses the relevance and link between three different economic theories, in relation to the internationalization process of SME and networked business models.

#### **3.1 Success factors of a SME in the process of internationalization**

According to a study on removing barriers to SME access to international market by OECD-APEC, 2007-2008, major factors influencing the successful internationalization of SMEs can be listed as follows:

- **Shortage of working capital to finance exports.** Limitations in finance and related physical resources have continued to be highlighted as a leading barrier to the internationalization of SMEs. This being true especially in Finland where the government support systems and financing bodies tend to finance product development and R&D over market expansion and international growth.
- **Limited information to locate/analyze markets.** Inadequate knowledge of overseas market also emerged as a top barrier in a recent study of Australian firms (EFIC, 2008). In Finland there is a lack of internationalization know-how and target market knowledge are limiting SME international growth.
- **Inability to contact potential overseas clients.** Recent surveys also reinforce the importance of this barrier. Among the studies reporting relevant evidence are separate UK research by Crick, 2007, and Kneller and Pisu, 2007. Crick, 2007 highlighted the difficulty of locating/obtaining adequate representation in target export markets while the other two studies identified finding an appropriate foreign market partner as a key impediment to the internationalization of the SMEs studied. In Finland one of the main problem in terms of international client contact and acquisition are lack of skills in international client relations and sales skills as well as lack of communication.
- **Lack of managerial time, skills and knowledge.** Difficulties arising from limited managerial knowledge base emerged as a top barrier to SME internationalization in several recent surveys.



Therefore it becomes quite apparent that the right type of advice and consultancy services for SME companies seeking international growth would be beneficial in the process of removing the barriers of growth and enabling internationalization success.

Below a table illustrating the before mentioned barriers, compared to the potential benefits and opportunities from the point of the networked consultancy business enabling the growth of SME's. This table is constructed from the point of the Finnish internationalization MC consultancy.

<b>Table 1. Barriers ranked by SMEs using the top ten ranking method Rank – Weighted factor</b>	<b>Description of barrier</b>	<b>Potential benefits/opportunities from the point of a networked business consultancy</b>
1	Shortage of working capital to finance exports	Saving of costs through subvented and supported consultancy work (e.g. ELY or TEKES in Finland)
2	Identifying foreign business opportunities	Availability of local knowhow and business experience through a network of consultants and experts
3	Limited information to locate/analyse markets	Shared knowledge of a team consisting of internationalization and industry experts as well as local business knowhow
4	Inability to contact potential overseas clients	Local contacts through a consultant network
5	Obtaining reliable foreign representation	Local representation through a network of reliable and skilled consultants
6	Lack of managerial time to deal with internationalization	Outsourced consultancy process and project management process.
7	Inadequate quantity of and/or untrained personnel for internationalization	Network of experts and consultants with adequate knowledge
8	Difficulty in matching competitors' prices	Localized offering and pricing
9	Lack of home government assistance/incentives	Experienced consultants with government contacts and relevant knowledge
10	Excessive transportation costs	Local representation without having to send your own personnel to location

*TABLE 1. Barriers of internationalization versus potential benefits/opportunities from the point of networked business consultancy.*

As presented in the above table it is likely that there would be a need for agile and network based consultancy services reaching to several global markets and having local representation and partners to carry out the needed work for clients. This statement is further supported by the findings in the market research conducted for this thesis. (see chapters 4 and 5)

### 3.2 Networked business as a competitive factor

As a basis of network based business theories and models, one should look into the three recognized economic theories, which each have been built and developed from the latter. These three economic theories are: 1) transaction cost theory 2) resource-based view and 3) knowledge-based view of a company. Each theory was developed on and built on by the previous one. (Grant, 2002; Eisenhardt & Schoonhoven, 1996). When reading on research and articles dealing with these models, one can find a direct link to the networked business perspective and models. However it has been argued that whether or not the Knowledge-based theory of the firm actually constitutes a theory at all. See for example, Foss, 1996 and Phelan & Lewin, 2000. According to one notable proponent of the Knowledge-Based View of the firm (KBV), “The emerging knowledge-based view of the firm is not a theory of the firm in any formal sense” (Grant, 2002, p. 135). The knowledge-based view deals with the subject of “new economy”, and application of the net and networks in competing in global business, making it relevant in the context of this Thesis. (Grant, 2002). The three theories explained:

- 1) **The transaction cost** approach to the theory of the firm was created by Ronald Coase in 1930s. Transaction cost refers to the cost of providing for some good or service through the market rather than having it provided from within the firm. Coase describes in his article "The Problem of Social Cost" the transaction costs he is concerned with:

In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on.

More succinctly transaction costs are:

- search and information costs
- bargaining and decision costs
- policing and enforcement costs

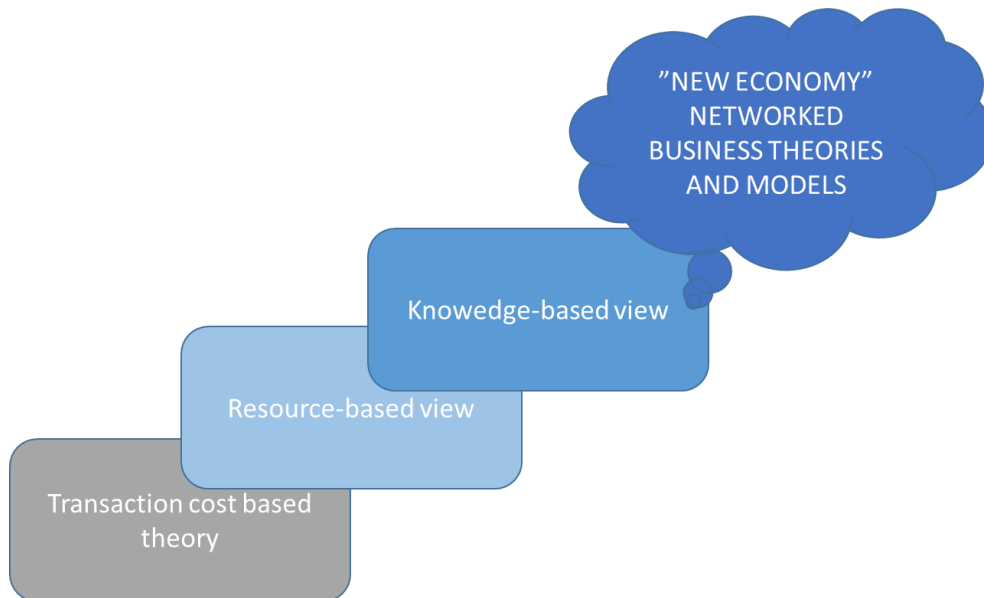
**2) Resource-based theory (or RBV).** RBV a model that sees resources as key to superior firm performance. If a resource exhibits VRIO attributes, the resource enables the firm to gain and sustain competitive advantage.”

RBV is an approach to achieving competitive advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, B. (“The Resource-Based View of the Firm”), Prahalad and Hamel (“The Core Competence of The Corporation”), Barney, J. (“Firm resources and sustained competitive advantage”) and others. The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. (Eisenhardt & Schoonhoven, 1996)

**3) knowledge-based view of the firm** considers knowledge as the most strategically significant resource of a firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. Cole (1998) considers that together with traditional resources (Land, Labour and Capital) knowledge is a determinant element of the firms and nations competitiveness.

How then the previously mentioned theories are connected to network perspective, or the efficient use of networked business models in SME context? It has been researched that a well-constructed social networks promote trust and reduce transaction costs in several ways for a company, this comes to effect e.g. through rapid sharing of vital information and knowledge and trusted partnership operations. (Gulati et al., 2000) Factors which are proven to enable and play an important part in the successful internationalization of a SME. (Gulati et al., 2000; Hoffman & Schlosser, 2001) This being true especially in the knowledge based theory, where the shared knowledge and the right timed use of the right knowledge become key factors in the success of a firm. It has been proven that networked models, when used correctly are one of the most efficient ways to gain and utilize knowledge. (Gulati et al., 2000; Hoffman & Schlosser, 2001;

Parkhe, 1998) Therefore one could argue that there could be a connection through the development of these three theories, from the traditional single firm and cost based point of view into gaining competitive edge through knowledge sharing within a networked setting, as illustrated in the picture below:



PICTURE 1. Development and relationship of theories into networked “new economy”.

### 3.3 Networked perception and networked models

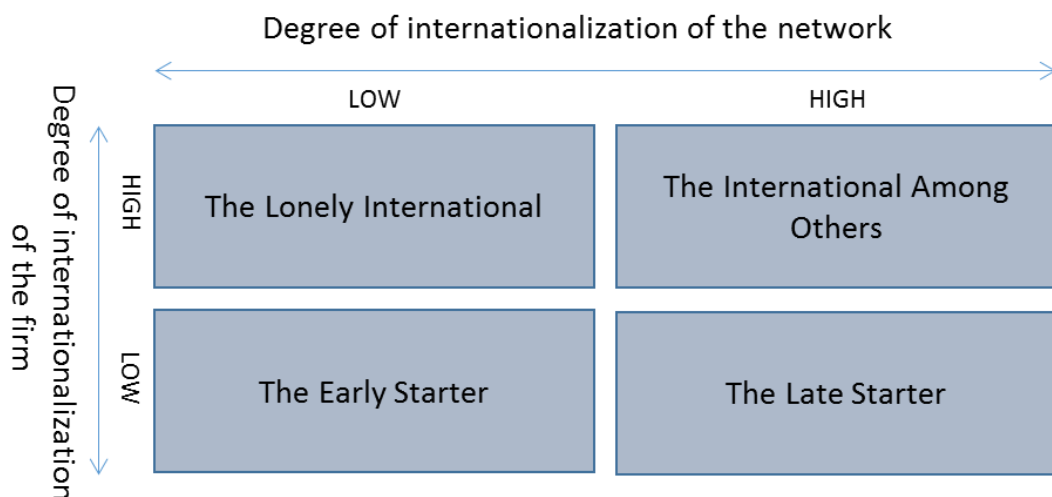
It becomes very important to know how to build right type of incentives for the network to operate efficiently and to share knowledge rather than just take the commercial wins and run. This is true especially when operating in a networked business consultancy setting, where each member of the network is a single entity or business unit operating within their own market. (Parkhe, 1998)As stated in the results of market expert interviews (chapter 4), there needs to be other than monetary incentives for the sufficient and long term success of a business network model when serving one single client and enabling their success. One of these incentives being the right knowledge and knowhow and how it is shared and made visible and used as a competitive tool.

One also needs to understand each of the network partners’ own linkages and motives, weather they co-operate or compete with the existing alliance and agreement. For example; what are the similarities and dissimilarities of firms operating in the same relational space? How can these two firms operating together be more than operating on their own? (Gulati et al., 2000). Therefore it can be stated that the traditional networking

models based on revenue sharing and purely monetary incentives can be limited in their success. (Parkhe, 1998) A new types of partnership methodologies and or models needs to be put in place in order to ensure and enable the mutual focus and interest of co-operation. Therefore there is supportive academic evidence for developing or building a new partnership model, which takes into account both the role division, rules and common procedures for the benefit of one single client. (Gulati et al., 2000).

Careful strategic planning and good partnership preparation are essential for alliance success, but the full value of the partnership has to be developed as it evolves. Building on previous collaboration success, SMEs should cultivate their partnerships to fulfil their potential for value creation. This requires professional management and partnership governance tasks for which many SMEs still lack knowledge and experience. (Hoffman, W., Schlosser, 2001). SMEs are characterized by tight resources, which puts them in particular jeopardy from increasing globalization and rapid technological change. One might expect that SMEs would draw extensively on alliances to overcome their resource shortages and increase their viability in difficult times.

One way to look at the networked internationalization is through the Network-based Internationalization Approach. This model is presented and developed by Johanson and Mattson, 1988:



PICTURE 2. Network-based internationalization approach adopted from Johanson & Mattson, 1998.

**Early Starter:** Company operating in a market that its suppliers, competitors and its other cooperative companies have a few international relationships and the firm also does not have access to information about global market (Johanson & Mattsson, 1988).

**Lonely International:** suppliers, competitors and other co-operative companies of this kind of companies are without direct access to the international market. They cannot get direct assistance in the foreign market, but own enough own experiences and knowledge about international market, which can be used in internationalization activities. (Johanson & Mattsson, 1988).

**The Late Starter:** these firms are in an environment, which competitors, suppliers and cooperators have widespread international relationships but the company does not have enough knowledge and experience about foreign activities. In fact, these firms have indirect relationships with foreign partners via their competitors, suppliers and cooperators. Lonely starters have a weaker position than their competitors and building a tight network is very difficult for them (Johanson & Mattsson, 1988). International among Others: when the firm and its environment are highly internationalized, this position is shaped. In this position, both firm and its external actors have enough experience and knowledge about international markets. In this position, companies can have tight networks, which provides external resources and enables them to enter to third countries via cooperative strategies (Johanson & Mattsson, 1988).

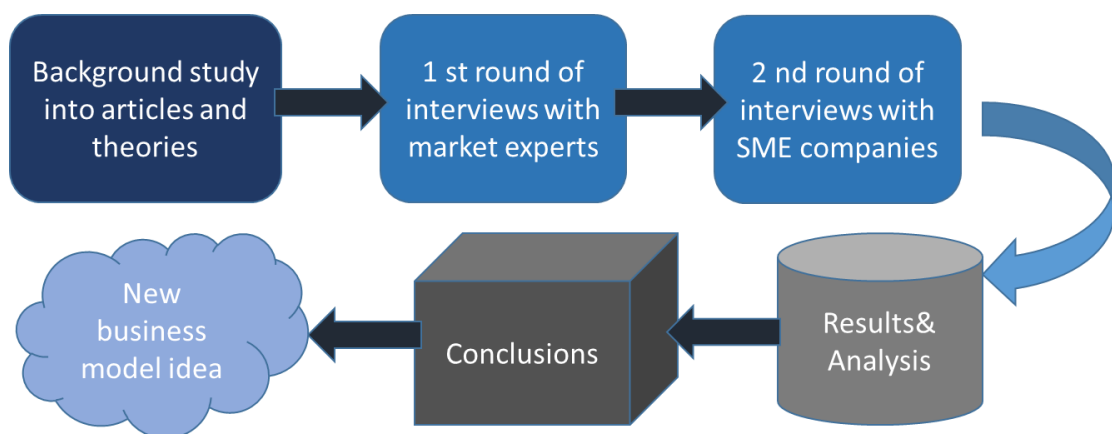
The most efficient network relationships are built on trust by using the right type of incentives, sharing knowledge and knowhow and focusing on a common client. These elements create a groundwork where a good network based business model can be built on. There are useful frameworks for companies to use, in order to develop such a business model, e.g. the above illustrated network-based internationalization model by Johanson and Mattson, 1998. This framework also highlights the challenges that are facing a SME going international. The common nominator again being the sufficient information and knowledge and contacts in the foreign markets.

## 4 MARKET STUDY ON BUSINESS BENEFITS OF NETWORKED BUSINESS CONSULTANCY

In this chapter theory is put to practice, through a market study which was conducted based on the literature review and relevant theories investigated. Market study comprises of background study and two rounds of in-depth face-to-face qualitative interviews. The results of this market study are then compared to and reflected on theoretical framework in chapter 5, in order to draw the conclusions in chapter 6.

### 4.1 Methodology

The process of the market study is outlined as follows:



PICTURE 3. the market study process.

Qualitative research offers a chance to develop an increased understanding of complex and multidimensional issue in a specific context. Case study is an observation of real-life events that are not controlled, the aim being to understand current and complex social phenomena through the posing of “How” and “Why” questions (Yin, 2003).

The research for this report was conducted through qualitative research in form of in-dept. interviews. In order to produce reliable results and ensure the validity of research, the research was conducted in three different levels: First the background research of the main concepts and topics in relation to the main research problem, second the market expert in depth interviews and finally client in depth-interviews. The background research was conducted in order to get a deeper understanding of the underlying topics

and theories involved, and to be able to formulate the in-depth interview questions in relation to the theory. The idea was also to be able to compare and relate the theoretical topics and concepts to the actual findings from the interviews.

Qualitative research was selected as a methodology for this research, in order to develop a holistic approach that involves a discovery (Creswell, 1994). The use of qualitative research is also supported by the fact that the purpose of this research was to add value and insight into an actual business case. The decision to use qualitative research is also supported by the fact that it can be described as an unfolding model that occurs in a natural setting that enables the researcher to develop a level of detail from high involvement in the actual experiences (Creswell, 1994).

Leedy & Ormrod, 2001 alleged that qualitative research is less structured in description because it formulates and builds new theories, this being supportive in discovering new type of methodologies or business systems for serving the end-clients better. Client success and benefit creation are the business goal behind the research project, thus the qualitative approach serves the targets well.

#### **4.2 Validity and reliability**

Yin, 2003 suggests four methods for ensuring reliability and validity of a qualitative study research: Construct validity, internal validity and external validity measure the validity of the study, while replicability shows the reliability of the research.

Construct validity is established if the operational measures for the concepts of the study are relevant to the objectives of the study (Yin, 2003). In this study the concepts researched were in direct relation to the objectives of the study, supported by the use of an actual case study example. Internal validity means explaining the causal relationships that emerge in the study (Yin, 2003). One of the study's main goals is to answer the specific the established research problem and research questions. In this study the main research question and problem is answered through constructing two sets of in-depth interviews including 3 clients and 3 market experts, to insure the deeper and multidimensional understanding of the topic. The actual research questions are answered in the following chapters, where also the final solution suggestion for Fintra case is explained.



External validity means establishing the domain to which the findings could be generalized (Yin, 2003). The problem with cases studies in general is that the results as such cannot be generalized to other populations since they are based on a specific set of variables in a specific environmental context, but it is possible to make analytical generalizations, i.e. generalizations in terms of theoretical propositions based on case studies (Yin, 2003). A relevant way for ensuring external validity of this study is by conducting 2 sets of 3 different interviewees, representing the relevant population of both market experts and consultancy clients. These 6 in-depth interviews were conducted for ensuring a holistic research approach.

Reliability means that other researchers can replicate the study with similar results (Yin, 2003). The in-depth interviews were conducted by the same process, by asking the same questions and recording each of the interviews. The gathered data was then inputted to a table and similarities and differences of the answers were analyzed. Interview methods, timetable, interviewee selections, conducting of interview in practice and the analysis of results are described in details in next chapters.

### **4.3 Research process and timetable**

The research in question was challenging, due to the wide range of different topics and theories behind the main research problem, emphasizing the relevance of focus on a few key topics and concepts. The research was also conducted under tight time constraints and highly dependent on the restricted availability of interviewees. These obstacles were overcome by selecting the most relevant topics in relation to the business case and by using professional and client network.

By first looking into concepts and theories behind the main problem, before conducting the actual interviews added to the quality and outcome of the results. This way the research questions were relevant and more accurate and results more comparable in relation to the overall theories and case study.

From the limitations point of view, the study concentrates on SME internationalization and the positive effect of network for consulting company, excluding internationalization of large companies and network effects for big companies. Also the rapid and high risk requiring internationalization path companies are out of the focus.

## **Timetable & process**

### **January 2015: Background research**

Background research was conducted by studying 29 different academic articles, publications and research papers, during the January and February of 2015. The concepts and topics research, were selected in order to produce a wide framework for constructing of the relevant open-ended questions for the in-depth interviews.

The topic of networked consultancy is overlapping several main academic research streams from internationalization of firm to the network as a competitive advantage of a management consultancy company. In most of the articles network is shown as an enabler of business development and growth. From internationalization point of view it is seen mostly as a vital for SMEs survival: It can be one of the profitable growth strategies for a small company that wants to become international and still avoid the biggest risks of investment failure. More specific list of literature can be found in chapter 1.4 Literature review.

Results from the background research enabled the construction of relevant and valid open-ended questions for the market expert and client interviews. The study also created a groundwork for the analysis of the research data and results formation.

### **February 2015: Research questions**

The main purpose behind the business case in question, is to gain understanding on how to successfully conduct international management consultancy through a networked business structure. The problems with existing models are such as; low profitability when outsourcing the work to private consultants, lack of control of the quality of the work, inconsistent end-results due to different work methodology and cultural differences. There are also problems with the current ways of operational and compensation models of business consultancy. For one, the measurement of the impact of consultancy work in relation to the successful profitable growth of a company is difficult, or even impossibly to quantify. Why would a company buy external consultation and for what end result they would expect from the service? Also how does the company see the end result impacting the success and profitable growth of their business?

Therefore for the purpose of research it became obvious that there is a need to gain a deeper understanding of the different types of international consultancy business models, as well as what type of consultancy is successful and why? In order to meet up with the ever-changing and future demands of the clients internationalizing their business, there was also a need to include topics of different new types of ways of management and internationalization consultancy. The market expert and opinion leaders were interviewed for the purpose of gaining more insight into the problematics with networked business consultancy, and to understand the direction of the business as well as benefits to the Finnish SME companies as a whole. The first-hand information from the clients was gathered, in order to get current and up to date data on the main research question, “What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?”.

**Market expert interview questions:**

What are the main problems and shortcomings of international management consultancy at the moment?

What are the major changes in the market and what are their implications on the international business consultancy?

How to build a sustainable and profitable operating international consultancy?

How to operate the consultancy in order to bring maximum benefit for the globally operating clients?

**End-client interview questions:**

What type of business consultancy or business advice the company has used in order to develop or increase their international growth?

What type of consultancy and advise services the company would need in order ensure profitable growth?

What type of business and other networks the company uses in internationalization of their business?

What type of networks the company would need in order ensure the profitable international growth?

What type of networked business consultancy services should be provided or offered in order to your company grow profitably?

**February-March 2015: Market expert interviews**

The primary data was collected through an in-depth interview with three market experts representing International management consultancy business and Finnish Technology Industries. Market experts were selected based on their academic and professional background in relation to the research problem. The connecting factor between the interviewees was the person's professional experience (minimum of 10 years or internationalization and network management experience, also the management level title was required) of both international business and networked business models. The size of sample was limited due to time constraints, however large enough to get comparable results. Interviews were conducted face to face, by asking open-ended questions in a comfortable and natural setting of the interviewee's choice. The documentation of the interviews was conducted through voice recordings. The interview locations differed from lunch restaurants to board rooms. The restaurant setting proved to be challenging due to the background noise and adding to the challenge of interpreting the recorder interview, but the answers were clear enough to be reported. The report from each interviewee was sent to be approved by interviewee before summarizing them in the table for further analysis. It was done to make sure the answers were understood and reported accurately.

#### **April-May 2015: Client interviews**

Collecting data through a second round of qualitative in-depth face to face interviews with 3 CEOs and executive directors of Finnish SME companies. The companies are in their early stages of internationalization or looking to significant growth globally. The interviewed companies were selected on the basis of the attitude and strategy towards risk taking and profitable growth. In other words they were more prone to international expansion through organic growth and lowering the risk, rather than seeking capital and venture funding from early stage in order to fund high-growth. So called Born Globals (Madsen, Tage K. Et al., 2000) or International New Venture (Oviatt & McDougall, 1994) type of companies, were excluded from this study in order to ensure the focus on profitable growth. The companies selected for the interviews were innovative and new to international markets, but had grown successfully in the domestic market for some time.

Interviews were conducted face to face, by asking open-ended questions in a comfortable and natural setting of the interviewee's choice. The documentation of the interviews was conducted through voice recordings. The interview locations differed from lunch

restaurants to board rooms. The restaurant setting proved to be challenging due to the background noise and adding to the challenge of interpreting the recorded interview.

#### **4.4 Interview research concluded**

The main research question was, “What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?”

From the research results and analysis below can be stated that the benefits for SME’s are both tangible and situational. They are to do with accurate, local and real-time and situational assistance and consultation, in order to ensure the short term profitable growth of the client. In other words, the results from any consultation work need to be quantifiable and immediate. There is a clear need for a local expert or consultant, who can dedicate their time and efforts in behalf of the client by having a needed skillset to access the relevant business domains. Digitalization is also present in all the discussions and results, in form of a tool or enabler of growth. A well thought out partnership model was also an important issue, in enabling trust and credibility.

In relation to the Fintra business case and more accurately to the question on “how to successfully conduct international management consultancy through a networked business structure?”, from the research following can be concluded. There is an indication that a new type of a partner model/ network should be constructed, in direct relation to the end-client needs and by using a flexible on-demand partner network. This model needs to include the following aspects; non-monetary models of co-operation and management, new type of incentives, transparent and through communications and solid project leadership.

## **5 RESULTS AND FINDINGS**

The findings and results of the literature review and theory, combined with Fintra business case and market study resulted in the following findings.

### **5.1 Research findings regarding networked business consultancy as an enabler of international success.**

The main research question of this study was, “What are the business benefits of networked business consultancy for Small and Medium-sized Enterprises?”

From the research results shown in the chapters below, it can be stated that the benefits for SME’s are both tangible and situational. They are to do with accurate, local and real-time and situational assistance and consultation, in order to ensure the short term profitable growth of the client. In other words, the concrete results from any consultation or advice work for a client or business needs to be quantifiable and immediate. There is a clear need for a local expert or consultant, who can dedicate their time and efforts in behalf of the client by having a needed skillset to access the relevant business domains. Digitalization is also present in all the discussions and results, in form of a tool or enabler of growth. A well thought out partnership and networked business model was also an important issue, in enabling trust and credibility as well as ensuring local and accurate knowhow.

#### **Market expert in-depth interview results**

The interview questions dealt with the present and future state of Networked International Business Consultancy, especially concentrating on the weaknesses, strengths and possible client benefits of this type of consultancy operations.

Based on the interviews, the following results can be presented:

EXPERT	INTERVIEWEE 1	INTERVIEWEE 2	INTERVIEWEE 3
<b>What are the main problems and shortcomings of international management consultancy at the moment?</b>	<ul style="list-style-type: none"> <li>- The change within the clients' business and general economic downturn.</li> <li>- Increasing variable costs of business, price erosion, availability of information and increased international networks for the Finnish SME companies.</li> </ul>	<ul style="list-style-type: none"> <li>- High variable costs.</li> <li>- Current modes of co-operation with partner and subcontractors.</li> </ul>	<ul style="list-style-type: none"> <li>- Smaller and more local client projects.</li> <li>- Lack of good incentive models for co-operation with partners and consultants globally.</li> <li>- Lack of trust and visibility of work.</li> </ul>
<b>What are the major changes in the market? What are their implications on the international business consultancy?</b>	<ul style="list-style-type: none"> <li>- Need for cultural and local business knowledge regarding the local markets, clients, partners and mode of business.</li> </ul>	<ul style="list-style-type: none"> <li>- Digitalization.</li> <li>- Changing client needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Digitalization.</li> <li>- Changes and reshaping supply and value chains in business.</li> <li>- Need for new business models and ecosystems. I.e. Large corporations co-operating with smaller/local service providers.</li> </ul>
<b>How to build a sustainable and profitable operating international consultancy</b>	<ul style="list-style-type: none"> <li>- Productization of consultancy work, is vital.</li> <li>- Strong local knowhow.</li> <li>- Combination of industry and local business ecosystem experience and knowhow</li> </ul>	<ul style="list-style-type: none"> <li>- New modes of co-operation with partners.</li> <li>- Qualitative and intangible benefits for the potential partners, in addition to the financial model (communications, learning shared, brand/expertise visible through events and web based tools).</li> </ul>	<ul style="list-style-type: none"> <li>- Trusted partnership models.</li> <li>- Common understanding on the value created to the end-client.</li> <li>- Non-Monetary values and rules of conduct.</li> <li>- Healthy co-dependence.</li> </ul>
<b>How to operate the consultancy in order to bring maximum benefit for the globally operating client</b>	<ul style="list-style-type: none"> <li>- Professional project management and leadership.</li> <li>- Digitalization</li> <li>- Tangible and understandable work and results.</li> </ul>	<ul style="list-style-type: none"> <li>- To be a trusted partner in development and growth.</li> <li>- New lean and agile digital services in order to serve the clients changing needs.</li> </ul>	<ul style="list-style-type: none"> <li>- New and innovative business models.</li> <li>- Digitalization.</li> <li>- Leadership and team formation in a new way.</li> <li>- Ecosystem and platform usage as part of business growth.</li> </ul>

TABLE 2. The findings of expert interviews.

Based on the results shown above, it is not enough trying to do develop the existing business models and operations. In fact it seems that there is a need to utilize the change within the industry, in order to build completely new ways to work and operate. This statement is also supported by the theory presented in the earlier chapters of this thesis. From the results can be seen a clear client driven need, for restructuring old types of international consultancy business methods and creation of new type's business models (Christensen, et al., 2013; Vachani S., 2005).

The type of business networks and ecosystems used are changing, due to the erosion of industry silos as well as merging and blending of different industries globally. This in turn puts a lot of pressure for internationalization consultants, in connecting to other ecosystems and networks outside of their traditional domain and expertise areas. The emergence of new types of international management consultancy businesses will cause disruption, and reshape the market. Eventually this change will create new growth for the business sector (Christensen, et al., 2013). Networked consultancy models need to be agile in operations, and based on intangible and value driven business models, even more so than purely concentrating on monetization models. These intangible topics include larger client offering, shared knowhow/knowledge and visibility, brand development and marketing (Cannatelli & Antoldi, 2010).

Based on these results one could conclude, that there is a need for business consultants to find new ecosystems and methodologies for enabling strategic partnership between big multinational corporations' and smaller specialist service and technology companies. Cultural differences (language and meaning) still remain as one of the main bottleneck in leading and operating an international business consultancy. However to prove this hypothesis right, more extensive research would need to be conducted.

With trusted partnership network models, one can assure that each operator and consultant will eventually receive more than operating alone (Gulati et al., 2000). The benefits can be in form of learning, new business or even new innovations or new services for clients. As stated by previous research (chapter 3.2), and supported by the evidence in TABLE 2 (The findings of expert interviews), non-monetary incentives are vital in successful operations of business networks and alliances alike. One way suggested by the research is to use so called "barter of services" and shared knowhow, through e.g. common research projects. According to the study it is vital to understand the common and mutual business benefit behind the actual business partnership, in other words recognize the benefits to the common business client. Also it can be noted that most businesses traditionally operating in the business to business domain, are now moving closer to consumer or people driven business, which is supported by several observations from consultancy business as well as companies operating in B-to-B service business.

The need for digitalization, especially focusing on new ways to network with potential business partners and clients, is also evident in the TABLE 2 findings. These findings in



turn and are supported by the theories presented in the chapter 2, dealing with the usage of business networks as enabler of SME internationalization efforts and chapter 3, where new type of network models are enabled through the digitalization and Development of Business Networking (Österle & Rainer, 2011).

### Results regarding internationalization of an SME

Client in-depth interview results and analysis gave more insight into the potential benefits and challenges in terms of successful internationalization of an SME, and relevance of network- based management consultancy as part of their success.

	INTERVIEWEE 1	INTERVIEWEE 2	INTERVIEWEE 3
<b>What type of business consultancy or business advice the company has used in order to develop or increase their international growth?</b>	<ul style="list-style-type: none"> <li>- Strategic consultation and guidance</li> <li>- Process and quality driven consultation</li> <li>- Social media consultation</li> <li>- Operational consultation in a local market,</li> <li>- Personnel training</li> </ul>	<ul style="list-style-type: none"> <li>- Offering development and packaging of services.</li> <li>- Market research and interviews with local clients and potential partners.</li> <li>- Local representative or specialist/consultant in the target market has opened up client cases and supported the sales process.</li> </ul>	<ul style="list-style-type: none"> <li>- Market research industry specific.</li> <li>- Partner search help.</li> <li>- Sales and project support.</li> </ul>
<b>What type of consultancy and advice services the company would need in order ensure profitable growth?</b>	<ul style="list-style-type: none"> <li>- Specific and situational advice and help. E.g. Social media as a tool and business accelerator.</li> <li>- Especially in challenging markets such as china.</li> <li>- Situational and on-time help with local and specific problems.</li> </ul>	<ul style="list-style-type: none"> <li>- Local presences in one way or another. This is the only way to gain client trust and build up the business.</li> </ul>	<ul style="list-style-type: none"> <li>- Trusted partner who can describe the client need and implement the project so the set goals are met.</li> <li>- Professional who understands the clients business.</li> </ul>
<b>What type of networks the company would need in order ensure the profitable international growth?</b>	<ul style="list-style-type: none"> <li>- Local target market networks in relation to one's industry and clients.</li> </ul>	<ul style="list-style-type: none"> <li>- Different business platforms and ecosystems even outside one's own business domain. E.g. Mobile Monday, Slush.</li> </ul>	<ul style="list-style-type: none"> <li>- Different type business ecosystems and governmental networks.</li> </ul>
<b>What type of networked business consultancy services should be provided or offered in order to your company grow profitably?</b>	<ul style="list-style-type: none"> <li>- Specific and situational help/consultation when needed.</li> <li>- One stop guide. I.e. Consultation hub that could pinpoint world class expert help and knowledge when needed.</li> </ul>	<ul style="list-style-type: none"> <li>- 2-3 new dedicated persons / Consultants in target markets who would be integral part of the company's business and able to work for certain projects or business cases.</li> <li>- Personal and in demand situational local knowhow and assistance in opening up doors and finding clients and projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Local consultants who can gain access to relevant business ecosystems and clients.</li> <li>- Professionals who can deliver in time and what is agreed, but also challenge and bring new ideas.</li> </ul>

TABLE 3. The findings of client interviews.

Based on the research conducted it can be stated that Finnish SME companies in question, using internationalization consultancy, demand a more lean and agile and operational level services to drive their international growth. According to the interviews there is a need for local and targeted assistance and expertise in “opening of client’s

doors” and starting up new business for the internationally growing companies. In other words there seems to be a need towards more operational and tactical work by consultancy companies operating internationally, short term and concrete impact on business and less time and effort on planning and strategizing. These results are also supported by the changes in the management consultancy field, where the emergence of new and agile services and business models are evident (as presented in chapter 3 of this thesis).

Based on these interviews there is also a need for investment in target markets, in order to initiate new projects and get the local business off the ground. Also global and international initiatives and funding tools, is unknown to the client’s but could act as relevant resources enabling profitable growth. Both of these findings also being true to previous study on International success of SME’s were lack of investment and capital were one deciding factor in preventing or slowing international expansion of an SME. (Chapter 3)

### **Findings and results regarding Management Consultancy and Fintra business case**

Based on the background study it can be clearly concluded that the world of management consultancy is going through a global change and highly affected by the forces of disruption impacting the whole industry. This was also backed up by the research conducted by Harvard Business School, which concluded that, *“New competitors with new business models arrive; incumbents choose to ignore the new players or to flee to higher-margin activities; a disrupter whose product was once barely good enough achieves a level of quality acceptable to the broad middle of the market, undermining the position of longtime leaders and often causing the “flip” to a new basis of competition.”* (Harvard Business Review, October 2013).

From the research it also became clear that the so called **traditional consultancy business is in decline** suffering from diminishing client base, fewer projects and increasing costs affecting the profitability of the business and creating cash flow problems. The share of traditional strategy has been steadily decreasing and is now about 20%, down from 60% to 70% some 30 years ago, according to Tom Rodenhauser, the managing director of advisory services at Kennedy Consulting Research & Advisory. This notion is also supported by looking deeper into the financial figures of Soprano Plc, the business case used for the purpose of this report, see FIGURE 6 below.

<b>Main financial indicators of the Soprano Plc:</b>	<b>2014</b>	<b>2013</b>
	1-9	1-12
Return on Investment% (12 kk)	-29,1	12,3
Return on equity,% (12 kk)	-91,4	13,6
Equity ratio,%	23,6	33,2
EPS	-0,16	0,04
BPS	0,20	0,31
Amount of personnel	179	130

*FIGURE 6. Financial indicators of Soprano Plc.*

As a result and cause of this increasingly difficult financial situation and added by the emergence of new types of innovative consultancy companies and concepts, the traditional companies are facing a “change or die” type of a situation. The new types of consultancies include companies such as; Open Ideo, Fjord, Palmu Design. These new types of operators combine elements of visual design, creative design processes and servitization with more traditional strategic and financial consultation. Through these new operational methods they are able to offer a more holistic view into the future business of the client and serve their needs and wants in an agile way. These companies meet their clients’ need for agile and lean business development and take into the account of the client company’s business ecosystem including the end-user or person using the client’s service. In other words they bring the people into business, by listening and activating the individual buyers and users of business, through focus groups, electronic community based research methods and observational methods.

These abovementioned trends and facts indicate, that the traditional globally operating Solution Shop type of consultancies housing tens or hundreds of thousands experts from junior to senior and generalist to specialist fields, need to adapt and change rapidly. Examples of traditional solution shop type of MC’s are; McKinsey, Bain, BCG, Deloitte (Harvard Business Review, Consultancy: Three Business Models, October 2013). The advantages of the traditional consultancy are the vast amount of knowledge and information and large global network of specialist and consultants, and low fixed costs. However the pressure for their business comes from the change in the buying behavior and business needs of the clients. This in turn would indicate that the companies wanting to succeed in the international domain of business consultancy need to be able consolidate their business, create new and agile value networks and redefine their offering and pricing models. Also the boundaries between the traditional professional services is

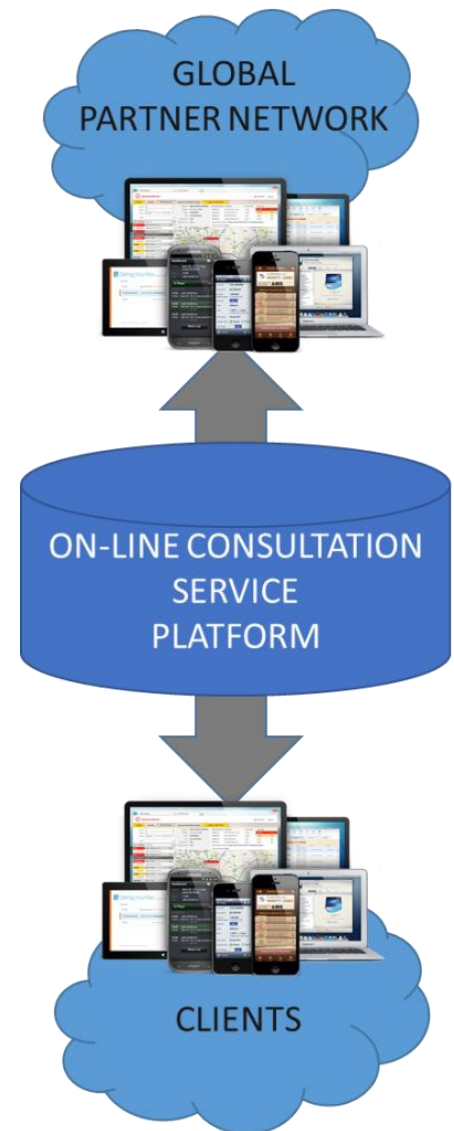
blurring, presenting new opportunities. The invasion of hard technology and Big Data, are certainly reshaping the industry by allowing the creation of new and scalable global offering. These notions also supported by theories and research into the trends on MC business (chapter 2).

Regarding network structures and networked business models, the change can also be seen. The traditional business partner model, where a global operator would set up a local company or a business unit, and expand through a profit sharing, Joint Venture or ownership business model seems to be a thing of the past (chapters 3 and 4). Recently we have witnessed an emergence of agile knowledge networks, where experts and knowledge are drawn out on a project bases. As presented in the findings and listed in the literature review of this thesis, Digitalization of services, such as software as service (SAAS), is clearly enabling new growth models and creating new service offering for consultancy clients and companies. These services are irrespective of time and place, and have a global reach. One example of these types of new arrivals in the consultancy fields is Solved Ltd. ([www.solved.fi](http://www.solved.fi)), a Finnish based consultancy and advice company that focuses on the Cleantech industry. They operate globally through a web portal, offering digital advice and consultancy in several industry areas, through an extensive digital network of experts and consultants allowing quick and on-time advice and consultation from several geographical locations and including several industries. (Kaupalehti, 16.5.2013).

## 6 CONCLUSIONS

Based on the extended literature review, theories and previous research, coupled with the qualitative research conducted for the purpose of this, the following can be concluded:

- There is a need for local and global management consultancy services for (Finnish) SME's going international.
- These services should provide on-time and accurate "Glocal" (Globally local) business know-how and vital information regarding the current client's growth needs.
- In order to break the barriers for internationalization and to compete in the global business domain SME's with their limited resources and lack of knowledge, should utilize business networks. Any company growing globally can either speed up, or enhance the success of the internationalization process by using different types of business networks.
- The management consultancy business globally is going through a transformation. As a result there is an opening in the market, regarding new business models and services, enabled through digitalization. New types of business networks and networked business models, could be one way to utilize this opening.



PICTURE 4. New consultancy model idea.

Expanding further on the results and findings regarding this paper, one could conclude the following. In order to a network driven internationally operating consultancy business to succeed in the future and create benefits for their clients, they need to change their offering, services as well as mode of operations. The service offered needs to be

agile and targeted to a specific local business need of the client, in demand service for specific needs and wants of the client. Based on research and my professional experience, the business idea model seen in PICTURE 4, was drawn. This picture outlines one possible way of organizing business consultancy in the future, by developing an on-line service platform. The service platform would incorporate a project management system, CRM systems, communications platform as well, knowledge sharing databases and e-learning platform. The goal is to develop two different UI's (User Interfaces) for end-clients and partner network, in order to streamline the sales and project implementation processes by cutting down excessive layers of communications and management hence reduce wastage in the systems. This type of lean operation would both enable the introduction of new on-line services, as well as ensure the real time and on-demand usage of the partner network of experts and consultants globally. However this is a crude model or business idea, and the practical relevance and applicability to business success would need to be further researched.

However it must be concludes, that the link between a company taking a networked approach and the competitive advantage and international business success, is still not researched enough. Therefore it must be concluded that the networked business approach to consultancy cannot be stated to be the most successful option for all, rather an option to be explored especially when operating as a smaller player entering the global domain of consultancy business.

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