

Start-up Company Analysis and Theories for Internationalization

MSc program in Entrepreneurship

Master's thesis

Joonas Isopahkala

Henri Mehto

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Start-up company analysis and theories for internationalization

Case HVO Finland Oy

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Joonas Isopahkala / k88035
Henri Mehto / k90373

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Abstract

Purpose – The rise of e-commerce and software startup companies have significantly changed the Internet and business playground. HVO Finland Oy is a young startup company, operating in software industry providing a health care site for manual therapy businesses. The purpose of this paper is to investigate internationalization as a concept analyzing different theories and to investigate a case company HVO internally and externally. The theoretical framework studies several common theories in an early startup perspective, representing stage theories, international entrepreneurship and external environment using Porter's 5forces theory. The main purpose is the fact that we are emphasizing the importance of analysing the company itself. All internationalization is based on transferring a working concept to another country and the basis of this is in the working concept. As the company operates in the Finnish market the comparison is done with the US market and the Finnish market honouring the company's interests

Design/methodology/approach – Data is done qualitatively through open and semi structured interview, which was conducted to HVO Finland Oy Chairman of the Board. A 3rd party consultant work was distributed and utilized by the researchers in the internal study of the company. A proposed research models were investigated through secondary research using theories that ignore and notice the role of the entrepreneur especially in the early stage start-up company.

Findings – The empirical research shows that the common stage models do not support the study of an early startup company. The main academic value comes from the more precise view of this second part in internationalization Model for Software companies. The end result is that the company is, despite of its micro size and young age, well equipped for internationalization phase. As the company's idea can be described as "born global" it is clear that the true potential lies abroad

Research limitations/implications – There are some limitations that the research paper uses. The questionnaire data is provided from one key executive from the company. The research findings have significant implications for the practicing managers, and thus it is not generable with any further context.

Originality / Value – The research has a contribution with literature of internationalization and early stage startup case HVO. The study is a research paper with introducing different internationalization theories and providing a case study with the HVO Finland Oy company investigation

Keywords – Entrepreneurship, Internationalization, startup, Software Company, HVO Finland Oy, Micro Enterprise, Born Global,

Paper type Case Study

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Contents

Abstract

Acknowledgments

Definition of Terms

List of Figures

List of Tables

1	Introduction	9
1.1	Background	9
1.1.1	Existing academic thoughts about internationalization	9
1.1.2	Short Background of HVO Finland Ltd. (HVO)	13
1.2	Purpose	15
1.3	Problem Analysis	16
1.4	Limitations	16
1.5	Reading Instructions	17
1.6	Relevance of the Thesis	17
1.6.1	Academic	17
1.6.2	Practical	18
2	Earlier Research	18
2.1	Growth of Ecommerce	18
2.2	Schumpeter's entrepreneurs	21
2.3	Entrepreneurship, Technology and Strategy	23
2.4	International Entrepreneurship	31
2.4.1	International entrepreneurship & International Business	34
2.5	New Ventures	35
2.5.1	New ventures & education	38
2.6	Internationalization strategies - general view	39
2.7	Introduction of Stage models	44
2.8	Uppsala Model	44

2.9	Network model.....	48
2.10	Criticism of stage models.....	49
2.11	Internationalization Model for Software Companies.....	50
2.12	Environment Analysis tools	52
2.12.1	Scherer & Ross –model	53
2.12.2	Porter’s Five Forces-model.....	54
2.12.3	Introduction: Porter’s Five Forces model	55
2.12.4	The Power of Suppliers.....	57
2.12.5	Threats of Entry	57
2.12.6	The Power of Buyers:	58
2.12.7	The Threat of Substitutes	58
2.12.8	Rivalry among Existing Competitors	58
2.13	Summary of existing theories and the Most Suitable Option (MSO)	60
3	Methodology.....	62
3.1	Introduction of the chapter	62
3.2	Summary of research methods	62
3.3	Research approach	63
3.4	Research strategy	64
3.5	Ethical issues.....	65
3.6	Data collection methods.....	65
3.7	Selecting samples	65
3.8	Limitations of data collection methods	66
3.9	Validity and reliability	67
3.10	Improvements to research strategy	68
4	Internal Research	68
4.1	Introduction.....	68
4.2	Executive summary.....	68
4.2.1	Need:.....	68
4.2.2	Solution:.....	69
4.2.3	Potential:	69
4.3	The Team	69
4.3.1	Joonas Isopahkala	69
4.3.2	Lauri Kolmonen.....	70

4.3.3	Henri Mehto	70
4.3.4	Silent Partners	70
4.4	The Product	70
4.5	Ideology.....	72
4.6	Timeline	72
4.7	Revenue Model	73
4.8	Business Model Canvas	76
4.8.1	Key Partners.....	76
4.8.2	Key Activities	77
4.8.3	Key Resources	77
4.8.4	Cost Structure	77
4.8.5	Value Propositions.....	77
4.8.6	Customer Relationships	78
4.8.7	Channels.....	78
4.8.8	Customer Segments	78
4.9	SWOT Analysis	79
5.	Market Research.....	80
5.1	Success Factors	80
5.2	Market Analysis // USA	81
5.2.1	Amount of Service Providers.....	82
5.2.2	Demographical Statistics	83
5.2.3	Size of the Healthcare Industry.....	84
5.2.4	Internet Retail Expenditure	86
5.2.5	Porter's Five Forces	87
5.3	Market Analysis // Finland.....	91
5.3.1	Amount of Service Providers.....	92
5.3.2	Demographical Statistics	92
5.3.3	Size of the Healthcare Industry.....	93
5.3.4	Internet Retail Expenditure	94
5.3.5	Porter's Five Forces	95
6	Conclusions and recommendations	98
6.1	Conclusions.....	98
6.2	Academic discussion.....	100

6.3	Recommendations	101
7	References:	102
8	Appendices	110

Definition of Terms:

- AASP – Amount of active service providers
- Business Model Canvas – Tool for business analysis
- 3G – 3rd generation mobile technology
- BG – Born Global, start-up, which aims global markets instantly
- Consultant – 3rd party solution provider, who is not employed by the company
- E-Commerce – The electronic commerce place, where consumers can buy items
- EU – European Union, an economic and political union
- Freemium – Service that is free of charge
- HVO – HVO Finland Oy, which is the case start-up company
- ICT – Information and Communication Technology
- IT – Information Technology
- Micro Enterprise – An Enterprise, which the number of employees is less than 10 and turnover not exceeding €2 million, (Europa 2003)
- MNE – Multinational enterprise
- MSO – Most Suitable Option, used comparison value for different theories
- OECD – Organisation for Economic Cooperation and Development
- Small Enterprise – An Enterprise, which the number of employees is less than 50 and turnover not exceeding €10 million, (Europa 2003)
- SME – Small- and Medium Enterprises
- SP – Service Providers i.e. Massage therapists etc.
- SWOT – Strength, Weaknesses, Opportunities and Threats
- TEKES – the Finnish funding agency for technology and innovation
- WOM – Word of mouth. Describes the phenomena where some issue spreads from people to people during their conversations

List of Figures

Figure 1: HVO Finland Oy (Consulting Presentation 24.11.2013)	15
Figure 2: Decision and Influence Model	23
Figure 3: A Venn diagram	25
Figure 4: Motives for Internationalization.....	41
Figure 5: Born Global company's development trajectory, Rennie (2003)	43
Figure 6: Born Global, Madsen & Servair (1997)	43
Figure 7: Uppsala Theory	46
Figure 8: Decision and influence Model.....	47
Figure 9: Scherer & Ross Model (1990).....	53
Figure 10: Porter's Five Forces, M.E Porter (2008).....	55
Figure 11: Landing Page-view.....	71
Figure 12: Example Profile.....	71
Figure 13: Timeline	73
Figure 14: Target Month Revenue Structure	74
Figure 15: Revenue Forecast	75
Figure 16: Business Model Canvas	76
Figure 17: SWOT Analysis (Consultant Presentation 24.11.2013).....	80
Figure 18: Demographical Statistics USA (https://www.cia.gov 26.10.2013).....	83
Figure 19: Market Potential US (Consulting Presentation, 24.11.2013)	84
Figure 20: http://www.internetretailer.com/trends/sales/ 5.11.2011	87
Figure 21: http://www.internetretailer.com/trends/sales/ 5.11.2013	87
Figure 22: Competitive positioning US (Consulting Presentation 24.11.2013)	91
Figure 23: Demographical Statistics Finland (https://www.cia.gov 24.10.2013).....	92
Figure 24: Market Potential Finland (Consulting Presentation 24.11.2013)	93
Figure 25: http://www.stat.fi/til/sutivi/2013/sutivi_2013_2013-11-07_kat_003_fi.html	94
Figure 26: http://www.stat.fi/til/sutivi/2013/sutivi_2013_2013-11-07_kat_003_fi.html	95
Figure 27: Competitive Positioning Finland (Consulting Presentation 24.11.2013).....	98

List of Tables

Table 1: Target Segments and estimated sizes	13
Table 2: AASP estimation	14
Table 3: Definitions, Samples, and Characteristics of Entrepreneurs	27
Table 4: Definitions, Samples, and Characteristics of Entrepreneurs	28
Table 5: Definitions, samples and characteristics of international entrepreneurship	32
Table 6: Theory comparison & MSO	60
Table 7: Amount of Service Providers USA	82
Table 8: Health Consumption per Capita	85
Table 9: Health Consumption Expenditure by Source	85
Table 10: Personal Health Care History	86
Table 11: Amount of Service Providers Finland	92

1 Introduction

The purpose of this Thesis is to study the readiness of a web-based healthcare startup HVO Finland Oy with internal analysis, analyze given target market and present academic theories for the actual growth. Main functions are to study the company itself internally and compare current markets to given target market via “success factors”. This Thesis will point out these success factors, analyze market areas with modified Porter’s Five Forces model and provide theories for internationalization. Main goal of the study is to provide an overall picture of the current situation inside the company and provide options regarding internationalization. This chapter will provide the background of the company, purpose of this study and introduce all the necessary tools.

1.1 Background

This chapter aims to present the background and current status of internationalization strategies and provide the basics of the company HVO Finland OY.

1.1.1 Existing academic thoughts about internationalization

To this day the main point in studying globalization, fast growth internationalization and companies working or aiming for global markets has been concentrated on large, existing corporations states Oviatt & McDougall (2005). Oviatt adds in his article that these multinational enterprises (MNEs) are the main focus of these studies.

Still as the economical world and markets grow year-by-year and technological innovations and amount of experienced workforce increases the circumstances have established new foundations for MNEs says Oviatt & McDougall (2005). Relatively often used construct in theories regarding MNEs is some version of a stage theory. With incremental growth come other qualities such as risk averse and reluctant adjustment to changes in a firm or its environment continues Oviatt & McDougall (2005).

Oviatt & McDougall (2005) also points out that stage model –believers also often assume that a venturing into foreign markets is not possible if the starting company is not one of a large size. De Wit & Meyer (2004) support these thoughts when they argue that when companies move out their domestic market on to the international stage, they are faced with

differing business arenas in terms of the nations and furthermore these nations that they expand can vary largely. These differing parameters can be stated below to name a just a few.

- Consumer behaviour
- Language
- Legal system
- Technological infrastructure
- Business culture
- Educational system
- Labour relations
- Political ideology
- Distribution structures
- Fiscal regime

Yet the question is how important the international differences are for firms operating across borders. Do firms to adapt to the international diversity encountered or can they find ways of overcoming the constraints imposed by distinct national systems, structures and behaviours. This matter of understanding and dealing with international variety is one of the key topics for managers operating or even thinking to go across borders.

A second question with regard to the international context is that of international linkages – to what extent do event in one country have an impact on what happens on other countries? Integration. If on the other hand there are very weak links between developments when a number of nations are tightly linked to one another in a particular area, this referred to as a case of international integration. If on the other hand there are very weak links between developments in one country and developments elsewhere, this is referred to as a situation of international fragmentation. The question for managers is how tightly linked nations around the world actually are. Countries may be quite different, yet developments in one nation might significantly influence developments elsewhere. If nations are highly integrated, the manager must view all countries as the part of the same system continues De Wit & Meyer (2004)

When looking at the subjects of international variety and linkages, it is also important to know in which direction they have been moving, and will develop further, over time. As for

example case HVO, the behaviour of the future generation in terms of Internet consuming and information retrieval is crucial to recognize due the nature of the business.

“Where a development towards lower international variety and tighter international linkages on a worldwide scale can be witnessed, a process of globalization is at play. Where a movement towards more international variety and a loosening of international linkages is apparent, a process of localization is taking place. “, as De Wit & Meyer (2004, pp. 223) states.

For companies operating in more than one nation, it is vital to understand the nature of the international context. Have their businesses been globalizing or localizing, and what can be expected in future?

Cross border synergies can also be achieved by linking the activity systems of the firm in its various national markets. Integrating the value-creation processes across borders can be useful to realize economies of scale and to make use of the specific competitive advantages of each nation as De Wit & Meyer (2004) argue. These synergies by integrating activities are stated below.

- Reaping scale advantages: Instead of organizing the international firm’s activity system on a country-by-country basis, certain activities can be pooled to reap economies of scale. Commonly this means that activities must be centralized at one or a few locations, and that a certain level of product and/or process standardization must be accepted. Economies of scale can be realized for many activities, most notably procurement, and R&D. However, scale advantages might be possible for all activities of the firm. Although scale advantages are often pursued by means of centralization, it is often possible to achieve economies by standardizing and coordinating activities across borders for example joint procurement and joint marketing campaigns, which are common in start-up scene says De Wit & Meyer (2004).
- Reaping location advantages: For some activities certain locations are much more suited than others, making it attractive to centralize these activities in the countries that possess a particular competitive advantage. A national competitive advantage can consist of inexpensive or specialist local inputs, such as raw materials, energy, physical infrastructure or human resources, but can also be due to the presence of attractive buyers and related industries argues De Wit & Meyer (2004).

- Synergy by leveraging resources: A third manner in which cross border synergies can be realized is by sharing resources across national markets. Such resource leveraging can be achieved by physically reallocating resources to other countries where they can be used more productively, or by replicating them so they can be used in many national markets simultaneously adds De Wit & Meyer (2004).
- Achieving resource reallocation: Instead of leaving resources in countries where they happen to be, international firms have the opportunity to transfer resources to other locations, where they can be used to more benefit. For, example, money, machinery, and people can be reallocated out of countries where the return on these resources is low, into countries where they can reap a higher return supports De Wit & Meyer (2004).
- Achieving resource reapplication: While leveraging tangible resources requires physical reallocation or sharing, intangible resources can be leveraged by means of reapplication. Intangibles such as knowledge and capabilities can be copied across borders and reused in another country. This allows international companies to leverage their know-how with regard to such aspects as technology, production, marketing, logistics and sales concludes De Wit & Meyer (2004).

For all these cross-border synergies it holds that the wider the geographic scope, the greater the potential benefit. Where possible, realizing these synergies on a global scale would result in the highest level of value creation. These opportunities for global synergy represent a strong demand on all companies, both international and domestic. If a company can reap these synergies more quickly and successfully than its competitors, this could result in strong offensive advantage. If other companies have a head start in capturing these global synergies, the firm must move quickly to catch up. Either way, there is a pressure on companies to seek out opportunities for global synergy and to turn them to their advantage says De Wit & Meyer (2004).

On the other hand, more and more additional theories for startups are starting to surface. But even in these, small companies are defined companies with fewer than 500 employees states Smith (1998). Growth for Born Globals, which are categorized in the micro-sized startups is a still such a new phenomenon that the studies are still going on. Chapter 2 represents the more detailed and significant research to the ongoing internationalization studies.

1.1.2 Short Background of HVO Finland Ltd. (HVO)

In order to provide basic understanding regarding mentioned company, we are presenting basic business model and background of the case company HVO. Data and information for this is based on interviews with the founders.

Founded in early spring of 2013 HVO is extremely young company. HVO is describing themselves with terms such as healthcare-hub, Internet healthcare database and an information pool for customers searching service providers in physical therapy industry. Company has created a web-based map with a target to show all service providers (SP) in given professions. At the moment of writing, these professions are Physical Therapy, Massage Therapy, Osteopathy, Acupuncture, Chiropractic Therapy and Personal Training coming in near future. In table 1 we are showing estimates of existing SP in each industry.

Table 1: Target Segments and estimated sizes

Profession	Estimated Quantity % of existing service providers	Short Description
Massage	41	Traditional and sport massage is the biggest profession in existing sole traders in industry. Most commonly used and thus the biggest segment.
Physical Therapy	26	More concentrated on recovering and post-trauma rehabilitation this profession is closer to doctors than others. Highly trained profession with many bigger chains and franchise service providers.
Osteopathy	11	Newer than and not as well known as others but a

		profession in a big growth phase. More educated than masseuses but relatively small industry compared to others.
Acupuncture	6	Smallest trade but a well-known profession.
Others (Personal trainer, Chiropractors etc.)	16	Variety of other healthcare services

Precise quantities of active SPs in each industry is impossible to provide, as masseuses for example are not obligated to have a degree. Many SPs in massage industry are also working part-time and new SPs are born as fast as old ones cease to exist. Quantities are based on educated calculations of founders of HVO and they are using a market analysis shown below. Even though actual numbers are most likely higher, the radical changes in the industry size are forcing the company to keep a lower reference number for the Amount of Active Service Providers (AASP).

Table 2: AASP estimation

Massage (Traditional, sport and others)	410
Physical Therapy	260
Osteopathy	110
Acupuncture	60
Others (Personal Trainer, Chiropractors)	160
Total:	1000

With AASP the company has performed calculations regarding their revenue model, which are following a commission-based strategy. Simply stated, for SPs HVO is providing a low-risk marketing tool with easy way to be seen and for customers HVO is a platform for searching professional SPs in given industries. Company's strategy is to launch the webpage in Finland and then move to abroad as soon as they have validated the business.



Figure 1: HVO Finland Oy (Consulting Presentation 24.11.2013)

1.2 Purpose

The purpose of this study is to concentrate on the second part of the Internationalization Model for Software companies, which is presented in Chapter 2. This part of the model is providing a base for strategic choices concerning different aspects of internationalization such as target market analysis, competitor analysis and customer analysis. This Thesis takes these aspects into real-life case, company HVO Finland Oy, and provides them an analysis regarding their target market USA using modified Porter' Five Forces model. In order to give a comparison also the starting situation in Finland is analysed with the same model.

The main purpose is the fact that we are emphasizing the importance of analysing the company itself. All internationalization is based on transferring a working concept to another country and the basis of this is in the working concept. The main part of this study is in the company analysis using objective interviews and an outside consulting company' analysis.

1.3 Problem Analysis

HVO has stated that the size of the existing market (Finland) is not going big enough to reach the set goals of revenue. The company is thus searching new markets in the global well-known metropolitans with similar market structure and situation than in the existing country. Especially the huge healthcare market in USA is mentioned as the main area of interest by the founders.

Following questions are stated regarding the situation:

1) *Analysis of the company itself and its readiness to expand abroad*

This is a multi-perspective analysis of the company including objective, subjective and academic analysis in order to find strengths and weaknesses regarding HVO Finland Oy.

2) *How to effectively reach the given market?*

Based on well-known internationalization strategies and examples of fast growth companies or Born Globals (BG) this study is presenting options for the growth. Many academic references and models are stated for internationalization but many of the existing ones are limited for already global companies states Oviatt & McDougall (2005). As HVO is a small company their resources for simultaneous global growth is impossible. Company's founders have stated that one of the mentioned metropolitans should be chosen in order to effectively transfer the business model. For this company has provided statistics and features of existing market, which to compare in order to find similar features mentioned as "Success Factors".

3) *Key Factors for successful internationalization.*

Based on second part's features we are also pointing out key elements inside these markets, which have been in great part regarding the success. We are pinpointing certain characteristics within these markets and studying how HVO can learn from these and adapt their product accordingly.

1.4 Limitations

In this study we are only considering markets stated by HVO. All though there are certainly countries with similar conditions as the existing one and ones clearly closer in the map, the US market has been stated by the founders as area of great interest. In addition, the legal

perspectives are only viewed shallowly because of the lack of understanding in more complex laws regarding continental business regulations. Laws and their possible changes and challenges are still stated clearly in market analysis but only on tools available for a non-professional. Also, there are soft values in markets, which are making some options more intriguing than others. These values are mentioned nevertheless in the following chapters.

1.5 Reading Instructions

This study is build and constructed in a way, which first states the existing situations (Chapter 1, Introduction) in both the company state and the academic situation regarding the theoretical frames. Data presented in this is mostly based on interviews with the founders.

In chapter 2 we are presenting the more thoroughly the researches around startups and internationalization in the viewpoint of a startup. Data is collected and presented by well-known academics regarding internationalization, theories for fast growth companies and the lack of those.

Chapter 3 presents the Methodology of the study and consists of presenting methods used and the data access and tools regarding the company.

Chapter 4 &5 are presenting the findings inside the company and the target markets using data from third party consultants and modified Porter's Five Forces model.

Chapter 6 concludes the Thesis and brings academic discussion regarding the subjects and suggests future research possibilities.

1.6 Relevance of the Thesis

In this chapter we are presenting the relevance of the study in both academic and practical means.

1.6.1 Academic

From an academic viewpoint findings and solutions presented in this study are relevant for studies regarding a micro-size startup, which can be segmented into a Born Global. It gives a modern look into old theories and thus refreshes these theories into the current, a more fast-

moving business world. At the same time it takes advantage of many theories merged into one.

1.6.2 Practical

This study brings both an academic viewpoint and a real-life practical view for HVO. By combining the theories into useful data for growth Thesis gives a valuable opportunity to HVO to look its business from a different viewpoint. In addition, it provides a realistic view for taking long existed theories into a real life, and thus is capable to help other growing companies to learn and study existing mechanisms and challenge them when needed.

2 Earlier Research

This chapter presents the most significant researches regarding internationalization and market analyzing with additional focus on start-up phase companies. Main sources of information have been on academic articles in various well-known scholar databases and other sources of managerial reports. This research presents three internationalization theories to gain the needed information regarding this issue. The famous Uppsala Model will be presented due it gives a perspective to the internationalization process and its origins. Second, the Network model represents a slightly different approach to the internationalization process with its modern viewpoints. The internationalization model for software companies is a newer generation internationalization model that specializes on software companies and the challenges that they encounter during their internationalization process. Subsequently, advantages and disadvantages of the models will be discussed and its application on HVO internationalization strategy will be explained.

2.1 Growth of Ecommerce

In recent years, industries based on information and communications technologies (ICT) have been the fastest growing sectors in the economy (OECD, 2000) and one of the most important contributors to business and industrial innovation. Since the 1990's mobile communications and the Internet (data communications) have provided two of the most rapidly diffusing ICT's around world.

At the turn of the century the potential technological convergence and integration of these two phenomena led many to believe that there would be a revolution through the advent of the so- called 'mobile internet' (or wireless data communications). This expectation led to massive investments in firms associated with the mobile, internet, mobile commerce, mobile multimedia, mobile payments, third generation mobile communications (3G). This also impacted significantly on national regulations and policies concerning ICT industries in general, and 3G in particular. For example, by 2001, telecom operators worldwide had committed an estimated US \$1000 billion investment (including licensing, fees, infrastructure, build up, and marketing cost,) in 3G systems (Forrester Research, 2001). This investment can be described as the largest technology push ever witnessed in history.

The contribution of independent high-tech entrepreneurial start-ups to industrial innovation is often undervalued and commonly misunderstood. It has long been recognised that technological evolution plays a critical role in industrial development and industry life cycles. High- entrepreneurial firms are recognized as one of the driving forces behind innovative technological changes in the modern economy states Schilling (2005).

The Internet was introduced as a concept of worldwide network of fully interconnected networks and in has grown rapidly both in numbers of users and economic importance since then.

Internet can be characterized as immaterial and information-based network, which has also helped to transform entrepreneurship and underpinned rapid growth. There are several examples of successful new ventures, which have started domestically and managed to grow successfully and rapidly into a large international actor through different Internet based innovations.

The commerce has also changed due the Internet era. The fundamental principle of commerce is the exchange of goods and services. Commerce has changed over time in a product of economical, societal and technological advances. The development of the Internet has led to a new type of commerce called e-commerce, which basically means commerce over the Internet. Thus, the term e-commerce is used to describe this phenomenon, and additionally, the term online-portal will refer to web-portals, which engage in commerce through the Internet.

The growing number of online-portals has led to an increased demand for these, and especially people with little previous experience of using these have demanded easy-to-use standard interfaces that still could be customized for their specific requirements. This has led to the development of online-portals that can be used as a foundation for an e-commerce web portal.

When looking for a solutions and market characteristics for a web-based platform it is inevitable to look for customer behavior in the given field. As we see startups coming and going with an increasing speed especially in the field of web-based services, it is clear that the growth has already started and is continuing. In addition Oviatt & McDougall (2005) sees “dramatic increase in the speed, quality and efficiency of international communication and transportation” states Oviatt & McDougall (2005, pp.33) to have a positive effect on fast growing startups. Oviatt & McDougall (2005) also continues that this has open doors in multinational funding industry as well in human capital movement.

ICT is seen as a central driver for change in the economy and in the society as a whole. Aho, et al. (2003) suggests that networking between companies and especially SME's and Micro Enterprises is an exemplary feature of the new economy that is identified in Tekes' strategy. This is realized mainly through ICT.

According to Aho, et al. (2003) Finland was one of the first countries to liberalize the basic ICT infrastructure. The results of this policy were visible in terms of rapid deployment of emerging technologies such as mobile phones and Internet. The market structure consisting of numerous local operators contributed to innovative provision and use of technology and the markets have been functioning efficiently. Finland has been a test bed for several new technologies, both foreign and domestic.

According to Aho, et al. (2003) the position toward ICT reflected in tax policy can be described as neutral. As for tax-related measures, there are no specific rules or tax exemptions for ICT investment at the company level or for households. In Finnish tax policy regulation, the principle of neutrality is enhanced and deviation from that would probably necessitate very clear evidence of market failure.

Finnish companies are deemed to be in a relatively strong position with regard to their competences to make use of new technologies. Skills and readiness of the staff are at a high level. Finland has been ranked one of the best performers with regards to the ICT skills and

training in schools and working places as Aho, et al. (2003) reveals. This has been a priority in the Finnish policies for a long time and incontestably shows results.

The general high level of ICT skills among employees reduces the needs for company-specific training programs. Generally positive attitudes towards new technologies among employees have facilitated the adoption of ICT in work places. High levels of skills and readiness of the workers is an excellent platform on, which to build more and more sophisticated and innovative systems at the company level.

2.2 Schumpeter's entrepreneurs

To understand the essence and backgrounds of modern concept of entrepreneurship it is vital to know the thoughts and history behind it. Lahti says that - father of entrepreneurship - Schumpeter is now even more accurate in his thoughts than ever before. Schumpeter, mentioned as a "timeless writer" (Lahti, 2007) was in the frontlines to fight against old assumptions and formed of Walrasian strict mathematical models. Joseph Schumpeter wrote "Theorie der wirtschaftlichen Entwicklung" in 1911 which later was published as Theory of Economic Development 1934.

Main function of Schumpeter's ideology was the difference in innovativeness and its function as a creator of business. "Schumpeter's analysis of innovation has been a source of inspiration for many economists who have since studied technological innovations" concludes Keklik (Keklik, 2003 pp.9). Lahti continues that Schumpeter refused to accept the standards in Walrasian adaptation process and saw innovativeness as a separate function. This can be seen in an ambidextrous form where a company has to have an innovative entrepreneur and a functioning manager but in two different, separate sides. Lahti describes Schumpeter's view of routine behavior as a "relatively slow and conflict ridden process" (Lahti, 2007, pp3).

The actual model image and personality theories of an entrepreneur in Schumpeter's mind were relatively open for interpretations. Vital characteristics can be found in the ability to create innovations in a competitive atmosphere and turning this into added value for the business. Lahti mentions examples such as "devising a new product, a production process, or a marketing strategy" (Lahti, 2007, pp10). This ability to create revenue in a stressful situation is mentioned multiple times in a core-characteristic for a Schumpeterian

entrepreneur. Lahti continues that a search for a great personal power is also a thriving factor (Lahti, 2007, pp.10). Still the real nature of Schumpeter's entrepreneurs remains as an open concept which is the beauty of the concept due to the fact that entrepreneurs are more and more seen as persons who are hard to label into a certain box.

Another widely known concept of Schumpeter's ideology is the two types of processes. Horst et al (2010) mentions these types (Creative Destruction and Creative Accumulation) as the building blocks in the Schumpeter's thoughts about innovations and their function in the revenue creation. Creative destruction as discovery can be seen, according to Lahti (2007), when an entrepreneur relocates resources to their full potential away from current non-functioning status. Lahti continues that creative destruction also has a huge impact in economical discontinuities and thus creates an entrepreneurial environment. This then leads into the existence and need for innovation and then actual profits. Lahti mentions different examples where specifically Nordic examples are brought forward. "Nordic winner entrepreneur or business manager is often a unique personality and can run his company with bold jumps" (Lahti, 2007, pp. 18). This is in straight relation to Schumpeter's mentioned characteristics and thus proves that thoughts from WWII are valid in the modern culture. Lahti continues by listing five critical elements of innovative strategy making (Lahti, 2007, pp. 18):

1. Differentiating
2. Revolutionary
3. Holistic
4. Competitive
5. Realistic

In conclusion Lintunen lists three suggestions by Schumpeter (Lintunen 2000).

Firstly an entrepreneurial function is the actual action and will power behind introducing a new innovation into a status quo. As presented by Lahti this is in many cases under a stress coming from existing competition. Secondly, entrepreneurial leadership can be seen as the force thriving people and companies from towards innovation and evolution via this innovation. The thirds suggestion is the entrepreneurial profit which is the price after

successfully creating innovations via will power and leadership which in most cases is similar to a monopoly situation (Lintunen 2000).

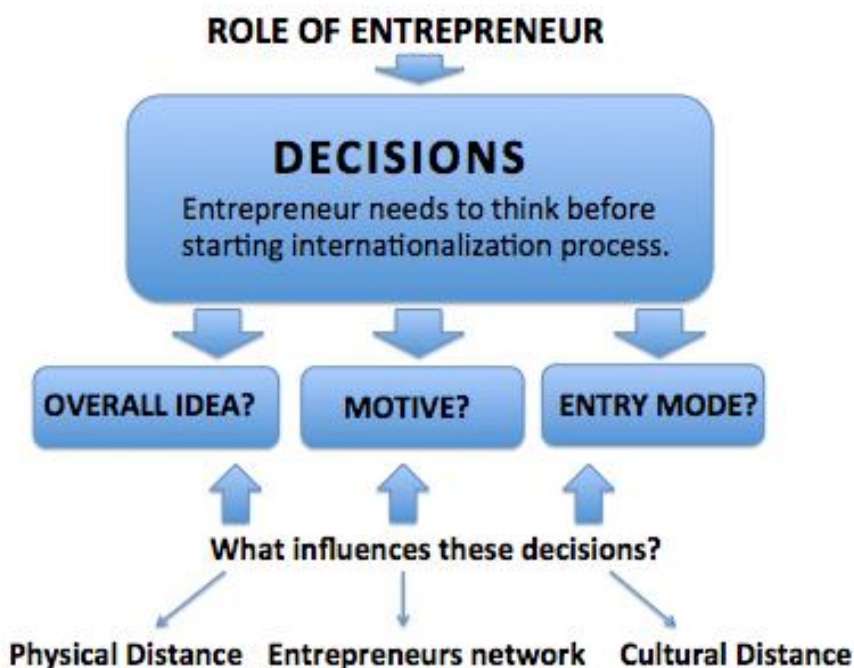
In comparison Peter Drucker describes entrepreneurial strategies and identifies four specific ones (Drucker, 1985, pp 189):

1. Being fustest with the mostest
2. Hitting them where they ain't
3. Finding and occupying a specialized ecological niche
4. Changing the economic characteristics of a product, a market, or an industry

2.3 Entrepreneurship, Technology and Strategy

Entrepreneurial behavior is engaged to the international ventures of the company. Many firms find new untouched opportunities across boundaries and new technologies have enabled that.

Figure 2: Decision and Influence Model



Source: Gathered from theoretical frame

In order to understand the concept start-up company internationalization acts we have to develop a perspective of the activities that form the entrepreneurial behaviour. The entrepreneur leading a start-up company is a big influencer for the internationalization activities that the company seeks. Because of the major role of the entrepreneur we look more into the entrepreneurship as a concept in order to understand how the characteristics of it, in more deep level.

There has been entrepreneurialism since people began trading and doing various business transactions with each other's. The term entrepreneurship has been widely used nowadays and it has many definitions in a wide range, which includes characteristics and themes regarding who and what the concept is. Hitt et al. (2001) argues that the most entrepreneurial firms must act strategically to create value and that is by identifying and exploiting entrepreneurial opportunities. Timmons (2000) sees an entrepreneurship as a human creative act in which entrepreneurs are able to create and build a vision from practically nothing.

Entrepreneurship should recognise an individual presence because, it is a process and conducted by a person. It indicates different abilities, which stands out in terms of skills and talents. The term creativity has a significant role in the definitions of person's abilities as an entrepreneur, which however is eligible due the unique nature of the entrepreneurs. Stevenson and Jarillo-Mossi (1986) describes that entrepreneurship exploits opportunities by utilizing the combination of different unique resources to create value.

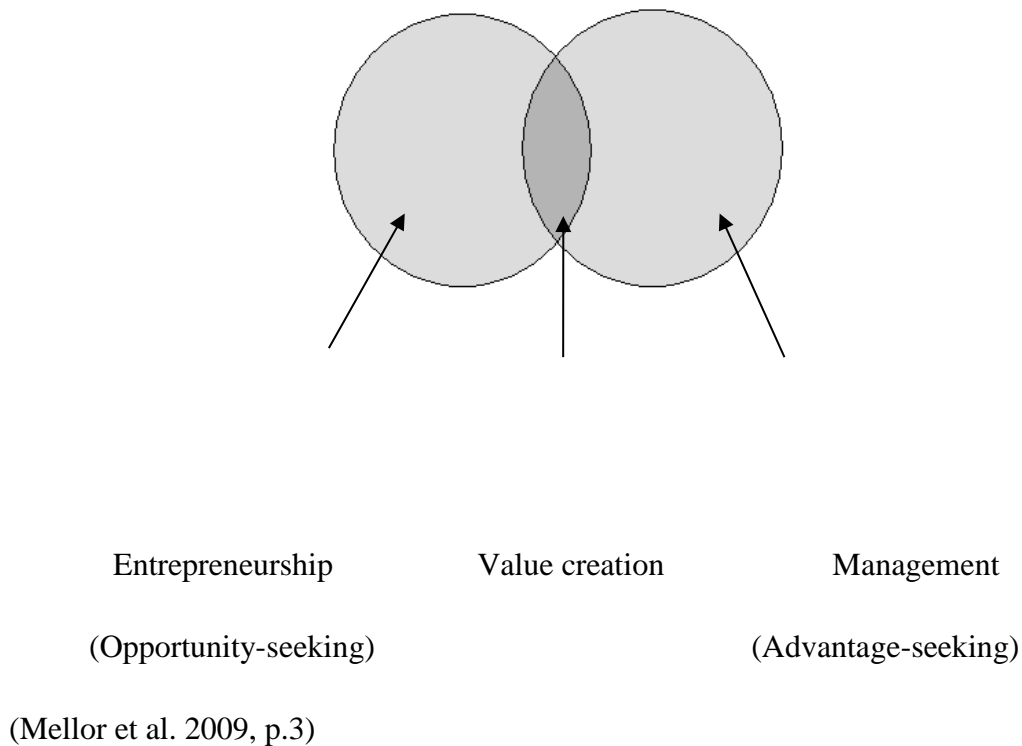
There are key terms, which appear when defining entrepreneurship. The most common terms according to Morris et al. (2008) include creating new venture, innovating or creation of new combination of resources, and pursuing opportunities.

Schumpeter (1934) argues that entrepreneur's economic role was disturbance of the economic equilibrium, which is the balance of supply and demand that assured the stability of prices. This disturbance arose the creation of something new in the marketplace – innovation. To create new, an entrepreneur creates the demand of innovation, thereby supplanting the old.

Strategic entrepreneurship involves the behavior, which seeks to find opportunities and ways of benefit from them, which can furthermore lead to risk-taking experimentation for example in internationalization steps.

The figure 7 also underpins the idea that the entrepreneurship is seeking opportunities and by that it is to create value.

Figure 3: A Venn diagram



Morris, et al. (2008) suggests that entrepreneurship involves reasonable awareness of the risks, including financial, technical, market, and personal risks, with the ability to manage them. Hornsby, et al. (1993) also points out that individual characteristic such as risk-taking is related to entrepreneurial behavior. Mintzberg (1973) views risk taking and decisive action catalyzed by a strong leader as elements of the entrepreneurial mode, where entrepreneurial strategy-making is characterized by dramatic forward leaps, in terms of making large, bold decisions in the face of uncertainty. Risk, as the possibility of loss, may be viewed as an inherent characteristic of innovativeness, new business formation, and aggressive or proactive actions of existing firms as Antonic & Hisrich (2003) identifies. Risk taking involves a willingness to pursue opportunities that have a reasonable likelihood of producing losses or significant performance discrepancies. This can be derived to international process of the company, which is a rather high risk especially for a startup.

Morris, et al. (2008, p.66) identifies Miller (1987) who associates proactiveness as a company level activity that assertiveness, which relates with a strategy making. Hence entrepreneurial companies are rather acting than reacting their environments. Proactiveness is concerned about implementation with taking responsibility and doing whatever is necessary to bring an entrepreneurial concept to glow.

Radical innovations or inventions that breakthrough lie at the core of entrepreneurial activity and wealth creation as Schumpeter (1975) argues. These inventions offer as the basis of new technological developments and paradigms and are an important part of the process of creative destruction. They push valid techniques as well as approaches and replace them by new technologies and products. The people who put these things to action are the individuals who are able to pursuit creative thinking and, process that into action. The integration of strategic and entrepreneurial thinking leads us to the next part of the research, which is objective to that kind of behavior.

Tables 3 & 4 below are an attempt to organise concisely much of the major literature on the entrepreneur and entrepreneurship. It represents the definitions that many writers and researchers in the entrepreneurship field have stated.

Author(s)	Concept	Characteristic(s)	Definition(s)
Covin & Slevin (1986, 1991)	Entrepreneurship	Risk-taking,	`Risk taking with regard to investment decisions and strategic actions in face of uncertainty' <i>Covin and Slevin, 1991, p. 10)</i>
		Proactiveness,	`The extensiveness and frequency of product innovation and the related tendency toward technological leadership' <i>Covin and Slevin, 1991,p.10)</i>
		Innovativeness.	`The pioneering nature of the firm's propensity to aggressively and proactively compete with industry rivals" □ <i>Covin and Slevin, 1991,p.10)</i>
Lumpkin and Dess □1996)	Entrepreneurship	Autonomy,	`Independent action of an individual or a team in bringing forth an idea or a vision and carrying through completion' <i>(Lumpkin and Dess, 1996,p.140)</i>
		Innovativeness,	`A firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes" <i>(Lumpkin and Dess, 1996,p.142)</i>
		Risk taking,	`A sense of uncertainty...probability of loss or negative outcome...high leverage from borrowing and heavy commitment of resources' <i>(Lumpkin and Dess, 1996,p.144)</i>
		Proactiveness,	‘Taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets" <i>(Lumpkin and Dess, 1996,p.146)</i>
		Competitive	`Propensity to directly and intensely challenge its competitors to achieve entry or improve position" <i>(Lumpkin and Dess, 1996,p.148)</i>

Table 3: Definitions, Samples, and Characteristics of Entrepreneurs

Author(s)	Concept	Characteristic(s)	Definition(s)
Knight (1997)	Entrepreneurship	Innovativeness,	‘Pursuit of creative or novel solutions to challenges confronting the firm, including the development or enhancement of products and services, as well as administrative techniques and technologies for performing organizational functions’ (Knight, 1997, p. 214)
		Proactiveness	‘The opposite of reactivity and is associated with aggressive posturing relative to competitors’ (Knight, 1997, p. 214)
Hitt et al. (2001)	Entrepreneurship	Value creation	‘Entrepreneurship involves identifying and exploiting entrepreneurial opportunities and to create value the most entrepreneurial firms must act strategically’
Timmons (2000)	Entrepreneurship	Value creation	‘Entrepreneurship as a human creative act in which entrepreneurs are able to create and build a vision from practically nothing’
Stevenson and Jarillo-Mossi (1986)	Entrepreneurship	Value creation	‘Entrepreneurship exploits opportunities by utilizing the combination of different unique resources to create value’
Schumpeter (1975)	Entrepreneurship	Innovativeness, Value creation	‘Radical innovations or inventions that break through lie at the core of entrepreneurial activity and wealth creation’

Isopahkala J. (2013)

Table 4: Definitions, Samples, and Characteristics of Entrepreneurs

The concept of competitive advantage is a way of conducting business that a company has over its competitors by utilizing different qualities better than its rivals and ‘it is the heart of a company’s performance in competitive markets’ as Porter (1985) argues. Barney (1991, p. 99) states that a company has a competitive advantage when it uses value-creating strategy not simultaneously being implemented by any other competitor. Second, Porter (1980) suggested that a firm enjoys sustainable competitive advantage when its current operations cannot be copied, substituted or erodes by the actions of rivals, and is not made redundant by development in the environment. Porter (1990, p.74) adding that companies achieves competitive advantages through acts of innovations. Hence, these innovations can be through searching and entering new markets

Innovation can be seen as the successful exploitation of new ideas. Innovation includes not only invention, but also activities such as design, manufacturing, marketing, distribution, and product support. Innovation has many definitions; Minzberg (1983) sees innovation as ‘the means to break away from established patterns’. A simple example of innovation is that a company can produce any outputs with old design, old manufacturing, but new marketing scheme, and by that, it does something differently with new innovative way. Bridge, O’Neill & Cromie, (1998, p.202) define that ‘Innovation is at the hearth of the spirit of the enterprise. Practically all firms are born from a development, which is innovative, at least in comparison with their existing competitors in the marketplace.

Companies should constantly innovate in order to achieve sustainable development, but also to survive. Innovation also means anticipating the needs of the market (domestic or international), offering additional quality or services, organizing efficiently, mastering details and keeping costs under control. These factors contribute to the above comments that innovation includes different aspect, which can be utilized. Benitez-Amado et al. (2010) represents an idea from Antoncic and Hisrich, (2003), which includes different dimensions based on the Schumpeterian innovation concept, a building block of entrepreneurship.

The pursuit of creative solutions to challenges confronting the company may be seen as innovations in the broadest sense. These solutions can involve the development or enhancement of old and new products and services, markets, administrative techniques and technologies for performing organisational functions, as well as changes in strategy, organizing, and dealing with competitors. Innovation as a concept is tied to entrepreneurship

relatively closely, and that can be attached as one of the key characteristics of an entrepreneur.

These entrepreneurial activities involve perseverance, adaptability and willingness to assume responsibility for failure. Failures are happening frequently in different levels within the organisations and it should not be afraid of. This underpins the idea that there might be plenty of failures and only one successful platform, which is remembered and not the five failures. Covin & Slevin (1986, p.631) defines the concept of proactiveness referring to the extent to, which organisations attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, administrative techniques, or markets with no boundaries.

Thusman, Anderson and O'Reilly (1997) argue that organisations should develop the ability to be ambidextrous, that is they must be able, within a given technology, to generate incremental improvements to a design in order to compete efficiently in the marketplace for that product whilst at the same time they need to be able to work on the development of the next technological innovation, which will supplant the existing dominant design. In order to ensure sustained competitive advantage a company must be able to create both incremental and discontinuous innovations. This duality of purpose requires different inconsistent organisational architectures, which are in operation concurrently. Such dual or ambidextrous organisations are built on the experimentation, improvisation and luck, along with consistency and reliability. This creates the knowledge-based organisations, which remain competitive with new creation or new international steps.

Chell (2001) adds that the impetus for companies to engage in technological innovation is to improve their competitive position and enhance their profitability. It has played an essential role in order to reduced costs, enabling global commerce and the easiness of capital to move with communication technologies.

A further direct benefit has been the high technology firms involved in the development of the communication infrastructure such as telecommunications. Chell (2001) suggests that the critical ingredient in IT is not the newness of institutional and cultural settings, but its ability to create synergy on the basis of knowledge and information, directly related to industrial production and commercial applications. ICT technologies have also been involved with the organisational learning. 'Knowledge based companies' based on the interaction between 'explicit and tacit knowledge as the source of innovation as Chell (2001) argues.

2.4 International Entrepreneurship

The International entrepreneurship as a concept and also its definition roots from the two individual pieces of research, which are entrepreneurship and international business as Oviatt and McDougall (2005) argue. These both areas jointly combine the focus for the subject, where one stresses the cross- national- border behaviour of entrepreneurship and the other comparisons the entrepreneurs and their behaviour followed by the circumstances in which they are embedded as Oviatt and McDougall (2005) continues. There are various themes and approaches in theoretical point of view when looking at international entrepreneurship. Therefore the international entrepreneurship can be stated as an interdisciplinary field of study as Schultz et al. (2009) argue also.

International entrepreneurship and the meaning of it have evolved over time in past decades and table 5 below is an attempt to organise those thoughts clearly by some of the distinguished authors of the topic.

Table 5 - Definitions, Samples, and Characteristics of International Entrepreneurship

Author(s)	Concept	Characteristic(s)	Definition(s)
Johanson and Vahlne (1990)	International Entrepreneurship	Proactiveness, Networks	A cumulative process, in which relationships are continually established, developed, maintained and dissolved in order to achieve an enterprise's objectives.
Zahra (1993)	International Entrepreneurship	Risk-taking	Nature and consequences of a firm's risk-taking behavior as it wades into international markets.
Wright and Ricks (1994)	International Entrepreneurship	Relationships, External environment	"International entrepreneurship is a company-level activity that crosses national borders and focuses on the relationships between business and the international environments in which they operate."
McDougall and Oviatt (1996)	International Entrepreneurship	Innovation, Value creation	New and innovative activities that have the goal of value creation and growth in business organization across national borders
Lehtinen and Penttinen (1999)	International Entrepreneurship	Networks, Relationships	Developing networks of business relationships in other countries through extension, penetration and integration.
McDougall and Oviatt (2000)	International Entrepreneurship	Innovation, Proactive Risk-taking, Value Creation	Combination of innovative, proactive and risk-seeking behavior that crosses, or is compared across national borders and is intended to create value in business organizations.
Oviatt and McDougall (2005)	International Entrepreneurship	Opportunity exploitation	"International entrepreneurship is the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services."

Table 5: Definitions, samples and characteristics of international entrepreneurship

The International entrepreneurship in academics referencing goes back to the late 80's where the cultural awareness combined with new advantageous technology has made markets accessible for more companies as Morrow (1988) has argued.

Oviatt and McDougall developed many case studies in the early 1990s regarding international entrepreneurship showing that many early stage start-up companies have internationalized rather early in their lifespan. These cases identify many of the approaches that new startup ventures have accompanied when going across borders. Oviatt and McDougall's (1994) definition of international entrepreneurship argues that companies, which "from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries."

Hence, when interpreting the table above the international entrepreneurship began with an interest in new ventures, and its definition was narrower than in the most recent literature. Zahra (1993) was one of the first academic to suggest that the study of international entrepreneurship should include both newly established companies and existing ones, and also underpinning the risk-taking aspect of the company.

Some presumptions for the older established companies in the field of entrepreneurial acting are sometimes blamed to me not innovative and refusing to take risks. However it is not always like that. Many large corporations put lot of efforts in innovative research; they support venturing and encourage their employees to take responsibilities. A good example is one of the largest companies in the world IBM, which fosters Intrapreneurship and by that tries to create new opportunities. In the research of International entrepreneurship large corporations cannot be ignored.

The area of international business and entrepreneurship has increased its interest and broadened from its roots quite far away. To mention many studies on national culture, technology, corporate entrepreneurship, intrapreneurship, Strategies, SME internationalization, exporting knowledge management, etc. have pushed the area of international entrepreneurship forward.

The definition of international entrepreneurial acts focused to the new ventures excluding the older established companies as can be seen from McDougall (1989). The next decade moved the international entrepreneurship context a big leap forward. In the mid 90's Wright and Ricks (1994) showed that the international entrepreneurships importance in the research field

was notable among the international business and small – and Medium size enterprise internationalization. Wright and Ricks (1994) also state that: “International entrepreneurship is a company-level activity that crosses national borders and focuses on the relationships between business and the international environments in which they operate.”

From here the researchers were able to move away from using firm’s age or timing of internationalization as the sole criterion in defining international entrepreneurship. The definition did not leave different companies outside of the definition and it also highlighted the entrepreneurialism whether it was in new venture or established company. The firm’s environment where it operates was lifted as an important factor whether these entrepreneurial acts do any results. To conclude the Wright and Rick’s (1994) definition of international entrepreneurship was the entrepreneurial activities combined with the international entrepreneurship analyzing them comparatively and reflecting it to the external environment.

McDougall and Oviatt (1996 & 2000) define international entrepreneurship as follows: “New and innovative activities that have the goal of value creation and growth in business organizations across national borders. “ Followed by “A combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations”

These definitions reflect much for the topic of corporate entrepreneurialism and intrapreneurialism, where value creation, risk seeking are important factors, and they have linked those attributes to the internationalization context. The definitions basically include all levels of the organizations.

To conclude the definitions with McDougall and Oviatt (2000 & 2005) where they rely on opportunity recognition that is basically characteristic and a cornerstone of entrepreneurialism. From year 2000 they adjusted their definition for being as discovery, enactment, evaluation and exploitation of opportunities across national borders in order to create future goods and services.

2.4.1 International entrepreneurship & International Business

Many of the theories with international business have interconnections with international entrepreneurship research of multinational corporations as Oviatt and McDougall (2005) argue. Nonetheless, the linkages with international entrepreneurship and theoretical frame of

international business with small and medium sized companies are rather weak as stated in Dana et al. (1999).

Due the lack of business theories the international business theories cannot be effectively used in producing general results and the view in the SME internationalization studies.

Entrepreneurs tend to innovate, create and differentiate them from their competitors to gain competitive advantage. Entrepreneurs pursue to capitalize their opportunities in order to succeed. The Oligopolistic Reaction theory suggests that companies in oligopolistic industries react to the business practices of their competitors and try to replicate them to have the place on the market as Dana et al. (1999) argue. As can be seen this does not apply to international entrepreneurs who usually do not operate in the oligopolistic market in the objective of the issue. (Dana et al. 1999)

The advantage theories of monopolistic theories are successful to tell why larger corporations invest vast amounts of money to the long-lasting, defendable and proprietary assets, which from they can ensure their competitive advantages locally and globally in long term.

Nonetheless, these theories lack in explaining entrepreneurial advantages that varies from those of larger firms in that they are entrepreneur-based, more perishable and narrow. International entrepreneurship is usually based upon an increasingly diverse set of resources and processes. Entrepreneurs focus on advantages, and view the sources of these previously mentioned advantages not that important.

2.5 New Ventures

As the case company (HVO Finland Oy) can be described as a new venture, and the company is also partially involved with Aalto University's Venture Formation course it is important to define what is a new venture as well as the challenges and situations, which may be involved with new venture internationalization processes.

The characteristics of today's definition and recognitions of new ventures dates back to the late 70s and mid 80s where some features of today's updated definitions are mentioned. For example Gartner (1985, p. 698) argues that: "a new venture is a unique and multidimensional phenomenon, formed by the individual, environmental, organizational and process dimensions. Each one of these dimensions contained numerous variables that clearly allowed differentiating a new venture from any other kind subject, when evaluating them. Many

different authors have identified a variety of characteristics, which can be derived to the new ventures. Oviatt and McDougall (2005) define an international new venture as *“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.”* The core feature what the new venture is commonly know about is its age. Due the age new ventures are facing various issues concerning its reputation, resources, networks, which can all derive back to the age of the firm. The new ventures can be said to be less than six years old as Brush (1995) argued, and as Oviatt and McDougall (2005) continue that focus in international new ventures is on the age of firms when they become international, not on their size. In opposite to organizations that evolve gradually from domestic firms to MNEs, the international new ventures start with a proactive international strategy. Hence, consistent with Buckley and Casson’s (1976) definition of the multinational enterprise, the definition of the international new venture is concerned with value added, not assets owned ideology (Casson, 1982) as stated in Oviatt and McDougall (2005).

As the case company in this study, the new ventures aim high growth. The concept of high growth can be studied both in firm – and managerial level. In line with this Barringer et al. (2005) binds high growth and new ventures together and derive various aspects that explain this issue furthermore. Barringer et al. (2005) illustrate some characteristics of the founders and the company that can underpin the start-ups ability for high growth. The founder’s traits are: (1) Higher education, and (2) Entrepreneurial experience. The company’s qualities are (1) Commitment to growth (2) geographic location (or planning on it) (3) Innovation or products uniqueness (4) HRM practices as in well planned hiring and incentives for employees that target to performance. A case company can be stated as a web-based start-up targeting its services to the healthcare industry in specific. The industry and case company’s playground offers significant high growth possibilities due the upswing in healthcare industry and scalability of the web-service.

As mentioned previously high growth new ventures lack in resources compared in more matured companies. This allows or more likely forces new ventures to concentrate in high growth in greater depth. Smaller founding- or managerial teams and fewer financial resources have also impact on the impetus of the growth aspirations. Siegel et al. (1993) argue that new ventures in high growth aspirations have particular strategies recognized reflecting their current situation and aiming to focus on the specific strategic and narrow segment. In web-

based new ventures this usually means developing the unique characteristics i.e. “killer features” to the product to be successful. As the new ventures are trying to succeed by breaking the old patterns, the firms are constantly out of their comfort zone on the verge of their limitations and facing challenges constantly.

Innovativeness attached with the behavior of the company and the managerial team also defines what new ventures are known for. This innovativeness is usually pointed to the services or products that the start-up pursues. These new innovations have crucial impact for the whole economies as many researchers have noted earlier also. Previously mentioned Schumpeter’s (1942) creative destruction also stresses the idea for the innovation and entrepreneurs that create new by supplanting the old.

The start-up companies pursuing these above mentioned features are likely to produce their services in international context. One common trait of a high growth new venture is the scalability of the business, and thus the internationalization process tends to occur rather early in the life cycle of the company. As the case company’s business is heavily relied on the quantities and volumes, the scalability does play a big role in going international. Zahra et al. (2005) also note that: “while focusing on the application of a cognitive approach to entrepreneurs in order to show their motivations to internationalize, and to understand that new ventures design internationalization strategies consciously, because of an existing need to exploit opportunities in foreign markets to be able to achieve the high growth part of their objectives.”

To conclude, new ventures need constantly to plan and develop their strategies for growth and other aspects, which boost the company to go forward successfully. In managing a new venture it is also crucial always to call into question everything that the company do and think that does this really push this company forward. This can be a small issue with no consequences in mature companies, but in early stage start-up these small things may have major affects. The case company serve as a good example that is in favor expected to be international due the nature of the service, entrepreneurial behavior in founding team and innovation combined with the young age. Gabrielsson et al. (2008) argues on behalf of these characteristics being key features of being international.

This leads to think that selling software could generate different behaviors of these ventures and perhaps to play by different rules than other types of goods or services, from aircrafts to

healthcare services.

2.5.1 New ventures & education

It is widely known that creating new ventures is a substantial for innovation, job creation and economic growth itself. The definition of entrepreneurship illustrates about personal traits and other characteristics that make individuals to be entrepreneurs. However these personal characteristics do not explain why some entrepreneurs are performing better than others even though they are pursuing similar actions. Individual experiences and learning underpins the idea of personal development as Gustafsson (2004) argues. Hence, the behaviour of individuals makes them entrepreneurial, which can be derived to the education of entrepreneurship. Many universities such as Aalto University encourage new ventures with different supporting instruments, incubators and free legal advisory services. It can be argued that these modern teaching instruments have supported the case company (HVO Finland Oy). Four out of five of the founding members new venture company have studied entrepreneurship in different universities, and it has had a major influence for the establishment of the company.

Dahlstrand and Berggen (2010) state that young entrepreneurs suffer from liabilities of newness and they usually also have limited experience and capital of their own, minor possibilities to obtain financing from others and lack a competent personal network. In line with this, Gibb (1997) suggested to create learning partnerships with their network environment to compensate these weaknesses. As Dahlstrand and Berggen (2010, pp.37) argue that: *“For young entrepreneurs the network through their education can help them to develop and grow their new ventures. With these incubators and entrepreneurship universities new ventures obtain credibility among customers and investors.”* Hence, there are many advantages for students who wish to be entrepreneurs to participate in entrepreneurial education in universities. Even though the lack of track record is an issue for all new companies it could be expected to be worse especially for young entrepreneurs. Thus, especially for young entrepreneurs being an “educated professional entrepreneur” reduces the image of inexperienced entrepreneur among customers and external investors.

As entrepreneurs are pursuing their ventures in a rapidly changing environment they have to be very adaptive and also in continuous learning process. This learning and experiences obviously develop over time and they are very important for survival as Samuelsson (2004)

state. Shane (2000) adds that: “entrepreneurs ability to discover opportunities is related to their prior knowledge”. By experiencing these start-up practices, universities offer important learning tools in the entrepreneurship education and furthermore influences successfully in the new venture development. As an example the case company has received support from the university in having office space, legal advice, consulting company’s strategy, networks to governmental parties and investors. However, the entrepreneurial education does not guarantee that the start-up will be a successful but the entrepreneurs do. As a supporting element young companies and entrepreneurs benefit greatly with the entrepreneurship university education, but nevertheless it is ultimately the combination of experiencing, failing, learning and personal traits that make the outcome.

2.6 Internationalization strategies - general view

At the moment most theories regarding internationalization as a process are concentrating on multinational companies looking to even further expand their operations Oviatt & McDougall (2005). But as businesses like HVO have shown, there are companies, which can be seen targeted into global markets even without being a multimillion company. These kinds of firms are mentioned in many texts as “Born Globals” and described as: “International in the sense that management has a global focus and that resources are committed to international activities” states Onkvisit & Shaw (2009 pp. 19). Oviatt & McDougall (2005) describes these as International New Ventures with a description “... 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” says Oviatt & McDougall (2005, pp. 31).

Thus it is rational and mentioned by Oviatt & McDougall (2005) that stage theories for big, in most times, multinational companies are not workable for Born Globals. Stage theories such as Uppsala mode and Network model, presented below, are thus too old and inappropriate when looking at new ventures, which are seeking instant internationalization.

In order to understand the common theories of the internationalization of the SME’s, it is worthy to see how companies started to internationalize. Zahra and George (2002) argue that companies that have small domestic markets, or new ventures in highly integrated and globalized industries are in favour to pursue internationalization activities in order to be competitive. For small companies it is rather difficult to commit deeply to several

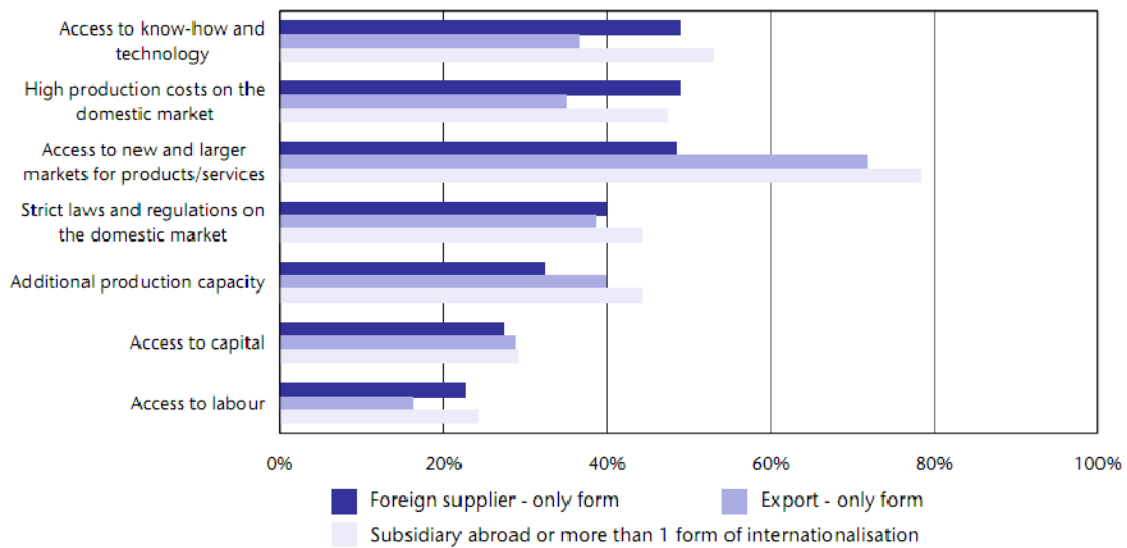
international markets due they are usually not strong enough to support these actions. With regard to this many limited resources as well as the size of the market commitment needed is usually too high to be successful.

In general the internationalization theories lack in explaining the process of new international companies. The theories presuppose that the firms seek markets out of their boundaries after they have really matured in their local markets. McDougall, et al. (1994) discovered that no company studied that internationalized early followed the prescribed stages of internationalization. So, to understand the phenomenon of early internationalization, new theories and additional study is needed.

According to Worthington (2003) “*In this highly competitive market the companies are considering to enter new countries to gain advantages from their rivals either to reduce cost or as a strategy for boosting demand*”. (p. 466).

This also attaches to the decision of what are the motives for the entrepreneur to jump into this route. We can identify several factors that indicate the motives that drive startup-companies into internationalization process. One of the most common motives is to gain access to new and larger markets in order to achieve growth as is the case with HVO Finland Oy. Often companies also expand to abroad to have access to know-how and technology in order to remain competitive. Following figure by ENSR Enterprise Survey (2003) gives an idea of different motives. These motives are ranked according to responses given by SMEs with a foreign supplier as the only form of internationalization. Therefore it is reasonable to indicate that numerous of different internationalization processes are done by companies in achieving their strategic goals.

Figure 4: Motives for Internationalization



These many research studies of companies that internationalize in early stages have been conducted in quite recently. Rialp, et al. (2005), the most common influential factors for the rise of early internationalization are:

- New market conditions in many sectors of economy.
- Technological development especially in the areas of production, transportation and communication.
- The increased importance of global networks and alliances.
- Increased abilities of people, such as the entrepreneurs and founders who seek early internationalization for their businesses.

There are also other reasons for early internationalization of the SME, which includes:

- Deregulation
- Privatization
- Maturity in domestic markets
- Falling trade barriers
- High tech investments
- Shortening product life cycles
- Globalization of competitors
- Globalization of industries

➤ Free movement of capital, goods, services and people
(Baronchelli and Cassia 2008)

This trend early internationalization is growing positively in the future. The existing companies will increase their international activities as well, when new businesses and industries experience this phenomenon of early internationalization. Born Globals and the early internationalization of firms is rather shallow in terms of research due this research only include new models and definitions of this behaviour instead of widely studied and accepted theories about this effect as Gabrielsson, et al. (2008) suggest.

Johanson and Valne (1990) have developed a model, which enables the study of born globals. The theoretical model makes a distinction between state and change aspects of internationalization variables, where the firm's current condition is a crucial aspect in constructing future changes and stages. The model presents that company's market commitment to foreign markets is in the middle, and it is divided in two factors, which the amount of resources committed (size of investments), and second, the difficulty of finding an alternative use for the resources and transferring them to this alternative use.

The market knowledge represents the employee knowledge (e.g. technical development, etc.). It has also been found among other researchers that excellent performance of a born global company is a result of the company's entrepreneurial culture and managerial knowledge regarding the international operations and markets as Cavusgil and Knight (2004) argue (also see Figure 2). Zahra, et al. (2000) adds that the depth and speed of technological learning are expected to enhance the international performance of born globals. It is quite necessary for maintaining firm's core competencies to maintain this technological learning, and by that to create new product or service innovations.

Figure 5: Born Global company's development trajectory, Rennie (2003)



These born global firms are facing rather identical challenges in internationalization process that SME, differing in the newness of the business, as the born globals have not been maturing as many SME's have. This affects the lack of resources and power, and can be a major issue in terms of internationalization process if born globals as Oviatt and McDougall (1994) argue.

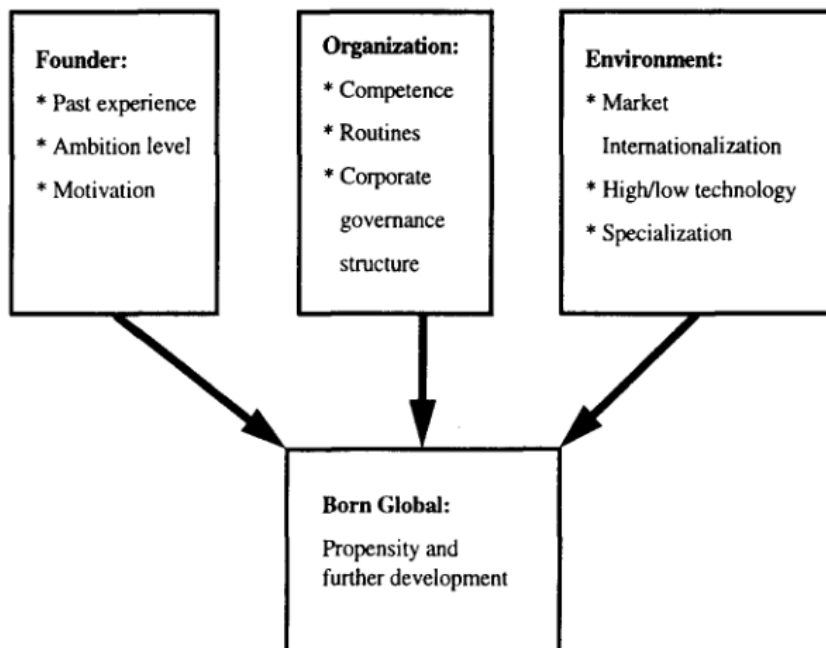


Figure 6: Born Global, Madsen & Servair (1997)

2.7 Introduction of Stage models

Stage models are tools for explaining the development of internationalization and those related activities by analysing SME's and larger corporations as well. By utilizing these models companies overcome obstacles stage by stage. Kaarna and Mets, (2008) argue that: "Stage by stage, companies in these models overcome obstacles, and the main knowledge and learning-related focus is on, which market(s) the company occupies." A stage model can include

- Indirect exporting, -importing, -sourcing
- Direct exporting, -importing, -sourcing
- Licensing
- Joint ventures
- Wholly owned subsidiaries

Probably the most known stage models in internationalization research are the Uppsala models and the Innovation model. Ruzzier, et al. (2006) argues that there are lot of mixed and variations due these models are seen as the ones on top in internationalization research. This research Thesis has a focus on different internationalization models as well.

2.8 Uppsala Model

Uppsala model has ground and theory considering the physical and cultural distance. This paper intends to combine that information and show theories as a support for how they influence few of the decision that the entrepreneur needs to consider during the internationalization process.

The theories chosen have been around for a longer period of time and the question is how these theories influence decisions that the entrepreneur need to consider. Although research offers many solutions for the steps of internationalization this paper intends to investigate the internationalization from entrepreneurs' perspective.

In the Uppsala model an important aspect what entrepreneur needs to consider in the process is the physical distance. Existing internationalization theory "Uppsala model" underpins the importance of physical distance. The Uppsala model has its theoretical base in the behavioral theory of the company says Cyert & March (1963) and Aharoni (1966). It is also influenced by Penrose's theory of the growth of the firm introduced by Penrose (1995). The behavioral

theory describes the internationalization of the company as a process in which the company gradually increases its international involvement, which is expressed in the Uppsala model through psychic distance and the establishment chain that will be discussed later. The process evolves in an interaction between the development of knowledge about the foreign markets and operations, and an increasing commitment of resources to those markets says Johanson, et al. (1994). The general issues of the model are how organizations learn and how their learning influences their investment behavior states Forsgren (2002). Other central aspect of the Uppsala model is that it is a dynamic model and it defines the internationalization of a company as a process.

The Uppsala model attempts to describe two patterns in the internationalization process of the company states Johanson, et al. (1994). The first of these patterns relates to the commitment to engage in operations in a specific foreign market develops according to the commonly named establishment chain, that can be explained as a sequence of stages that are made in small increasing steps with extended commitment and a higher degree of commitment for each one of the new step.

In Johanson and Wiedersheim-Paul (1975) and Johanson, et al. (1994, p.34.) identified four different stages as:

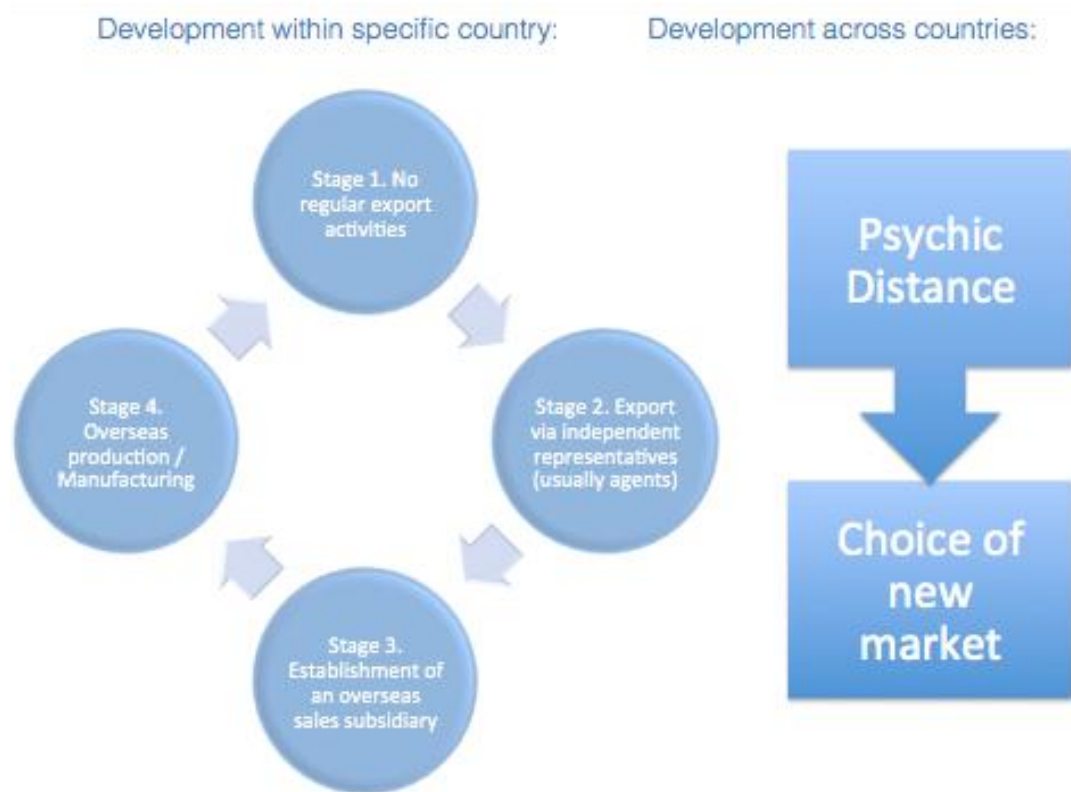
- 1) No regular export activities
- 2) Export via independent representatives (agent)
- 3) Sales subsidiary
- 4) Production/manufacturing

Johansen & Vahlne (1990) and Hollensen (2001) presents that the second pattern attempts to explain that companies tend to enter new markets with successively greater psychic distance, and in most cases also greater geographical distance.

As a result, the less a company understands a market the greater the psychic distance and the perceived uncertainty are. Hence, companies enter markets they understand and where they can see opportunities and where the perceived uncertainty is low. As claimed in the model, the best way to minimize the perceived uncertainty and to see opportunities is through experimental knowledge. That is essentially acquired through organizations personal experience in the specific market. Thus, this is the reason for the incremental steps and the sequential engagement in foreign markets.

Next figure 2 below intends to explain the theory from two different point of views; the development in a specific country is explained as the company goes through four different stages, while the development across the countries explains the importance of psychic distance and the choice of, which market to enter.

Figure 7: Uppsala Theory

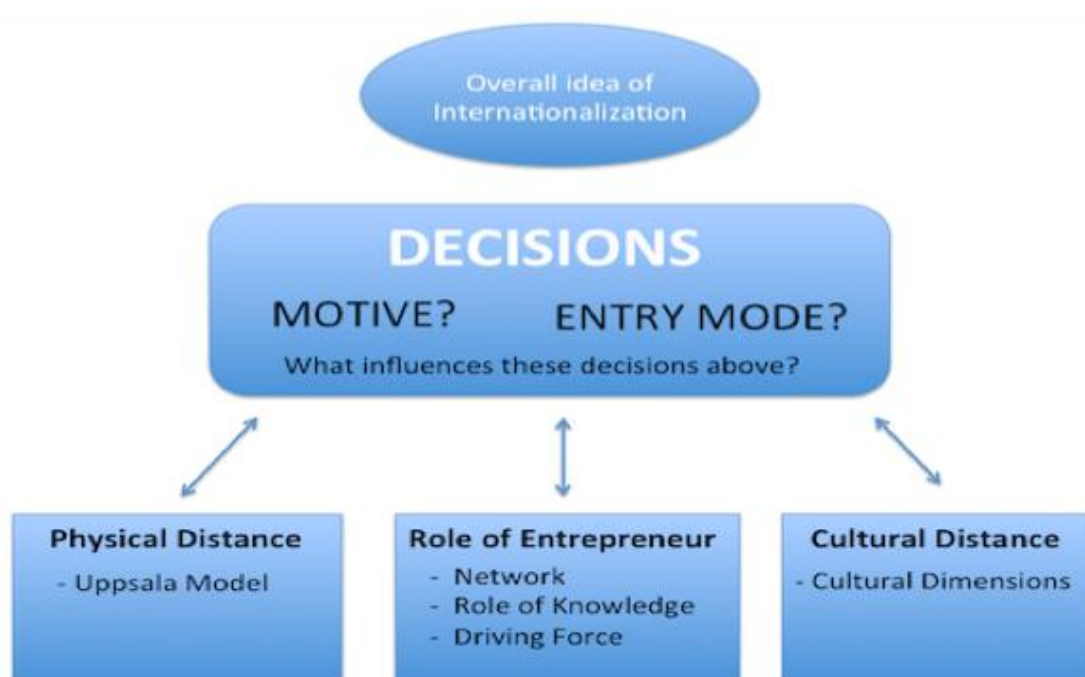


Source: *Operational levels, adaptation from the theory (Andersen 1993, p.223)*

Andersen argues that the development across countries predicts that companies that enter to a new market with successively greater psychic distance. In the other hand the physic distance is defined as the distance between home market and a foreign market resulting from the perception, learning and understanding of business differences. Based on argument by Johanson and Wiedersheim-Paul (1975) it is a difference in language, culture, politic systems, etc. that makes it hard or easy for firm to enter the new market. Although they also add that when a company has chosen where to go, psychic distance is assumed to reduce to the increased market-specific knowledge. Nordstrom's (1991) study discovered that the average of the Swedish companies that were studied entered West Germany, England and the U.S. before neighboring countries like Denmark, Finland, and Norway. One reason for this, argued by Nordström, could be that the pace of the internationalization process generally seems to have speeded up today. Reid (1981) argues and criticizes Uppsala-model to be too

deterministic and general. While Johanson & Vahlne (1990) believe that this critique is focused at the establishment chain, and should not primarily be an argument against the Uppsala-model itself. Andersen (1993) adds to this his argument that is against the view that Uppsala-model should be too general. He believes that the Uppsala-model is unbounded both in time and space and can therefore be expected to have a high level of generalizability. He also adds that; “This *generalizability requires a higher level of abstraction, which means that the level of precision is being traded off*”. (Andersen, 1993, p. 218)

Figure 8: Decision and influence Model



Source: Based on the theoretical frame of reference

To conclude, and explain the model we can state that based on the literature the very first idea of internationalization process starts when the entrepreneur get the first overall idea of internationalization. As model explains, after that it is time to think about the decisions that entrepreneur has to take in this process, such as motives for internationalization and the decision about what would be the proper entry mode for them. Model also identifies factors that influence these decisions. Role of Entrepreneur including the entrepreneur’s social network, the role of knowledge and also the entrepreneurial driving force can be identified as a influencing factor for these decisions. Model also identifies Physical Distance as a one influencing factor.

2.9 Network model

Johanson and Mattson (1988) argue that a company's penetration to new international markets depends more likely of the company's current domestic and international relationships, rather than the cultural characteristics of the chosen market. The authors add that the existing international and domestic relationships assist the company to expand to new markets, and develop even new business partnerships and market positions. These contacts can vary from informal e.g. friends and family to formal e.g. business related relationships. The network perspective suggests that the opportunities created through these contacts affect entry decisions and market selection rather than only the management team's strategic long-term decisions.

Johanson and Mattson (1993) underpin the aim of interaction within networks as gradual learning and the development of market knowledge. They have created the four-stage model: (early starter, late starter, lonely international and international among others), where the position of the enterprise can be analysed firm-to-firm (micro) or firm-to-network (macro) perspective.

They argue that internationalization of the company means that company establishes and develops relationships to other companies or participants who are involved in a foreign network. These relationships are achieved through the following means:

- International extension as in establishment of new relationships in untapped country networks
- Penetration as in development of relationships in those networks, and
- International integration as in connecting networks in different countries

(Johansson and Mattson 1993)

The Network model on the other hand represents a newer generation of internationalization models and takes a more modern approach to internationalization.

Some authors such as Blomstermo & Sharma (2003) argues that the network model seeks the idea that companies act in networks with other actors. These networks consists of actors such as competitors, customers, and suppliers, which are connected to each other through different technical, social and economic links. The theory argues that crucial ingredient of the internationalization process is to found, develop and maintain lasting business relationships within the network. Throughout these functioning business relationships companies can

exchange market knowledge, experiences, and support one another to overcome the geographical distances by collaboration through the entire value chain, from R&D to sales activities. These partnerships aim to lead higher revenues, lower cost and risks, which would furthermore enable a more successful internationalization process.

The network model put a company in relation to its environment, which strengthens this models ideology as company's strengths and weaknesses become apparent and possible strategic alignments become more evident, thus improving the chance of successful internationalization as Johanson & Mattson (1988) argue. However the network model is built upon the assumption that an individual company is dependent on resources, which are controlled by other companies and that it must form relationships within the network in order to get access to these external resources.

The network model could be useful to identify weaknesses and select strategic partners to power up HVO's drawbacks without massive initial investments. Nonetheless, HVO produces intangible products, and thus the exclusive resources may not be as true as for companies that produce tangible products. HVO as a software Internet-based company does not need raw materials as for example a company of tangible products would need.

To add on, since HVO was established in April 2013, and is a highly small and new start-up company, their current network is small and the future network is still unknown. From here we can derive an assumption that it can be challenging to establish meaningful relationships and apply the principles in the network model. The importance of networks cannot be ignored, especially in start-up scene, but the network model bypass the nature of the software industry and is not particularly applicable to HVO.

2.10 Criticism of stage models

Up-to-date empirical findings globally suggest that the internationalization modes for SME's are neither path dependent, emergent nor incremental. As Schultz, et al. (2009) suggests that major of the current SME internationalization research; the stage models are still used to rationalize internationalization actions and decision of the SME's. Nonetheless these stage models cannot cover the vast range of phenomena, such as "Born Globals" or "Born Regionals", which are involved in the SME internationalization especially with the small businesses with high-tech products or services.

Wright, Westhead and Ucbasaran (2007) argue that the especially the Uppsala model and other stage models as well have the focus on the firm rather than the entrepreneur. Therefore one major limitation of stage model approach and its criticism is the assumption that the stages progress limits and even eliminates entrepreneur's strategic choices. Traditionally in the SME's one of the key factor is the entrepreneur itself, and thus the entrepreneurial culture and behaviour within the company is a crucial force in the internationalization decisions of the firm. Therefore this sort of view restricts the scope of the internationalization process

The Uppsala-model has been widely criticized on both theoretical and operational levels, says Mitgwe (2006). Different researchers (Nordström, 1991; Forsgren, 1989; Hedlund and Kverneland, 1984) have all questioned the Uppsala-model's ability to explain the internationalization process. They all mean that further explanatory variables are necessary in order to more fully understand today's internationalization processes. Different studies that test the model has been conducted considering its applicability, strengths and weaknesses by numerous researchers. According to Andersen (1993) the model has been criticized from different perspectives and its main assumptions have been challenged by a number of empirical studies. Andersen (1993) is also convinced that the central issue of the model is that there is no definition on why or how the process starts or the nature of the mechanism whereby knowledge affects commitment.

2.11 Internationalization Model for Software Companies

A response to many failures in Finnish software companies Aijö (2005) created the international model for software companies. The model shows a customized strategy to internationalization for software companies and consists of three parts originally. Firstly, the model identifies three different routes for the firm internationalization with regard to its preconditions. The model also suggests the different characteristics for how to decide, which one to choose. The different routes are:

- 1) The born global
- 2) The collaborative
- 3) Organic pathway

Secondly, the model gives strategic options regarding the selection of sales channels and segmentation, target country selection, defining all of the central components of an internationalization strategy. The third model stresses the planning process of the internationalization strategy.

The model is advantageous in terms of it is developed to capture and address the issues and challenges, which are common to software companies generally in their internationalization processes. The model can be criticised to be too operational in terms of large amount of checklists to underpin the internationalization processes, and thus understating vital strategy components as in company positioning and product differentiation.

As Äijö, et al. (2005) states that starting point for the international process is to identify suitable target market to expand. One of the criteria that also Albertsson & Lundqvist (2006) identify is segmentation where different homogenous segments from larger heterogeneous population, which can be used to separate suitable and attractive target market. In other words these customers are expected to act in similar way, and thus can be thought as a larger group and influence in same way. Hutt and Speh (2009) suggest that when aiming to isolate this target market from a population of all potential customers, company should segment the population in macro variables as in market size, growth and geographical location. Äijö, et al. (2005) also identifies that the macro approach is crucial but one should also emphasize the technology adaption and usage when evaluating the target country. Hence, the biggest market is not necessarily the best to penetrate to due the amount of Internet users for example. Also a smaller market can be a good market to expand to due developed e-commerce and high percentage of Internet users. This is rather applicable perception to HVO as for example Finland is not the largest markets to begin with, but anyhow the amount of Internet usage is high among adults, and thus can be considered as a good starting point to build a functioning web-site, which then can be introduced to new larger markets.

The international process follows the idea that after identifying the target market the next thing is to identify the most suitable customer group within these target countries. Micro segmentation can be described as a process, where the population is segmented through micro variables and as a result these variables reflect more around the buying organisation, behaviour and situation as Hutt and Spec (2009) argue.

The competitive situation at the market for the e-commerce extension is analysed using Michael E. Porter's (1980) Five Forces framework.

Since the model is quite extensive and the purpose of the Thesis is rather narrow and resources limited, we will not use the model in its full context. In order to analyse those vital strategy components, HVO was analysed internally and part of the Internationalization strategy for software companies was used in utilizing International competitive analysis. We analyse the HVO as well as the selected target country providing target market analysis, competitor analysis and customer analysis. The research ignores the other parts due the resources available and they fail to support the aim of the research.

2.12 Environment Analysis tools

In this chapter we are presenting two tools for analyzing company's markets with different perspectives. Scherer & Ross (1990) model which is divides the economic environment into 5 areas with specific titles for each affecting factor. The other chapter concentrates into more familiar Porter's Five Forces model presented by Porter (1979).

As seen in the chapter 2.10 Porter's Five Forces model presents clearly a more suitable option and thus in the following chapters it is also presented with greater details.

2.12.1 Scherer & Ross –model

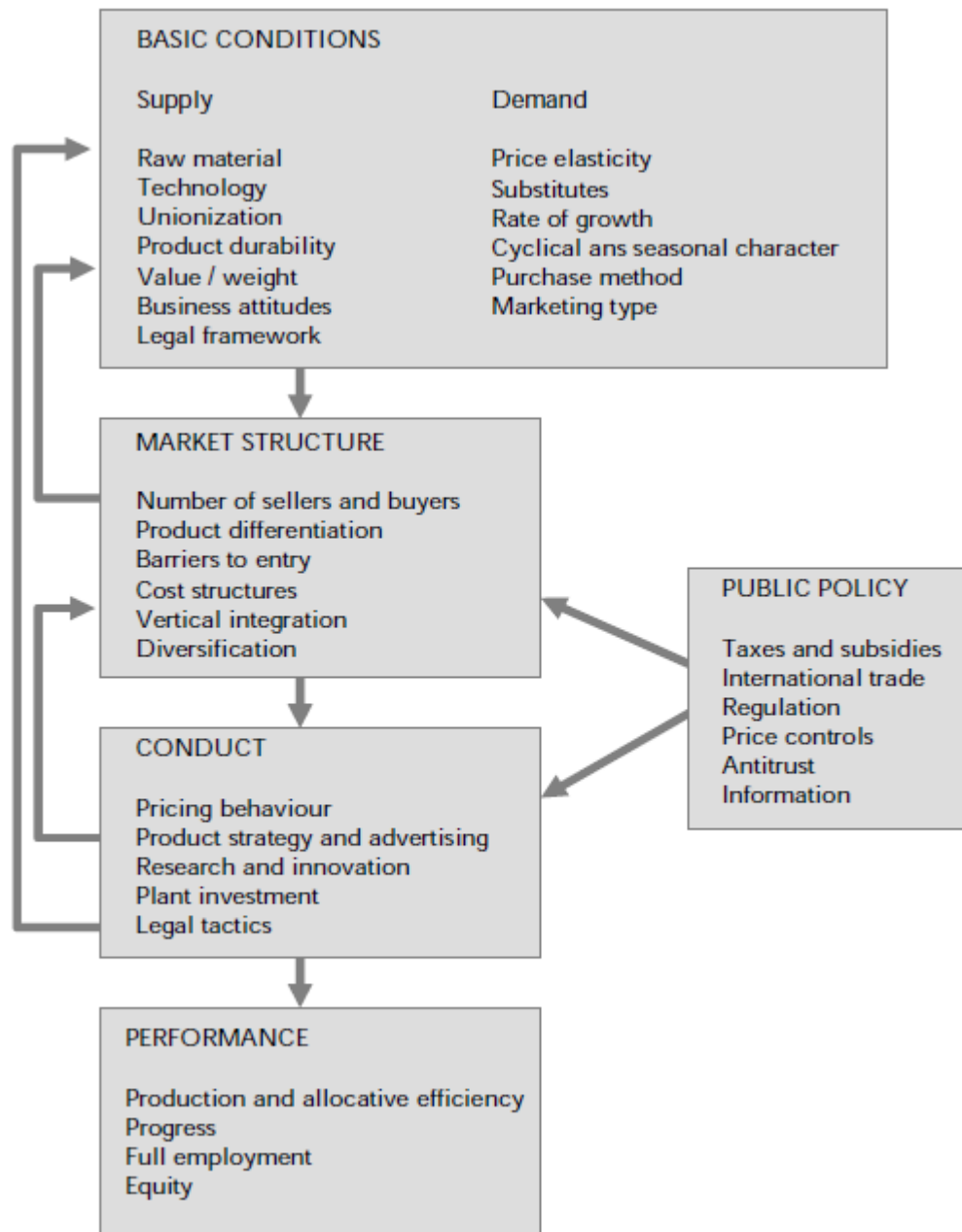


Figure 9: Scherer & Ross Model (1990)

With a similar starting point as Porter's Five Forces model (Porter 1979) Scherer and Ross are taking into consideration different affecting factors in the company's economic environment. The basic layout is divided between Basic Conditions and Market Structure (Lahti 2010) and as the Figure 9 shows this is again divided into specific factors. The original

model also includes different variables which can partly be again divided into microeconomic and macroeconomic variables.

2.12.1.1 Basic Conditions

Scherer & Ross (1990) are assuming the basic forces in the clear difference between demand and supply (Figure 9). These two sides again are having subheadings as the characters affecting on the both sides such as products/services value and material as well as the possible substitutes on the demand side.

2.12.1.2 Market Structure

Market Structure is seen as the basic layout of the market where company is operating. This consists of the actual amount of affecting participants, integrations and specific characteristics such as diversification (Scherer & Ross, 1990).

2.12.1.3 Public Policy

Public Policy is seen as the affecting force which can determine aforementioned market characteristics. The laws and set rules and regulations in given industries and areas have a huge impact on the actual playground and thus these forces are seen as policies which should be taken into consideration. This is a more recent variable which have been included into the model (Lahti 2010).

2.12.1.4 Conduct

Originally a mix between Harvard and Chicago research frameworks (Lahti 2010) and variables consists of operational methods within the environment. Some are under the influence of Public Policy variables such as actions determined by laws and others more of a characteristics affected by nature of consumers for example.

2.12.1.5 Performance

Performance variables are different aspects formed by micro- and macroeconomics (Lahti 2010).

2.12.2 Porter's Five Forces-model

This chapter gives a view of existing theories for market analysis with different focuses. The most well known and used is Porter's Five Forces –model, which has been controlling both

the academic and practical studies for decades, says Grundy (2006) and Slater & Olson (2002)

For all the theories presented to the business life very few has stayed over decades and even less have the impact and scale that Porter's model has reached. Framework became a standard in strategy and business management and filled exams in different fields of business studies globally states Grundy (2006). Grundy (2006) also adds: *"When Michael Porter conceived the five competitive forces model, it propelled strategic management to the very heart of the management agenda."* (Grundy, 2006, s. 213).

As well as the Porter's (1979) model is studying new status quo of each market/industry, it is providing a tool for identifying developments and thus a mean to anticipate certain impacts on the overall attractiveness of the industry states Porter (2008).

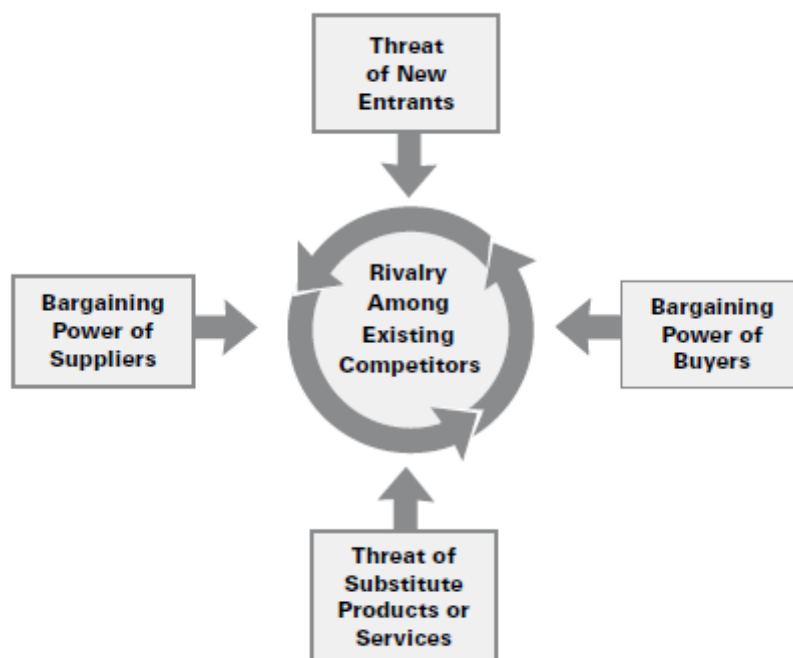


Figure 10: Porter's Five Forces, M.E Porter (2008)

2.12.3 Introduction: Porter's Five Forces model

The main purpose and the original idea of Porter's model was to bring attention to forces affecting any given situation in a marketplace. The underlying causes are revealing factors, which can be seen in different industries. The way to understand and influence profits is via

understanding and influencing the competition, says Porter (2008). This also can be seen in the difference between is any given market an attractive one or unattractive, which regarding Porter is a wrong approach.

Problems associated with the Porter's (1979) model are in the concept of "Industry". Governments are relying on standards such as SIC (Standard Industrial Classification) – codes, observe Slater & Olson, (2002) but who and what is an industry in the real life of businesses. Even Porter points out that there can be no effective strategy unless industry itself is not understood concludes Porter (2008).

Regarding Porter (2008), the typical steps in industry analysis are Porter (2008 pp. 38)

- Defining the relevant industry:
- What products are in it? Which ones are parts of another distinct industry?
What is the geographic scope of competition?
- Identifying the participants (5forces) and segment them into groups, if appropriate?
- Assessing the underlying drivers of each competitive force to determine which forces are strong and which are weak and why?
- Determining overall industry structure, and test the analysis for consistency
- Analyzing recent and likely future changes in each force, both positive and negative
- Identifying aspects of industry structure that might be influenced by competitors, by new entrants or by your company.

Key issues regarding industry or specific markets are also to find out and distinguish short-term temporary and cyclical changes from long-term structural changes says Porter (2008). As obviously long-term and short-term are concepts changing rapidly in different cases Porter has still found three-to-five-year horizon as an appropriate choice for the short-term

In this study we find it the most effective and applicable to use Slater's definition for a market: "A market is where buyers and sellers meet to execute an exchange. More precisely, it is where buyers who have similar needs meet sellers who have "products" that provide benefits to satisfy this need." Slater & Olson (2002, pp.1)

Also regarding HVO the Five Forces analysis is a great tool for geographical study. When an industry has a similar structure with common characters (forces) in different countries, it is

fair to assume similar global competition and thus one strategy is needed, globally as Porter (2008) says.

Porter's model is consisting of five different forces, which are presented here.

2.12.4 The Power of Suppliers

As an essential part of a products lifeline is the actual combination of actions before having a ready-to-sell product. Suppliers are a vast concept and in this study they are referred as the actual Service Providers in the given industry. Karagiannopoulos, et al. (2005) points out that when analysing suppliers the typical focus is in the size of suppliers relative to the industry size.

This, more industrialist point of view is not feasible in service-based industry. Nevertheless the force of suppliers is the same. Porter (2008) states that the more powerful suppliers are capturing more value and thus holding the power over other participants. They are in possession of limiting or changing the nature of offered goods and able to effect the end prices for consumers.

2.12.5 Threats of Entry

As some businesses are starting to show more potential than the others it is given that other companies are starting to show interest in these businesses. Karagiannopoulos, et al. (2005) states that the main feature in analysing the threat of new entrants is the entry barriers.

Barriers are changing constantly but depending on the industry or specific market there are few constant factors to point out. Porter (2008 pp.26-28) is stating 7 major sources of entry barriers where the existing companies have advantage over new entrants:

- Supply-side economics of scale
- Demand side of benefits of scale
- Customers Switching Costs
- Capital requirements
- Incumbency advantages independent
- Unequal access to distribution channels
- Restrictive government policy

2.12.6 The Power of Buyers:

As a mandatory force of business the end customers are the most obvious ones. A buyer can take a different form for different company but in many case it is the consumers and customers who are creating the majority revenue for a company.

In our study we are seeing the Buyers as the end-users of given services when the biggest and fundamental factor is the size and concentration of customers states Karagiannopoulos, et al. (2005). Buyers can be seen as powerful if and when they have leverage over other participants via being price sensitive, and thus affecting the prices in the industry says Porter (2008).

2.12.7 The Threat of Substitutes

Threat of substitutes reflects the actual options in the existing market. Normally this can be seen in intense price competition and/or copying of products. In this study we are not concentrating on this product that much as the current status does not possess similar products in the market. By widening the concept though we are presenting few options in the industries. Porter describes a substitute as a product/service, which performs the same way, but with different means says Porter (2008).

More closely, the actual threat that a substitute poses to profit margins in the industry is highly dependable on “price-to-performance ratios of the different types of products or services to, which customers can turn to satisfy the same basic need.” Karagiannopoulos, et al. (2005, pp.69).

2.12.8 Rivalry among Existing Competitors

Probably most studied in the actual day-to-day life of businesses is the rivalry and existing competitors of a company. As Porter states the strength of competitors are affecting straight to the investments needed, costs and end prices of a product: *“thus the forces are directly tied to the income statements and balance sheets of industry participants.”* says Porter (2008, pp.87).

In addition of being a well-studied and often thought problem, rivalry can take a many different forms between known competitors. Price discounting, innovations and daily

campaigns are all seen daily in every industry and thus has a huge effect on calculating the actual force of rivalry says Porter (2008).

The rivalry can be intense and it has two different ways of approach. Firstly, it is a tool, which helps to determine the extent of loss of actual value in head to head competition originally created by the same industry by same participants concludes Karagiannopoulos, et al. (2005). Secondly, the actual intensity of rivalry is bigger when the competitors are similar in equal in size and/or power. This can mean either an oligopoly or a highly fragmented industry finishes Porter (2008).

2.13 Summary of existing theories and the Most Suitable Option (MSO)

Model	Pros	Cons	MSO
Uppsala Model (Johanson and Wiedersheim-Paul (1975) and Johanson, et al. (1994, p.34.))	Clear stages with small steps Unbounded both in time and space	Too deterministic and general (Reid (1981))	2
Network Model (Johanson and Mattson (1988))	More modern Networks can be built easily Team's capabilities	Dependence on external, uncontrollable, forces	3
Internationalization Model for Software Companies Aijö (2005)	Extensive Modern Clear similarities to HVO	Too operational Segmentation challenges	4
Porter's Five Forces Porter (1979)	Well-known and studied model Clearly divided Helpful for external analysis	Risk of a shallow image Unspoken characters in Forces	4

Table 6: Theory comparison & MSO

In order to provide a clear frame for HVO we concluded our literature review into a comparison between the presented theories. As stated in the text most of the theories are guidelines and theoretical steps and thus only to be followed with adapted strategies based on company's SWOT for example (see *Chapter 4.9*).

This conclusion aims to show the difference in existing theories and the thoughts inside the actual founders of a startup-company. Academic viewpoints are seen as accepted guidelines but still thought more as tools instead of actual strategic frames.

This table was presented with summaries of different theories from chapter 2 to the existing Board Members in HVO Finland. After this we asked them to give a numerical value from 1-5 for each theory, where 1 presents the least suitable and 5 the most suitable option. An average was calculated and is presented in the Table as a MSO Value.

We found it extremely important to compare the ideologies between theories and actual company owners planning internationalization in order to find similarities in goals and in means to achieve them. More traditional Uppsala model as a clear Stage model presented more negative thoughts as an "old fashion and more suitable for industry orientated companies" Ville Silventola, Chairman of the Board. In addition, the CTO Lauri Kolmonen stated that "theories planned during high growth of industrialism are not capable of understanding the current ways of internationalization."

In comparison certain points from the Äijö's (2005) Internationalization Model for Software Companies had characteristics such as "modern, fresh, more familiar" even though CTO Lauri Kolmonen said it was "build too complex to find the essence of a true Born Global".

Overall the theories were seen as a challenge to adapt into the thought strategy of HVO Finland Oy. Chairman of the Board Ville Silventola said: "differences between day-to-day actions and theories are still huge even though some guidelines can be seen as helpful and should be kept in mind".

3 Methodology

3.1 Introduction of the chapter

Methodology is an essential component of Thesis, as it identifies the research methods that will be utilized. According to Saunders, et al. (2003, p.3) research is defined as *“Something that people undertake in order to find out things in a systematic way, thereby increasing their knowledge”*. There were two different types of sources of data conducted in this Thesis: Primary and secondary data. Primary data is the data that *“is unpublished and, which the researcher has directly gathered from the people or organization”*, informs Myers (2009, p.122). Thus, secondary data *“refers to any data, which you have gathered, that have been previously published”*, adds Myers (2009, p. 122)

When choosing, which particular research method should be used in this Thesis there are several factors that needs to be taken into closer consideration. These factors include: Research approach, research strategies, ethical issues, data collection methods, limitations of data collection methods, validity and reliability and improvements to research strategy. (Saunders et. al. 2003, p. 83)

3.2 Summary of research methods

The main components of research strategy and the methods used to conduct this Thesis were:

- 1) Research approach: Deductive approach
- 2) Research strategy: Case study + qualitative research
- 3) Type of research: Interviews + previous literature + 3rd party consultant study
- 4) The way of conducting research: Explanatory

This Thesis is a Case study and the research for this Thesis has been undertaken by combining two research methods (1) using previous literature (2) The qualitative research interview method of “one-to- one interviewing”. Qualitative interviewing tends to be flexible thereby allowing the researcher to respond to the direction in, which the interviewee takes the interview and perhaps adjust the areas of interest in the research based on significant issues that emerge in the course of the interview (Bryman and Bell, 2003). During the research process the authors of this particular Thesis was partners/founders with case company as an

operative managers.

Saunders, et al. (2003) argues that there are group of strategies to deal with the data collected. Understanding the characteristics of language, discovering regularities, comprehending the meaning of text or action, and reflection. These categories indicate a number of broad ways of differentiating approaches to qualitative analysis. Qualitative data is based on meanings expressed through words and there are levels of approaches how to process and analyse qualitative data.

3.3 Research approach

The two main approaches to research are ‘deductive’ and ‘inductive’ approach.

Inductive research approach “*starts with the observations and derives theory from these*” when deductive approach therefore “*starts with a theory, and proceeds by testing hypotheses derived from the theory*” (Cameron & Price, 2009, p. 75). The research approach chosen for this research dissertation was deductive approach. Easterby-Smith, et al. (2002) suggests three different reasons why the research approach is important for your research project:

- 1) It enables you to take more informed decision about your research design
- 2) It will help you to think about those research approaches that will work for you and those that will not.
- 3) The knowledge of a different research traditions enables you to adapt your research design to cater for constrains.

(Saunders, et al. 2003, p.88)

There are multiple reasons for choosing deductive approach. The most important of them is the nature of the research topic. The issues dealt in this Thesis are quite new, although there is a wealth of literature and data from, which the author has been able to define hypotheses (Saunders, et al. 2003, p. 90). The authors are trying to explain the causal relationship between two variables (Cameron & Price, 2009, p. 81), which in this specific Thesis are for example different markets and their comparative similarities in order to the Company’s strategy to launch the webpage in Finland and then move to abroad as soon as they have validated the business. The other reason for choosing deductive approach is that the authors

are trying to describe ‘what’ is happening rather than ‘why’ something is happening, like vice versa in inductive approach (Saunders, et al. 2003, p. 88).

“Deductive approach is also quicker to complete” and the risks involved are lower than in inductive approach (Saunders, et al. 2003, p. 90), when considering the possibility that *“no useful data patterns and theory will emerge”* (Saunders, et al. 2003, p. 90). The theory might also be modified, enhanced and/or critiqued in the light of findings (Saunders, et al. 2003, p. 86).

3.4 Research strategy

The strategy was conducted using explanatory approach, which seeks the questions why, but also how and why not. It tries to find out explanations for different situations for interest and actions and to look to cause/effect relationship between observed variables (Cameron & Price 2009, p. xix). This qualitative method means, *“describing data in non-numerical form, whether cited in existing text or generated in interviews or via questionnaires”* (Cameron & Price, 2009, p. xxvi).

The research was carried out using explanatory study *“which asks ‘why’ questions but also asks ‘how’, ‘why not’ and ‘if so, what’ questions”* (Wisker, 2009, p. 56). Explanatory study seeks explanations for different situations of interest and actions and it specifically seeks to look at the cause/effect relationship between observed variables (Cameron & Price, 2009, p. xix).

The logic, which the strategy is based on, is subject to the objectives and questions that the research follows. This research uses homogenous sampling, where it focuses on the one particular subgroup in which all the sample members are similar. According to Saunders, et al. (2003) this enables to study the group in more great depth. Furthermore, the qualitative interview approach gave a more personalized one-to-one interaction, whereby some greater understanding of the perspective of those being interviewed, and an added awareness to the effect of the questioning; the qualitative approach allowed, in real time, to react to, and deal with unplanned circumstances.

Primary data collection was conducted 11th of November in Helsinki, Finland at the HVO Finland Oy HQ with interviews (see Appendix 1) with Case company’s entrepreneur and

Chairman of the Board Ville Silventola and with Lauri Kolmonen, person responsible for the case company's technical development. The interview was also followed up on by email. Also Sean Bergenheim from HVO's team and board member was interviewed through the phone.

3.5 Ethical issues

Ethics is defined as a "branch of moral philosophy and a field of everyday thinking that deals with questions of what is morally right and wrong" (Wisker, 2009, p. x)

In a research context this means taking care to do no harm to the people that are participating in the interview (Cameron & Price, 2009, p. xix).

It's important for a researcher to be ethical when approaching interviewees in order to get the preferred answers. It's important to *"provide them with a basic introduction to the background of the research, the research questions, the context in which it's being done and what the researcher will use the information for"* (Wisker, 2009, p. 119).

3.6 Data collection methods

In order to be able to answer the research question, our data sources can be divided into primary and secondary data. The primary data is gathered straight from its source for example through interviews. There are many different research instruments when considering the possibilities to collect primary data. The objective that is being defined in this section is the appropriateness of a chosen instrument for this particular Thesis. The primary data in this research has been gathered from interviews and through company data sheets provided. All participants were informed about the nature of the interviews as well as that the information. The secondary data has also been used in this research, and it has been gathered through books, reports and electronic databases mainly. The secondary research varies from many different sources in order to gain different opinions and views of the area of interest.

3.7 Selecting samples

"A sample is the total selected set of subjects or items of whom research questions are asked or on whom hypothesis are tested" (Wisker, 2009, p. xv). In this research it is impossible to collect and analyse all the data available due to the unlimited nature of the business.

Sampling techniques “provide a range of methods that enable researcher to reduce the amount of data you need to collect considering only data from subgroup rather than all possible cases or elements” (Saunders, et al. 2003, p. 150). The reasons for the researcher to do sampling are:

- 1 It would be impossible to survey the entire population
- 2 Not enough budget to survey entire population
- 3 Not enough time to survey entire population
- 4 The data analysis would be too hard and time consuming (Saunders, et al. 2003, p. 152)

As a sampling, purposive sampling was executed. “*Purposive sampling enables you to use your judgment to select cases that will best enable you to answer your research questions and to meet your objectives*” informs Saunders et. al. (2003. p, 175). This means that rather than selecting subjects randomly, participants are chosen to take part in the questionnaire or interview by the researcher.

There are several sampling techniques available for conducting proper research. For this particular research convenience sampling were selected a method. Convenience sampling includes collecting information from members of the population who are conveniently available to provide it, states Sekaran (1992).

3.8 Limitations of data collection methods

There were a few major factors when considering the limitations of data collection methods:

The most influential limitation for data collection methods was probably the limited skills and knowledge of the researchers to conduct a proper research.

- The limitations when considering the word count.
- The limitations when considering the constraint of time.
- The limitations considering access to different resources
- The constrained money resources of the researchers.

Due to logistics, time restrictions, cost and nature of the research part of the interviews were hosted as online videoconference discussions or face-to-face depending the interviewee's willingness. The same researcher performed the data collection in order to improve the same

procedures in semi-structured interviews.

3.9 Validity and reliability

This section considers the validity and reliability of the primary data collected and the researcher is trying to indicate any circumstances that could have affected in the validity and reliability of the data.

The validity and reliability in this Thesis is quite hard to verify. The reliability and validity of the displays was assured by choosing the most appropriate candidates for the research. Anyway, this does not confirm full validity and reliability of the data. Participants might change their behaviour when they know they're being observed. There are also some threats to reliability and validity in this research. The threat to the reliability was concerned to the interviewees may have been subject to participants bias. In other words the participant may have been answered to the question that they thought that how the interviewer may have wanted them to say. To overcome this issue the research questions were tried to design in a format that it would not stimulate to this. Saunders, et al. (2003) uses the following three questions formed by Easterby-Smith, et al. (2002, p.53) that reliability can be assessed from three different questions, which are:

1. Will the measures yield the same results on other occasions?
2. Will other observers search similar observations?
3. Is there transparency in how sense was made from raw data?

The same results would be received in the research due the respondents were in an executive level managers in the company, which first and foremost require honesty and integrity. Other observers would likely to get same results when using the same strategy and methods in their research of the study.

The qualitative interview approach did not restrict how the data was solicited by any preset groupings of analysis; which enabled an extended degree of detail in the questioning and in probing responses, which would otherwise not be possible with other data collection strategy techniques. Validity is concerned that whether the findings are really about what they appear to be. Saunders, et al. (2003) suggests that external validity is the results of the research

generalisable that is, whether your findings may be equally applicable to other research design settings such as other organisations.

3.10 Improvements to research strategy

There are some improvements that could be made when considering further research. The researcher observed that there are limitations when regarding the word limit of this Thesis. Now, with very limited word limit it's challenging to analyse the questions in the most potential and pedantic way as possible.

4 Internal Research

4.1 Introduction

The purpose of this chapter is to give a reader a clear image of the case company HVO Finland Oy. The data is based on open interviews with the two Silent Partners in the company and a received analysis made by an external consulting company. Interview template is attached as Appendices (1).

4.2 Executive summary

4.2.1 Need:

In Finland alone there is 5486 (*Fonecta B2B Contact-platform // 01.11.2013*) service providers (SP) in the manual therapy industry. Most of these service providers are sole-traders with an equal will and hope to concentrate on their job with minimum extra effort regarding admin-paperwork such as marketing/scheduling etc. At the same time expenditure in private healthcare industry is growing steadily hand-in-hand with growing ecommerce.

For some reason, the manual therapy industry is stuck to 1990's without any working standard for easy and reliable service, which would combine these two factors.

4.2.2 Solution:

HVO Finland has created an interface for customers seeking and service providers providing healthcare services within Massage Therapy, Osteopathy, Acupuncture, Physical Therapy and Chiropractic. As existing competitors are either too narrow or too widely segmented, our company has chosen, based on interviews, to concentrate on 5-6 areas of manual therapy. Again, based on interviews, we have created a revenue model, which, unlike any existing service, creates a clear win-win situation into an industry, which struggles with risky marketing with little know-how and no interest for learning.

4.2.3 Potential:

In global level, each market has some kind of opportunities for sole traders to market themselves. At the same time basically every single one of those are either too huge to actually give detailed information (Google) or too expensive to have without taking a big risks and commitments. In addition, rare of the existing competitors have figured out the actual need of the service providers, which is after all what matters.

When successfully creating a working platform for this interface between service providers and end-users, we are creating a new, minimum risk and simple way for small size companies to be found in every service industry in any market, which have this similar issue. Similar success-stories have been seen in food and other healthcare industries.

4.3 The Team

As many of the existing start-up- companies are struggling to find multi-disciplinary teams for optimal combination of business know-how and ability to produce needed technology in-house, HVO has managed to gather up an interesting combination:

4.3.1 Joonas Isopahkala

As one of the founders and the first to actually present the aforementioned opportunity, Joonas is the CEO and Founder of this company. His previous jobs are in Sales and education (ongoing) in Entrepreneurship M.Sc. Business Administration. Joonas holds degree of BA (hons) in Business & Enterprise Management from the University of Sunderland, UK.

He has also studied entrepreneurship in University of South Australia, Adelaide in 2009-2010. His strengths are in Customer Relationships and Sales.

4.3.2 Lauri Kolmonen

Lauri is extremely competent in technical side. His previous jobs have been in one of the most known and high-growth IT-houses in Finland. Now with also ongoing studies in Entrepreneurship M.Sc. Business Administration Lauri is putting his know-how into entrepreneurial life. Lauri holds Master of Science in Telecommunications Management and Software, Helsinki University of Technology, The Department of Computer Science and Engineering, 2009. His strengths are in Coding, IT and web-page development.

4.3.3 Henri Mehto

Henri holds a BSc in Business Technology from the Aalto University and on-going studies in M.Sc. Business Administration in entrepreneurship (Aalto University). Henri's background is also in Sales, Entrepreneurship and Customer Relations. In addition, he's adding an analytical side into the business. His strengths are in Sales, Analytics and Business Development.

4.3.4 Silent Partners

The Board of the company is also consisting of two additional members, totalling into five persons. Sean Bergenheim is an active NHL-player in North America and he is providing PR-skills and amazing network in Finland and US. The fifth member is a serial entrepreneur, Ville Silventola. He holds a degree of BA (hons) in Business and Marketing Management from the University of Sunderland UK, and graduated from the Lund University, Sweden in MSc in Entrepreneurship. Ville is giving valuable know-how into Sales, Business Growth and is behind company's marketing efforts.

4.4 The Product

HVO Finland Oy is an owner and controlling a website called Hyvinvointi-Online.fi, which roughly translates to Healthcare-Online.fi. Simply put it is an information pool where consumers can search, compare and contact service providers (SP). Each SP has a profile, which he/she has an access to 24/7. This profile consists of basic information and different descriptions, which aims to give consumers a clear picture of the skills and “vibe” of each

Figure 11: Landing Page-view

HYVINVOINTI ONLINE.FI

Tietoa palveluntarjoajalle | Selaa palveluntarjoajia | Ilmianna palveluntarjoaja

PALVELUNTARJOAJA: Kirjaudu tai Rekisteröidy

Etsi osoitetta. Syötä esimerkiksi kaupungin nimi tai tarkka osoite

Osoite, kaupunki

Etsi osoite

Näin toimii

1. Etsi itsesi ja lähialueesi kartalla
2. Tarkastele lähialueesi vaihtoehdot viemällä hiireä kartasta löytyviin eri palveluntarjoajien sijainteihin
3. Voit suodattaa tuloksia vasemman alanurkan kategorioiden avulla
4. Anna palveluntarjoajalle kontaktipyyntö jättämällä puhelinnumerosi
5. Palveluntarjoaja kontakti sinua ensi tilassa ja samalla voitte sopia aikataulusta sekä muista yksityiskohdista

Suodata: ☒ Akupunktio ☒ Fysioterapia ☒ Hieronta ☒ Kiropraktiikka ☒ Naprapatia ☒ Osteopatia

Kuluttajille

Löydä hyvinvointialan ammattilaiset vaivattomasti sijaintisi perusteella. Voit etsiä vaihtoehtoja, vertailla palveluntarjoajia, mikä on paras

Ammattilaisille

Hyvinvointi-online.fi yhdistää palveluntarjoajat ja kuluttajat yhdelle internet-sivulle. Sivuston kautta sinulla palveluntarjoajana on mahdollisuus nähdä

SP.

These profiles are controlled by SPs so each one has similar features but different content. Consumers can locate this profiles at the moment based on a map and a search-tool within.

Juha Räisänen

Suvela, Espoo

Koulutettu hieroja jolla taustaa urheilijana.

Koulutettu hieroja, valmistusvuosi 2011. Aloittanut Fysioterapiakoulun Elokuussa 2013 Työskennellyt hierojana Martin Kunto fysikaalisessa hoitolaitoksessa Espanjan Fuengirolassa sekä Matin Kunnossa Matinkylässä. Juhaa suosittelee jääkiekkoilija Sean Bergenheim.

Jätä yhteydenottopyyntö

Suosittele

Hinnasto

Teen myös kotikäyntejä!

Hieronta		
Hoitokerta	45 min	35 €
Hoitokerta	60 min	42 €
Hoitokerta	90 min	58 €



Suosittelut

Olen tehnyt yhteistyötä Juhan kanssa jo monta vuotta, aina kun olen kesät Suomessa. Suosittelem häntä kaikille, varsinkin urheilijoille!

30.09.2013 14:49 SEAN BERGENHEIM

Figure 12: Example Profile

Easy access to online calendar (optional for SPs), Recommendations (reading and creating) and straight contact information or Contact Request can be found from each profile. In the end, our product enables a 3-click path to find and contact a service provider near you. Chairman of the Board Mr Ville Silventola sums: *“we wanted to create a risk-free environment where both parties will share the benefit with simple user interface.”*

4.5 Ideology

HVO Finland is founded on 4/2013 but the actual launch of the web page happened on 1/10/2013. Summer held mainly long hours in the developing process and mainly in the most crucial part, talking with the actual customers and end-users.

“Our product is based on nothing else but into the existing need of actual full-time service providers and consumers. We created the product in cooperation with SuHo and OOKK, which are both the biggest schools in Great-Helsinki are for Massage Therapists and Osteopaths. The instructors and soon-to-be SPs gave us insights on the needs and wanted features on their side of the product.” says Mr Silventola.

The similar validation on consumer side was based on the fact that services of same nature exist in other industries with great success and to interviews in Healthcare 2013 fair held in Vantaa. Also the best validation, creating revenue is reached.

Since the beginning HVO have chosen not to guess and their luck with different features but to ask and consult actual users. This combined with of team’s skills and resources enables them to act fast and in the end deliver a superior product into the industry.

4.6 Timeline

The following picture shows a timeline of actions taken and plans for the near future.

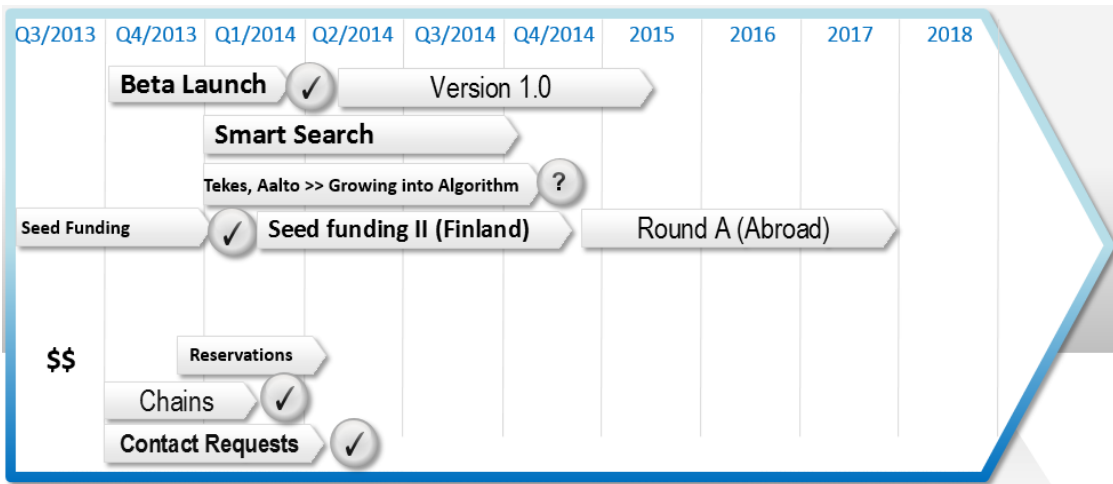


Figure 13: Timeline

“After a successful launch of our Beta-version on October, we are starting the actual development of the product.” says Mr Silventola. “We chose to launch with clearly a weaker product in order to find the pros and cons fast and develop working areas as well as destroy others”

In this target month HVO is estimating their “pool” to have 900 service providers. Out of these 900 service providers, 90% are receiving 1 reservation per day per provider.

As stated earlier, to be an active SP he/she needs to have on average 4-5 reservations per day. Thus the company is targeting to have 20-25% of one SP’s reservations and to reach 30% of the SPs in Finland. Still with these figures the monthly revenue is closer to 50k€.

Already HVO is receiving Contact Requests and we have been selling profiles to chains. Online calendar is possible to activate already, but the actual education phase for using them is still ahead. *“Our biggest challenge at the moment is to teach service providers how to use their profile and how to get the most out of it.”* says Mr Silventola.

The cash flows, happened and estimated are presented in the next chapter.

4.7 Revenue Model

The following table describes our target month in Finnish markets by the end of the year 2015.

Figure 14: Target Month Revenue Structure

Target Month			
Source of Income	Popularity	Price	Total
Product 1	50%	7.9	3,555 €
Product 2	40%	5.9	2,124 €
Product 3	20%	15.9	2,862 €
Reservation fee	90%	1.9	46,170 €
Amount of providers	900		54,711 €
Reservation per day per provider	1		

As it is clear to see from the revenue structure, main goal and biggest potential is in the Reservation Fees. No matter, which are the products and their prices/popularity around the profile (Products 1-3), the biggest potential lies in the reservations via our page.

In this target month they are estimating our “pool” to have 900 service providers. Out of these 900, 90% are receiving 1 reservation per day per provider.

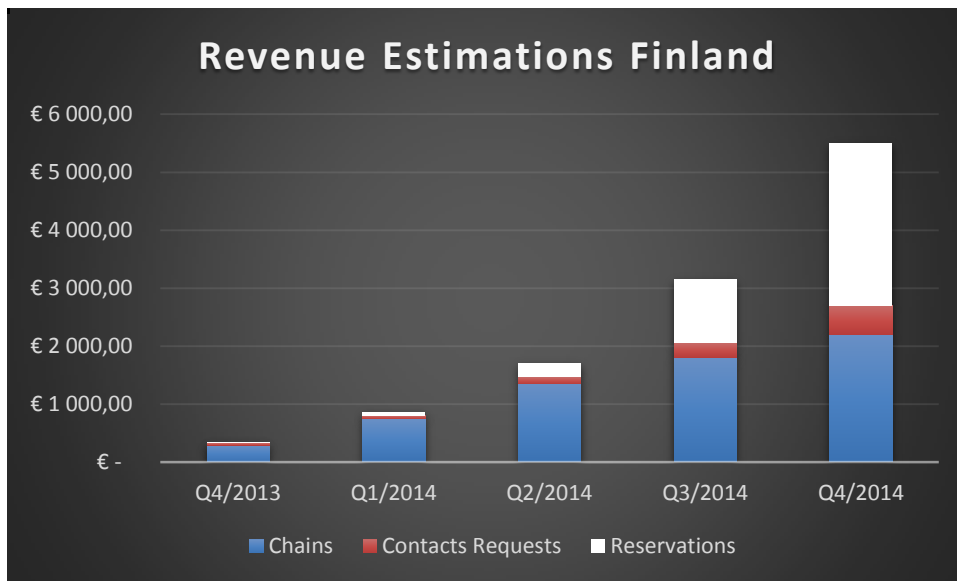
As stated earlier, to be an active SP he/she needs to have on average 4-5 reservations per day. Thus we are targeting to have 20-25% of one SP’s reservations and to reach 30% of the SPs in Finland. Still with these figures the monthly revenue is closer to 50k€.

Already HVO is receiving Contact Requests and they have been selling profiles to chains. Online calendar is possible to activate already, but the actual education phase for using them is still ahead. Biggest challenge at the moment is to teach service providers how to use their profile and how to get the most out of it.

Company’s revenue forecasts for the next 12months can be seen in the chart below. Financially thinking, the most profitable deals on short-term view - money upfront without need to invest effort or education afterwards. These are the deals they have seen already and can bring needed resources to validate the page and to create revenue.

As stated HVO's main goal still is in the unique reservations via our page. They are seeing already an increasing curve in these actions and we have not even started to marketing nor educating customers/consumers into online reservations. *"We are estimating that reservation fees are overtaking chains as the biggest revenue source by the end of the year 2014."* continues Mr Silventola.

Figure 15: Revenue Forecast



4.8 Business Model Canvas

Figure 16: Business Model Canvas

The Business Model Canvas		Designed by: HVO Finland OY // Hyvinvointi-online.fi	Designed by:	On: dd/mm/yyyy
				Iteration #
Key Partners Who are our Key Partners? Who are our key suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform? Companies - sole traders, big companies, chains Unions - collective unions, their resources and events Schools -Future sole traders,new ideas, modern needs Clusters - Healthcare pop-ups, unified needs, multiple stakeholders	Key Activities What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue streams? Technical Development (In-House) Meeting customers: companies, unions, schools, clusters Key Resources What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams? Technical Development (In-House) PR-Knowledge (In-House) Resources for marketing needed, know-how (In-house)	Value Propositions What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying? Easier,faster and reliable way to search, compare and contact services for consumers. For service providers a possibility to concentrate on their own work and a centralized tool for marketing, scheduling and overall possibility to be found - without risk or effort.	Customer Relationships What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they? Unique service providers (sole traders): a simple,effective tool and support for its use Chains:reliable and cost efficient tool with many users Channels Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines? Social Media (viral videos etc) Fairs Healthcare events Google Word of Mouth	Customer Segments For whom are we creating value? Who are our most important customers? B2C: - Health-orientated by choice or by need -Rehabilitation, luxury, work-related etc. B2B: -Service providers in Massage Therapy, Physiotherapy, Acupuncture and Osteopathy.
Cost Structure What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive? Platform (constant development) Marketing		Revenue Streams For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues? Contact Requests (Received) Renting Profiles for Chains (Received) Reservations (Available) Ads (Possible in the future)		

4.8.1 Key Partners

HVO's Key Partners are relatively easy to point out – at least in the beginning. Main partners, the backbone of the web page is the service providers in all sizes and shapes. They are the info consumers are looking for and thus the most critical stakeholder to convince and serve.

These service providers are most belonging into a union of similar services. Thus, these unions are a bridge between us and a huge amount of unique service providers who are most respecting their unions' recommendations and suggestions. To have a working relationship especially in the developing and marketing side is an important tool.

Schools are the field of future service providers who are our main area of interest for creating a modern service. As young, tech-minded persons we are able to receive working ideas, which to turn into feasible features in our service.

4.8.2 Key Activities

As our main product and the whole soul of the business is the web page, the key activities are all concentrating to develop it. As the developing itself is done in-house, the biggest challenges are to actively search features, which are helping consumers to use us. Also the active participating into service providers' life and challenging them to help us to help them is a vital function in our business.

“Our company is founded on a stern base made from constant interviews and feedbacks by our actual users and we are concentrating to keep this in mind as we grow.” says Mr Silventola.

4.8.3 Key Resources

Key Resources are going hand in hand with the Key Activities. Hence, the need to keep the web page up-to-date, modern and answering the different needs of our many stakeholders is the priority. All resources should be used to support this idea. Marketing and other admin efforts are functions needed to grow the business but there is no business without our product, and thus we are constantly trying to keep the product growing and shaping it towards perfection.

4.8.4 Cost Structure

As most of the main functions are done in-house, the biggest costs at the moment are in the admin & marketing –functions. Problem is, that businesses as HVO are forced into revenue model, which leans heavily on the future. In other words, the revenues are created later on, after years of negative numbers. This presents the challenges all the start-ups are phasing, how to invest and feed the growth needed to get to the profitable phase. As seen in the *figure 6: Timeline* we are raising capital for growth in Finland early in the year 2014.

4.8.5 Value Propositions

“Our value propositions can be described easily with proud thanks to the actual process of creating it.” Mr Silventola says and adds that: *“After interviewing service providers, their instructors, heads of schools, consumers and CEO's of big chains in the industry, we*

managed to find the essential. Our product is simplifying an issue known to each service provider, how to get online easily, risk-free and with guarantee to be able to concentrate on their core businesses. At the same time we are bringing the best part of the 1980's Yellow Pages in 21st century with modern tools to ease the process." It is thus clear that the base of this company and its core values are on a solid platform built together with customers.

4.8.6 Customer Relationships

For HVO's main customers, service providers, they want to be a *"trusted platform, which is easy to use and always helping for them."* adds Mr Silventola and continues that: *"We are trusting relaxed atmosphere, small barrier for open negotiations and most importantly, into an efficient way to improve their business without taking big risks."*

On consumer side says that they want to be the standard where to search help when your body needs it. A trusted web page with multiple options tailored to consumers' needs.

4.8.7 Channels

HVO's main channels for customer acquisition are all the places where consumers look for service providers. Based on the interviews they have done these decisions are made either in search engines or by recommendations of a friend. To be able to be in both places they have to create an image and a standard so there's only one thought in mind when the help is needed. Viral videos, social media and sponsored ads in search engines are straight ways but as a start-up they are also concentrating on guerrilla marketing and modern ways to be seen and heard.

4.8.8 Customer Segments

Customers are easily divided into two main functions. The biggest and their main customer, literally speaking, are the service providers. No matter of the shape or size of their company, they need them to be in their page. To convince them out of their existing habits and showing the potential of online profiles is the biggest functions on the sale side.

On the other hand end-users of these services, consumers, are their clients as well. After all, they are the paying force that are choosing between options and enabling the healthcare

service to exist at all. To teach them the possibilities, easiness and added values of our page is an important factor without the main customers are not getting the demand they need to find HVO's service profitable.

4.9 SWOT Analysis

SWOT-analysis is used to sum up the internal strengths and weaknesses as well as external threats and opportunities. Analysis is conducted by third party consultant group who were studying in Aalto Executive Education MBA-program in November 2013.

Biggest finding can be seen in the technical background of the firm and more precisely the knowledge company's CTO Lauri Kolmonen possesses. This combined to the feedback-based revenue model and the overall networks team's founders have HVO has a huge potential for fast growth.

On the other side, weaknesses and threats are in the industry. Rapidly moving services and platforms are born on monthly bases and the technology is still pretty immature. First impressions, technological innovations in the platform and brand image are in key factor when similar companies and ideas are forming rapidly.

Due to the fact that HVO is mainly targeting to US market, the potential in the business is astronomical. If the threats and the weaknesses can be transferred into strengths and positive customer experiences there is much to be achieved with similar business model.

Consulting team has pointed out their suggestions to key elements in the Figure 13.

Figure 17: SWOT Analysis (Consultant Presentation 24.11.2013)

Strengths <ul style="list-style-type: none"> ➤ Unique platform with both Customer discovery & service processing ➤ Technical background of the team ➤ Transparency in transactions ➤ Risk Free approach to service providers ➤ Low Price high value approach ➤ Guaranteed service delivery 	Threats <ul style="list-style-type: none"> ➤ Existing competition in one way or other ➤ High level of transparency in the service ➤ Service provider perception management ➤ Easy to copy the service
Weaknesses <ul style="list-style-type: none"> ➤ New concept alien to traditional businesses ➤ Offline Cash based transactions preferred ➤ Extra effort in registering ➤ Low engagement with consumers ➤ Customer repeat transactions could result offline 	Opportunities <ul style="list-style-type: none"> ➤ Majority of the service business getting online ➤ Service discovery, recommendation engines, social consumption of service, online payments becoming popular ➤ Gen Y Demographics interested in online consumption of services

5. Market Research

This chapter presents research findings and analysis and builds a bridge from the previously discussed Internationalization Model for Software Companies and illustrates the information. The international market analysis gathers the current market situation in terms of different effecting forces, customers and competitive situation. The analysis for success characteristics identifies critical success factors for comparative companies. Data for this chapter is collected from data-centrals such as US's Central Intelligence Agency and from an external analysis gathered by a third party consulting.

5.1 Success Factors

Success Factors are considered as features within a given industry, which are found to be helpful regarding the overall success of HVO. These factors are based on founders' findings and described as following:

Amount on Service Providers: This is the estimation of active service providers in the given industries. Total amount of SPs is a crucial fact in HVO's business model and thus the

existing pool of SPs in the target country is the most vital feature. With this amount it is also important to know about their unions, fragmentation of the players and size of an average service provider company.

Demographical Statistics: Demographic data gives a great view regarding the population of each market. As based on the interviews made by HVO a certain customer segment is profiled. To know the size of this segment in status quo as well as in the future (5years and more) is important information regarding the actual size of the market potential.

Size of the Healthcare Industry: Healthcare industries are different in each country. The overall size and revenues in that industry gives a good picture of the spent amounts into the healthcare as whole and also in more precise numbers for our preferred areas. Other vital facts regarding this factor are the players in the industry, possible big chains, governmental control and power on insurance companies.

Internet Retail Expenditure: As a crucial part of HVO's business model is the amount of active online-buyers. If an individual is familiar with online-shopping is reservations and searching for service providers and easy task. Also the amount of money spent into online retail gives an idea of how much market potential is to be grasped.

Part of the data is based on HVOs market research, which has been gathered during year 2013 from various public records such as association home pages, World Health Organization and other governmental databases.

In both countries we are presenting analysis for all four Success Factors as well as Porter's Five Forces analysis research as well as data based on quantitative calculations.

Challenges in the market size estimations are same in both countries. Due to lack of forced unionization in each therapy there are only good estimations of actual amounts of service providers. For example the estimations of massage therapists in USA are changing over 30% depending on the source. In these cases we are presenting the potential as averages.

5.2 Market Analysis // USA

In this chapter we are presenting gathered data regarding market potential in USA.

5.2.1 Amount of Service Providers

Table 7: Amount of Service Providers USA

<i>Title</i>	<i>Amount (estimation for 2012)</i>	<i>Source</i>
Chiropractor	75 000	American Chiropractic Association, World Health Organization
Massage Therapist	220 000 – 320 000	American Massage Therapy Association
Osteopath	78 000	American Osteopathic Association

The pure amount of service providers is the most crucial factor when considering it as a target market. As well as in other industries, USA is one of the biggest market industries and thus an interesting option for internationalization. Even the biggest three services, Massage Therapists, Chiropractors and Osteopaths are totaling closer to half a million unique service providers.

Industries are relatively different than in Finland due to the certain cultural expectations regarding chiropractors for example. Where in Finland they are a small segment within a small niche itself, they are much more popular and a well-known title in USA.

5.2.2 Demographical Statistics

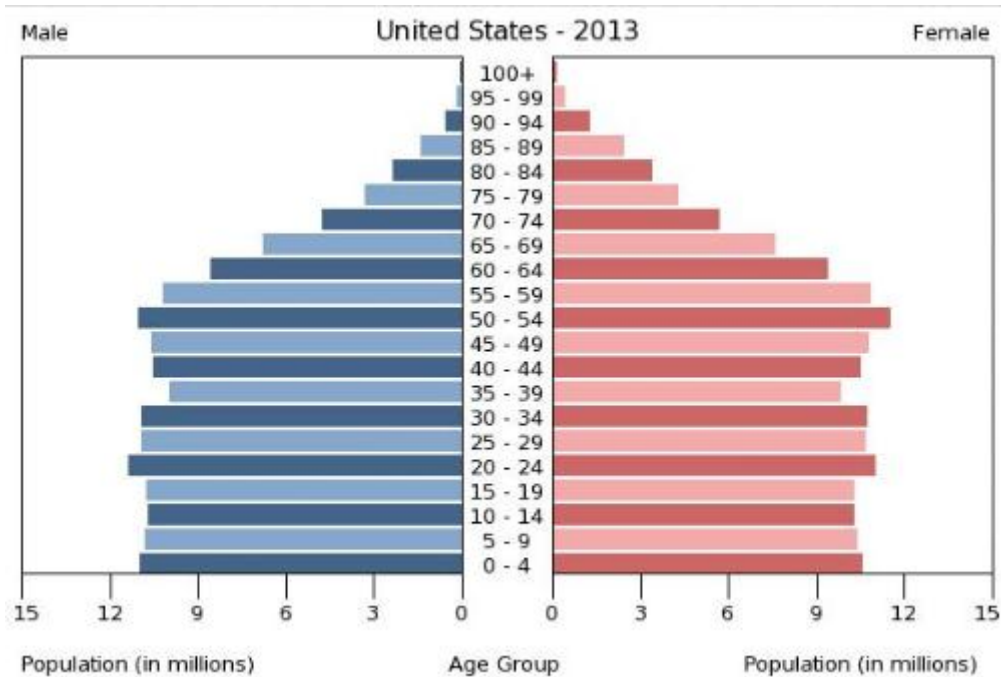


Figure 18. Demographical Statistics USA (<https://www.cia.gov> 26.10.2013)

Urbanization: 82%, New York-Newark 19,3million

Internet Users: 245 million

As well as in the actual amount of persons in the country itself, the demographic figures regarding ages and growing generations are extremely interesting in USA. Population is evenly spread with a multimillion figures in each age groups of interest.

5.2.3 Size of the Healthcare Industry

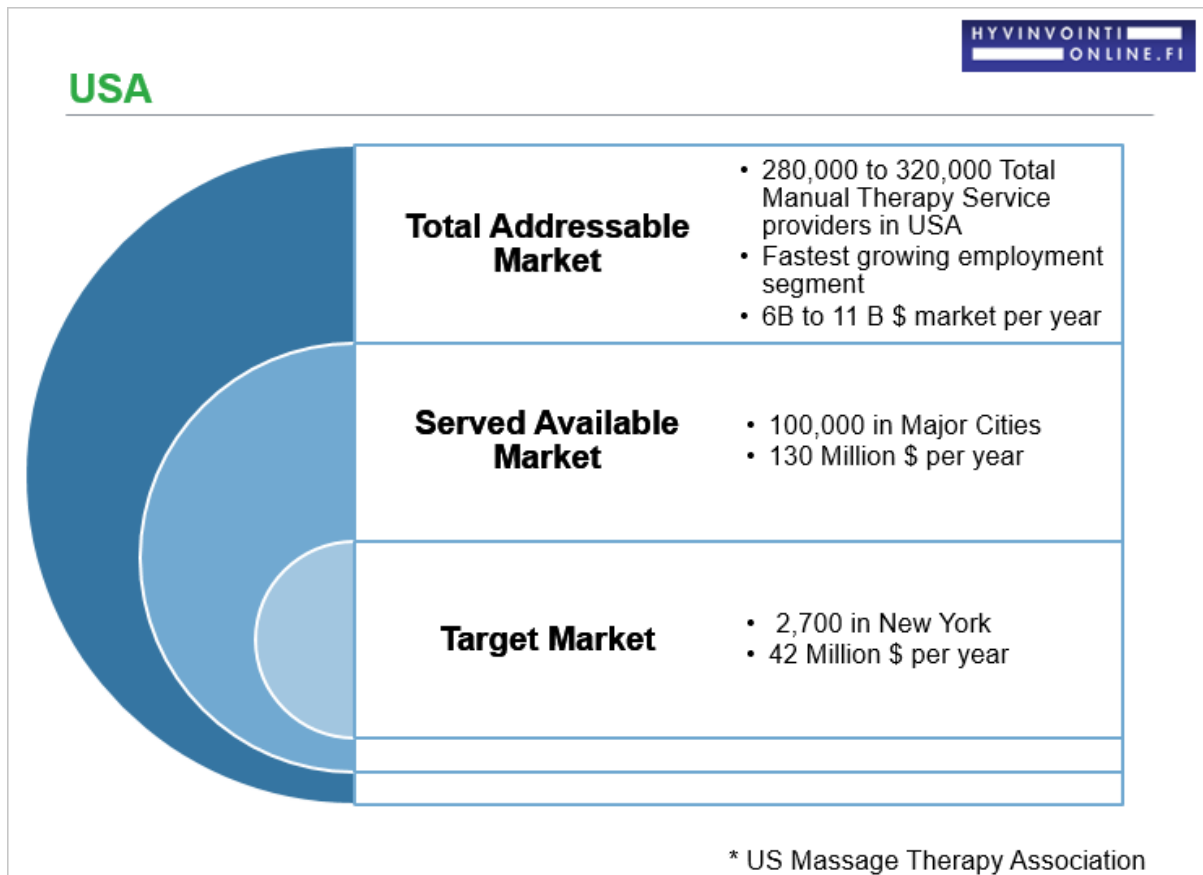


Figure 19: Market Potential US (Consulting Presentation, 24.11.2013)

As seen in the previous categories the sheer volume in the US markets are beyond appealing. To grasp an idea of the actual amount in the healthcare-industry it is vital to see the amounts used for healthcare and especially in US the source of the money used. First by looking the average consumptions per capita we can point out the amount of different services used as well as the weight health insurances are having in the source of the funds. Healthcare industry is into a certain point fully controlled by massive multibillion companies via health insurances. *Table 4* shows that health insurances are controlling over 2/3 of the funds available per capita. This restricts HVO's business model greatly because most of the services under their page do not follow under insurance policies but are more out-of-pocket type of services to prevent further operations.

Table 8: Health Consumption per Capita

Table 137. Health Consumption Expenditures—Per Capita Spending by Type of Expenditure and Source of Funds: 1990 to 2009

[In dollars, except percent. Based on U.S. Census Bureau estimates of total U.S. resident population plus the net Census undercount. Excludes research, structures and equipment. Excludes Puerto Rico and Island Areas]

Type of expenditure and source of funds	1990	1995	2000	2004	2005	2006	2007	2008	2009
Total ¹	2,661	3,578	4,561	6,043	6,385	6,746	7,069	7,329	7,578
Annual percent change ²	10.6	4.7	6.3	5.9	5.7	5.6	4.8	3.7	3.4
Hospital care	987	1,263	1,471	1,924	2,049	2,168	2,274	2,369	2,469
Physician and clinical services	626	827	1,027	1,342	1,417	1,477	1,532	1,596	1,645
Other professional services ³	124	166	220	279	293	306	322	336	332
Dental services	69	100	131	171	179	185	197	208	217
Other health, residential, and personal care ⁴	88	93	112	122	126	129	136	139	141
Home health care	96	156	229	309	326	341	359	372	399
Nursing care facilities and continuing care retirement communities	54	59	89	99	103	107	114	115	113
Prescription drugs	50	120	115	149	165	176	191	204	222
Durable medical equipment ⁵	159	223	428	649	681	735	762	778	813
Other nondurable medical products ⁶	177	240	301	359	379	391	419	436	445
Public health activities ⁷	79	115	152	184	190	209	228	239	251
Source of funds	2,661	3,578	4,561	6,043	6,385	6,746	7,069	7,329	7,578
Out-of-pocket payments	547	545	715	848	891	910	958	978	974
Health insurance ⁸	1,730	2,541	3,252	4,486	4,764	5,063	5,289	5,517	5,748
Other third party payers and programs ⁹	305	376	441	525	540	563	594	594	605

Nevertheless, the amount of out-of-pocket money spent to the industry is on its own an amount, which can create an extremely interesting business opportunity for commission based service platform (as seen in Table 5).

Table 5 describes how spent funds are summing up in nationwide comparison by type of expenditure and sources of funds. In 2009 total Out-of-Pocket money spent on “other health, residential and personal care” summed up to almost 9,000 million dollars. When looking with a long time frame it is clear to see how much the total money spent on personal healthcare has increased. Even though the health insurance programs are generalizing the expenditures from Out-of-pockets are growing steadily. Total amount for year 2009 spent on HVO’s target segment from selected source is 299,3 billion dollars (Table 6.)

Table 9: Health Consumption Expenditure by Source

Table 138. Health Consumption Expenditures by Type of Expenditure and Source of Funds: 2009

[In millions of dollars (2,330,064 represents \$2,330,064,000,000). Excludes Puerto Rico and Island Areas. Excludes research, structures, and equipment]

Type of expenditure			Health insurance					Other third party payers and programs ²
			Total	Private health insurance	Medicare	Medicaid	Other health insurance programs ¹	
Total	2,330,064	299,345	1,767,416	801,190	502,289	373,941	89,997	186,090
Personal health care ³	2,089,862	299,345	1,614,955	712,165	471,260	345,669	85,861	175,562
Hospital care	759,074	24,417	669,348	265,894	220,382	136,102	46,971	65,309
Physician and clinical services	505,888	47,943	407,336	237,674	109,434	39,947	20,281	50,609
Dental services	102,222	42,480	59,258	49,960	290	7,147	1,861	484
Other health, residential, and personal care ⁴	122,623	8,918	76,780	5,814	4,588	64,403	1,976	36,925
Home health care	68,264	6,015	59,746	5,020	29,835	24,291	600	2,503
Nursing care facilities and continuing care retirement communities	136,971	39,812	87,465	10,549	27,991	44,956	3,968	9,694
Prescription drugs	249,904	52,992	193,325	108,566	54,818	19,981	9,960	3,587
Durable medical equipment ⁵	34,878	18,577	15,805	3,970	7,446	4,315	74	496
Government administration ⁶	29,812	—	28,434	—	6,956	18,197	3,281	1,378
Net cost of health insurance ⁶	133,177	—	124,027	89,025	24,073	10,074	855	9,150
Public health activities ⁷	77,213	—	—	—	—	—	—	—

Table 10: Personal Health Care History

Table 139. Personal Health Care Expenditures by Sources of Funds: 1990 to 2009

[In billions of dollars (616.6 represents \$616,600,000,000), except percent. Excludes Puerto Rico and Island Areas]

Item	1990	2000	2003	2004	2005	2006	2007	2008	2009
Personal health care expenditures	616.6	1,164.4	1,479.0	1,585.0	1,692.6	1,798.8	1,904.3	1,997.2	2,089.9
Out-of-pocket	138.8	202.1	237.1	248.8	263.8	272.1	289.4	298.2	299.3
Health insurance	403.0	843.5	1,102.4	1,191.5	1,278.3	1,367.6	1,444.7	1,528.1	1,615.0
Private health insurance	204.8	405.8	526.2	562.8	603.8	636.4	663.8	692.7	712.2
Medicare	107.3	215.9	273.8	300.2	326.4	381.7	407.4	440.8	471.3
Medicaid	69.7	186.9	249.8	271.2	287.7	283.7	302.5	316.5	345.7
Other health insurance ¹	21.2	34.9	52.7	52.7	60.4	65.9	71.0	78.2	85.9
Other third party payers and programs ² . . .	74.8	118.8	139.5	144.7	150.5	159.1	170.3	170.9	175.6

¹ Includes Children's Health Insurance Program (Titles XIX and XXI), Department of Defense, and Department of Veterans Affairs. ² See footnote 2, Table 141.

Source: U.S. Centers for Medicare and Medicaid Services, Office of the Actuary, "National Health Statistics Group," <http://www.cms.hhs.gov/NationalHealthExpendData/>.

5.2.4 Internet Retail Expenditure

Amount of money spent on online retail is a good indicator of many things. Mostly it tells that a certain nation is technical enough to be able to do this in the first place. Many countries with bottom-of-the-pyramid type of potential are excluded from HVO's interest due to the lack of technological know-how in Ecommerce.

As US being one of the world leaders in the Ecommerce on the technical level they are for sure the most potential target market in overall potential. Growth has been steady and surprisingly fast for years and more users, especially in the older population, are starting to understand the potential. Statistics in this section are not considering the exact targets of online shopping but are recognizing the fact that most of it still goes to entertainment and clothes sectors.

It is estimated that "In 2017, U.S ecommerce will account for 10% of all U.S retail sales." (<http://www.internetretailer.com/2013/03/13/us-e-commerce-grow-13-2013>, 6/11/2013)

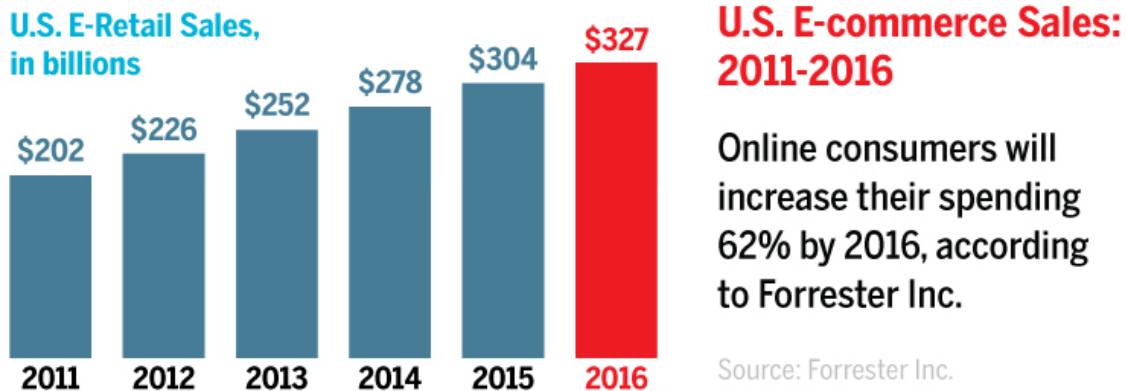


Figure 20: <http://www.internetretailer.com/trends/sales/> 5.11.2011



Figure 21: <http://www.internetretailer.com/trends/sales/> 5.11.2013

Even though the growth of the Ecommerce markets seems to slow down in past few years, the overall sales in Ecommerce are more than estimated total sales of European online retail sales in 2017.

5.2.5 Porter's Five Forces

To provide an academic reference for target market analysis, each market area is analyzed with Porter's Five Forces –model introduced by Porter (1979). This model is based on the overall situation in the country unless mentioned otherwise.

5.2.5.1 The Power of Suppliers

The power of supplier (Service Providers as described in Chapter 4. Theoretical Framework) is bigger when suppliers are well organized and unite. HVO's business model is in the fact that this is not the case in manual therapy industry but SPs are fragmented and even counting their exact number is impossible. Power of suppliers transfers into the fact that they are the key for the success of the business. Unless willing to use (and specifically happy to use) the launched service, there is simply no business to even internationalize.

Due to the fact that in the end the whole US market is a service industry with huge culture regarding customer services, it is vital that the view for customers is simple but effective. The profiles HVO is giving for service providers to use are the interface between our service and customer. This leaves the responsibility for updated and correctly filled profile for the service provider. Also as the HVO's role is more to act as an agent, the biggest and most important power regarding suppliers is the service itself. If HVO's service is used to book a service with catastrophic quality, it labels both the service provider and HVO.

On the other hand this is a factor, which goes to every single market HVO is working at.

5.2.5.2 Threats of Entry

US market is a vast playground with endless opportunities in different segments. History is full of cases where a working service has been a success all the way until a second company copies the service to the full extent and success even better. Threats of Entry in US market for web-based services are as great as it gets. United States and its concentrated hubs for tech-development are the leading location for new businesses to succeed globally. If a company does not hold immaterial property rights and/or patented technology, there is a great chance that another company is copying the product in a short amount of time.

In the web-bases services without any specific protected feature, the barrier to enter the same market segment is close to non-existent. Even with protected data or know-how the markets are simply so big that there are other companies willing to take chances and copy existing working ideas. That makes the total Threat of Entry a huge factor, which should be closely considered before launching the service.

5.2.5.3 The Power of Buyers:

Power of the Buyers is described being greater when the quantity is big and nature of the buyers is similar. This makes, again this power to be a huge one in US healthcare markets. As

US is an urbanized country with numbers multi-million population cities, the amount of buyers is obviously big. At the same time, as described in the Size of the Healthcare industry chapter, the nature of manual therapy services is out-of-pocket type, which leads to a certain price-sensitivity. In the end the markets consists of huge amount of consumers looking for healthcare services with a difficult balance of affordable price and impeccable service level. On the other hand this creates a perfect need for HVO's product but at the same time it creates a situation of extremely powerful buyers.

5.2.5.4 The Threat of Substitutes

As stated earlier in the moment of writing this Thesis, the US market does not have a similar product available. Nevertheless as described the barrier for copycats to enter the market is relatively small so this situation probably changes fast.

Threat of the substitutes at the moment is services with similar nature but for other industries. For example a company called BetterDoctor launched a location based comparison service for medical doctors in US. Having received massive funding in the first year of operations, this company possesses the option of widening their services for manual therapy. On the other hand, the revenue model is different as well as the company itself targets themselves to be in "doctor-business".

Other substitutes at the moment are search engines and home pages of different associations. These are both providing a search tool for locating service providers but are lacking a comparison method and a revenue model. Other substitutes are consumers' word-of-mouth, (WOM) which is easily the most challenging player in this industry. Verbal recommendations from a close friend/relative are a thing, which cannot be easily overlooked. Obviously there are many characters, which makes WOM a supporting factor instead of a substitute but still it is a huge power in the consumer side and thus should be taken into consideration.

5.2.5.5 Rivalry among Existing Competitors

Rivalries are at the moment non-existent in a scope of web-based services with freemium/premium accounts and commission based revenue model. Existing competition is search engines and unique web pages in wider scope but neither of these are creating similar added value for consumer as HVO is. Some companies are still in such a close range that

with small altering of their product (web-page) they can become a serious threat. Here is few examples given:

Angie's List:


Angie's List (www.angieslist.com) is a rapidly growing comparison site for different services. Households can leave moderated feedbacks from services they have used, which are then inspected, categorized and shared with others using/searching similar services. It is rating all the possible services, which is a huge difference compared to HVO. Also the booking process is missing (at the moment). It is still a rapidly growing site with millions of users already. That means they have the resources to add features into the page and thus move it towards HVO's working platform.

MyTime

www.mytime.com is a service where consumers can search and book appointments to basically whatever service they are looking for. They have a working synced calendar service for service providers, which is a huge asset. Also the team behind mytime.com is experienced in the industry and are able to move fast. The weaknesses in their site are the amount of different services in it. They are offering closer to 100 different services for consumers to search from. The sheer amount of available service providers is too big for them to be able to efficiently concentrate on singular service providers' needs.

Styleseat:

Styleseat.com has founded the exact same niche as we have but for the beauty industry. They are offering a one-stop shop for sole traders where to control web-pages, social media and clients of course. They are still billing based on monthly subscriptions, which is something we have learned to avoid on. Nevertheless they have a working product with thousands of users and extremely satisfied customers.



Competitive Positioning - US































Parameter	HVO	Mytime	Yelp	Thumbtack	Angies List
Business & Location Information					
Focus on Wellness Sector					
Calendar Support					
Zero Fixed fees					
Confirmed User Reviews					
Free Access to Service Provider list					

Figure 22: Competitive positioning US (Consulting Presentation 24.11.2013)

5.3 Market Analysis // Finland

Finland is located in northern Europe between Sweden and Russia with the population of 5,426,674 (Statistics Finland, 2010). According to the Business Register of Statistics Finland (2013), there were 322,232 enterprises operating in Finland. Of all enterprises 99.1% per cent were Micro- and Small enterprises, which are employing fewer than 50 persons.

The proportion of entrepreneurs in Finland is below the EU and OECD average. The same is also true regarding the number of people who plan to start their own companies. The fact that less people in Finland intend to choose entrepreneurship as a career, when compared to other countries, is somewhat surprising as many surveys show entrepreneurship is held in high regard within Finland (Federation of Finnish enterprises, 2011).

HVO was founded in Finland 1.10.2013 in Helsinki, Finland. Market research prior to the actual launch were based on rough estimations and more into the face-to-face meetings with actual service providers. To grasp an idea what is the actual growth potential in the starting market company asked us to add Finland into the research.

5.3.1 Amount of Service Providers

Table 11: Amount of Service Providers Finland

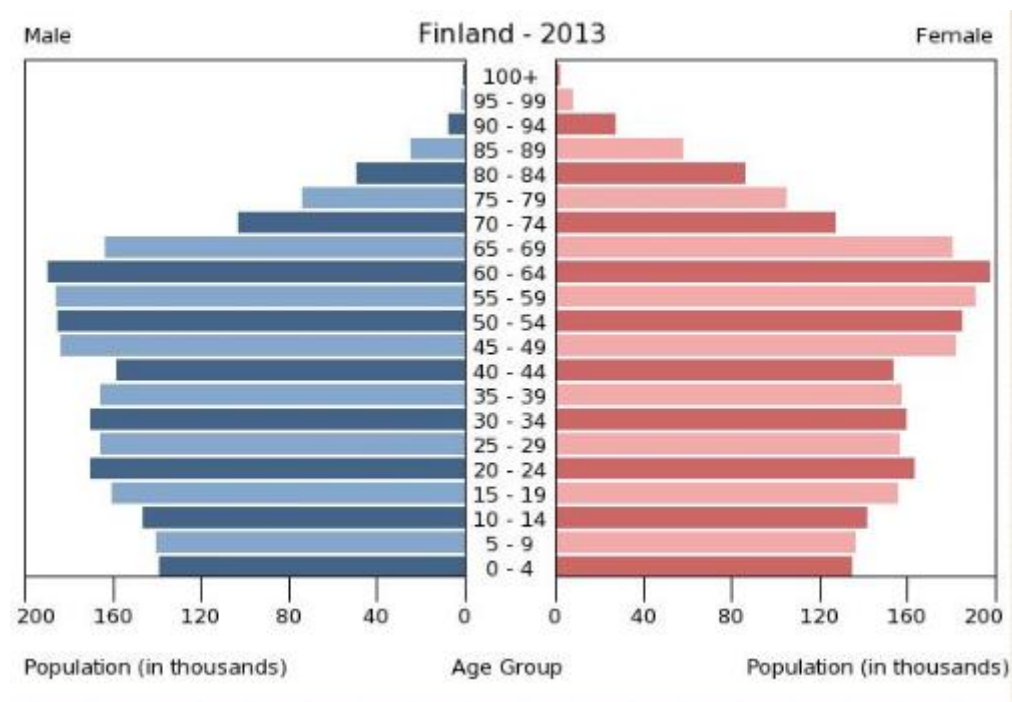
Title	Amount of Service Providers
Acupuncture	232
Physiotherapy	1640
Massage Therapy	3377
Naprapathy and Osteopathy	237

Source: b2b Profinder, provided by Fonecta // 7.11.2013

Masseuses (excluding licensed) and acupuncturists are not official titles supervised by government and thus the actual amount of service providers in these sectors are impossible to calculate. These numbers are provided by a Business-To-Business focused Finnish search engine and is based on reported sole traders.

5.3.2 Demographical Statistics

Figure 23: Demographical Statistics Finland (<https://www.cia.gov> '24.10.2013)



Urbanization: 85%, Helsinki 1.107million

Internet Users: 4.393 million (source: CIA factbook. Accessed 21.11.2013. Available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/fi.html>)

5.3.3 Size of the Healthcare Industry

Statistics Finland Ltd. is publishing the latest survey regarding the healthcare industry in the end of year 2014. Thus the easiest way to calculate HVO's target industry's size is the amount of existing service providers. To be a full time service provider, HVO Finland has, based on interviews, calculated that 5-6 reservations per day on average is needed. In addition, the average income per reservations is roughly 45 euros including VAT. The known amount of active service providers is estimated to be roughly 2266.

HVO Finland is using the Finnish market primarily for testing phase in order to find the optimal features for the product itself. Thus the raw size of the industry in numbers is relatively irrelevant to their end purposes. HVO Finland is targeting to reach 900 service providers in Finland to be able to show and calculate the needed amount of reservations per day for profitable business.

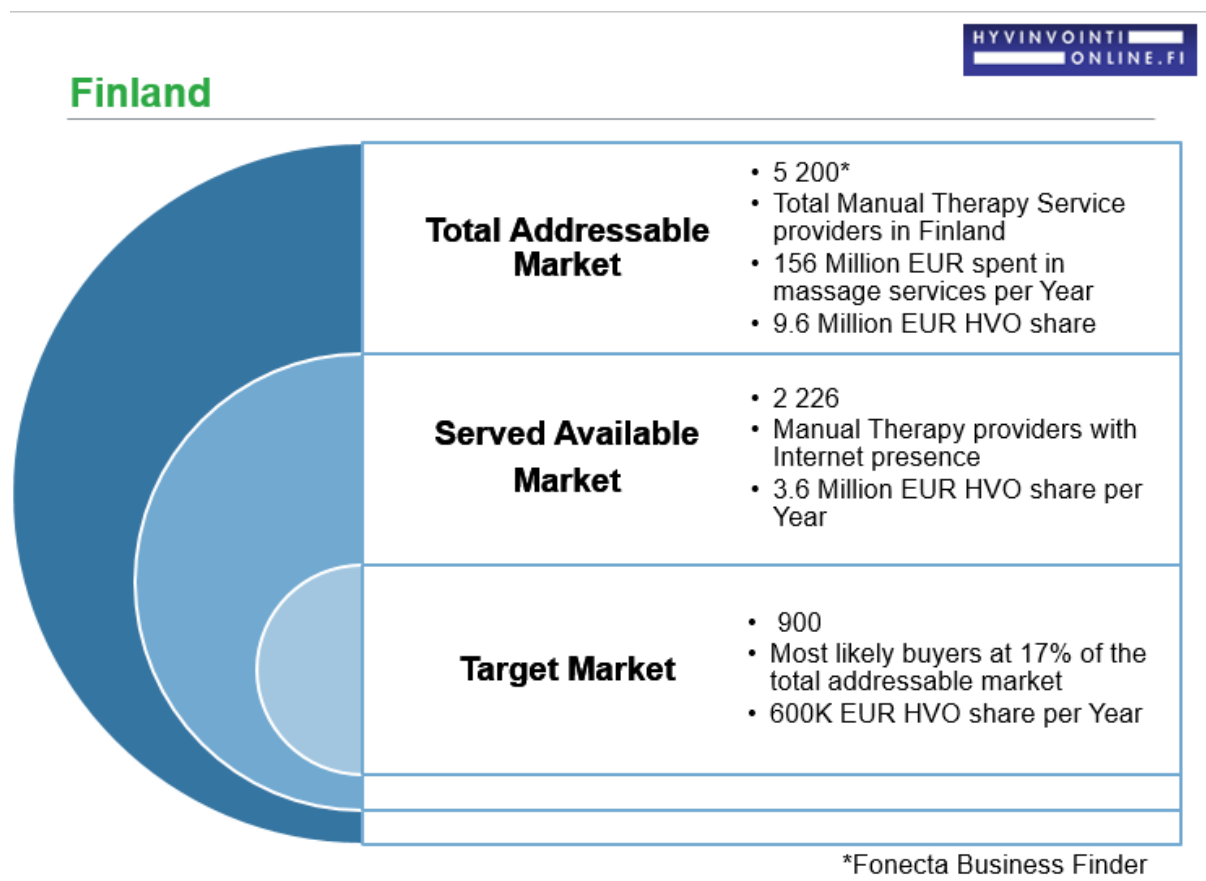


Figure 24: Market Potential Finland (Consulting Presentation 24.11.2013)

5.3.4 Internet Retail Expenditure

Finland has been traditionally slow to adopt global patterns. The differences are vast though when comparing different age groups. Statistics Finland provides a survey regarding the growth of online based shopping and it is clear to see that the growth has been fast. As seen on figure 10 the growth has already ceased its fast growth phase, which is normal due to the fact that it has reached almost the whole potential. Figure 9 compares the percentages of people who have bought something online during last 3 or 12 months or at least once at all. The most interesting is the fact that from 2005 to 2013 in the group, which has almost all buying age Finns (16-89) amount of “at least bought once” has more than doubled.

The growth during the last 9 years has can be seen in Figure 10. There it's easy to see how the growth grew rapidly from 2004 until the end of decade and is now starting to stabilize. What this means to HVO Finland is simple - Finland is mature enough for online shopping. The main potential lies in the fact that still the majority of the shopping goes to travelling and online-betting. Healthcare industry is more or less untouched.

	2005		2013	
	16-74 -vuotiaat	16-89 -vuotiaat	16-74 -vuotiaat	16-89 -vuotiaat
	% -osuus väestöstä			
Ostanut viimeisten 3 kk aikana	19	17	49	44
Ostanut viimeisten 12 kk aikana	31	28	65	60
Ostanut joskus	35	31	72	66

Figure 25. http://www.stat.fi/til/sutivi/2013/sutivi_2013_2013-11-07_kat_003_fi.html

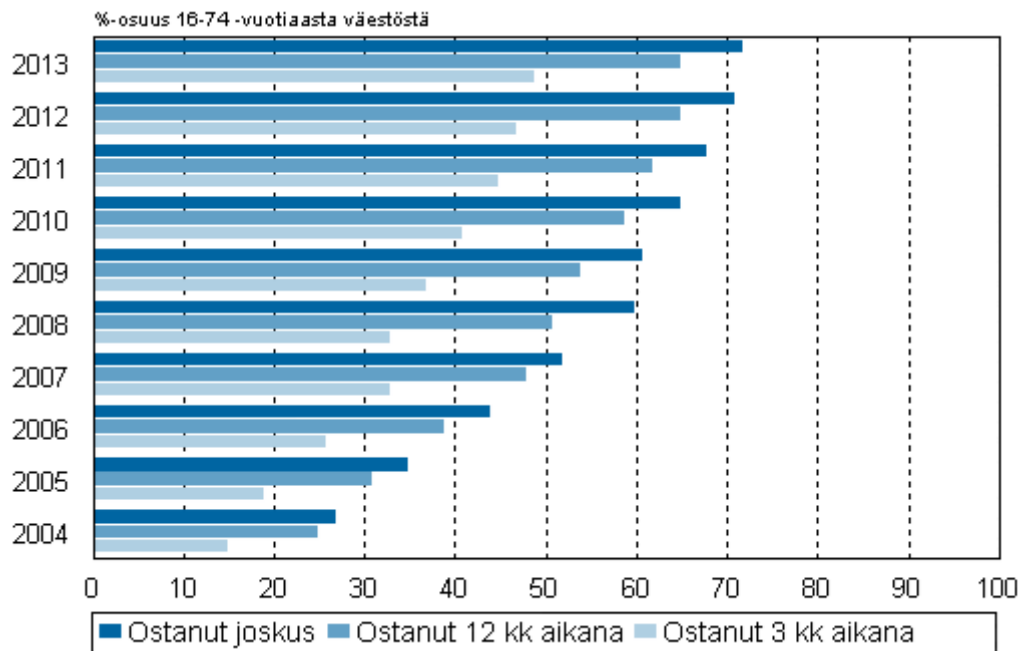


Figure 26: http://www.stat.fi/til/sutivi/2013/sutivi_2013_2013-11-07_kat_003_fi.html

5.3.5 Porter's Five Forces

The market analysis for Finland shows the starting point of the HVO. It gathers features inside the rapidly growing start-up ecosystem as well as the nature of the healthcare industry, which started this business in the beginning.

5.3.5.1 The Power of Suppliers

The service providers in the starting situation are standing alone. Finnish market consists of thousands of sole-traders concentrating on their core businesses. This is the ideology, which started the business. The fact that not a single player or a governmental organization has gathered these service providers together is astonishing. Power of the suppliers is the biggest force in the beginning due to the fact they are one party in the building phase. HVO has turned this force into a competitive advantage where the actual users are building the service. The power of suppliers in this case is a positive force, which is shaping the company, its product and the whole vision.

5.3.5.2 Threats of Entry

As the technological growth and interest into healthcare industry is combining even in the daily media it is clear that many are seeing the same potential. Threats of entry is large issue in the phase HVO is at the moment. They are just starting to grasp the needed tools to be

unique and none of those at the moment are hard to copy. Barriers for new companies doing the same thing are non-existing which leaves HVO into an extremely vulnerable position. Real-life samples can be seen in the Rivalry among Existing Competitors part.

5.3.5.3 The Power of Buyers:

The Power of Buyers for a start-up phase company has to be one of the biggest factors to consider. When the existing market shows that consumers are actively using and searching for services provided by HVO it is vital to grasp the positive and negative side of this Power.

Online-shopping is growing in certain segments such as travelling and online betting, (Statistics Finland Ltd.) which leaves an option for future growth. As most of the population is concentrated in few main areas in Finland, is the power obviously more centralized. The interesting part of the Finnish market is the non-urban areas, which are huge geographically but extremely complicated business-wise. Here the Power of Buyers is more fragmented into unique users and thus different in each area. Controlling both of these aspects is vital for HVO in order to answer the demand with right tools and to control the power of Buyers.

5.3.5.4 The Threat of Substitutes

The threat of substitutes is a huge negative power for HVO at the moment. As the product and the whole business-model itself is easily duplicated there is a realistic risk of other businesses with bigger resources to grasp the potential. Finland as a market and more specifically the exploding start-up scene are producing huge amounts of promising start-ups with technologically orientated people looking for similar options. Similar companies are already existing (see next chapter) but the true threat comes from companies, which are able to see working features and copy them fast for their own use. For this, Finland is at the moment one of the most dangerous environment to be.

5.3.5.5 Rivalry among Existing Competitors

Existing competitors are many and growing in quantity constantly. In this chapter we are presenting few of these companies. The scale for measuring competitors was kept low in order to exclude search engines. Comparison between two existing pages with similar nature as search engines can be seen in figure 20.

Varaa.com

Varaa.com is a web page where consumers can search all kind of services based on their locations. Services available are ranging from car-related services to psychology and other specified healthcare. For service-providers site is offering a possibility to offer their services via easily build profile to, which site offers different services such as online-scheduling, reviews etc. The revenue-model at the moment is this company's weakest link. They are taking a relatively big subscription fee with 12month subscription and money up-front. Resources behind this company are big and they have already started marketing in TV, which is a huge sign of resources for a start-up company.

Hieronta24.fi

A company, which was introduced to public almost at the same time as HVO is concentrating purely to massage therapy. The base idea is to show comparison in the web-page for end-user and give an option to buy the treatment via their online-shop. The page is purely concentrated on massage therapists so their profiles and comparison is easy and reliable. For service providers the model is more difficult. As the consumers buy their services from the company behind the web page the money comes to the service provider with the agent fees. Company is offering fixed revenue for the service provider, which limits the end revenue of each service provider. Nevertheless, the amount of service provider is growing fast and is thus offering a considerable substitute for end-users looking for this service.

Wellbookers.eu

Wellbookers.eu is the newest player in the field and their page is still in construction phase. The people behind this are long-term professionals in the healthcare industry with extremely good team behind them. Their resources in the building phase and in fast adaption of working features from other pages can be seen as a huge threat for HVO. Page has similar features with HVO such as a use of map and ability to compare different service providers. Not much is yet revealed from the actual page but what can be found is already a working infrastructure to the same industry as HVO with a global name and working team behind it.



Competitive Positioning - Finland

Parameter	HVO	Varaa.com	Yelp	Osuma.fi
Business & Location Information				
Focus on Wellness Sector				
Calendar Support				
Zero Fixed fees				
Confirmed User Reviews				

Figure 27: Competitive Positioning Finland (Consulting Presentation 24.11.2013)

6 Conclusions and recommendations

This chapter brings together our conclusions based on the study question in chapter 1 as well as our findings in chapters 4 and 5.

6.1 Conclusions

1. Analysis of the company itself and its readiness to expand abroad

We analysed the target company with multiple tools familiar from both academic and business worlds. The end result is that the company is, despite of its micro size and young age, well equipped for internationalization phase. As the company's idea can be described as "born global" it is clear that the true potential lies abroad.

According our findings, the stated target market of US is an excellent choice as pointed out in question 3. The sheer size of the market as well as the findings of key Success Factors are a positive indicator.

Current tangible assets are the biggest restricting factors as the resources are not sufficient alone to move abroad. Nevertheless, the fast growth of the company is an indicator for Venture Capitals, which should be used. The competitive positioning for the US markets points out the competitive advantage, which is clear and validated already in the Finnish market.

As a vital part of the used Internationalization Model for Software Companies the parts of Porter's Five Forces, which focuses on competition and customers are the most essential. Competitive analysis gives a good example for the substitutes at the moment and brief descriptions of the mentioned companies is provided in the chapter 5.

The biggest factor considered the Thesis is the current state of the company. A multisided study of the company based on interviews and external analysis from a third party gives a clear insight regarding the company. Mentionable functions are in the strength of the team and their network. As in any business the shortcut enabled by network are an important tool especially when targeting new markets.

2. How to effectively reach the given market?

We have gathered into the chapter 2 the most used theories existing at the moment. Out of these theories the most useful were Internationalization Model for Software Companies and Porter's Five Forces. The first gives a three-step guide to different features, which to consider closely when expanding the target markets. As stated we were concentrating on the second part of this theory and combined it to Porter's Forces analysis.

The most efficient way for HVO is to understand it's strengths within as well as the already proved steps for growth. There is no single theory to growth correctly so the combination of academic frameworks and inner strengths are the best way to reach the target.

3. Key factors for successful internationalization

Following Success Factors were found. HVO has a clear service to offer, which leans on specific facts, which needs to be found in order to succeed. As the company stated that USA is their target market, our Thesis was concentrating on the factors and to the question where they met in this given market.

Demographical Statistics: Demographic data gives a great view regarding the population of each market.

Size of the Healthcare Industry: The overall size and revenues in that industry gives a good picture of the spent amounts into the healthcare.

Internet Retail Expenditure: As a crucial part of HVO's business model is the amount of active online-buyers.

Following features were clearly found and studied in the US market. Data was relatively easy to find as all three factors are calculated for governmental use. The biggest factor in addition to aforementioned is the size of the US market. Even if HVO would fail in their target and reach only a fraction of a percent the reached market is worth pursuing. Chapter 5 shows accurate numbers and estimations for different scenarios as well as the history and forecasted growth of the industry.

6.2 Academic discussion

The main academic value comes from the more precise view of this second part in Internationalization Model for Software companies. The model itself is still young compared to other existing theories and our new approach to it is a combination of older Porter analysis and newer real-life case companies data. Furthermore, as the situation of HVO is unique in sense it still presents a situation where many start-up phase companies have been and others will be. It shows another side for the internationalization thinking as our study steps a step back and analyses the starting situation as a part of international growth.

In addition, the vast multi-sided view of the company gives tools for another similar start-up company, which are trying to remember the starting point.

Limitations for this study are clear. As starting situation were that the target market was given, not searched after, the analysis are limited to US market. Other areas are growing even faster and still meeting the presented success factors. If studying purely from another perspective on tangible assets excluding current networks most likely markets such Sweden or central Europe would be more attractive.

To be able to draw new theories and/or give exact steps for the company more specific data would be required from parties outside this study. Finnish ecosystem for start-ups is in great growth and government is issuing funds to continue this. Many non-profitable organizations are helping the growth process as well as funding it with different tools. These are mentioned

due to the fact that they can have a critical effect on the growth process as the funded companies can gain millions of euros without giving equity.

Start-up companies' life cycle is such a changing concept that singular theory for all them is impossibility. It is game of daily changing players with clear rules and laws but with thousands of exceptions and tricks. After reaching a certain level a clear path can be seen, which has been the focus of existing studies. The insight provided in this study is from a moment in the beginning before the mentioned actual growth stage.

6.3 Recommendations

Recommendations regarding the findings of Porter's Five Forces can be compared to the thoughts of Porter himself regarding the control of these forces.

Standardization of specific features helps to neutralize suppliers' power. By creating clear features, free or not, service providers can be hooked to concentrate using HVO's calendar for example. To counter Customers' Power HVO should expand their offering of services in order to create a one-stop shop for customers with different needs. Existing competition can be effected with pricing but for HVO the biggest advantage is in the revenue model and concentrating on this brings the best competitive advantage. Because the barrier for new entrants is low by increasing R&D expenses and thus creating value, which is hard to copy HVO can create new barriers. New substitutes can be blocked with better user interface as Porter (2008) also suggest.

Further research could possibly consider a multiple case study using different early stage software startup companies and to identify similarities and dissimilarities of their businesses. The study is only focused on a one company (HVO), and thus the results are not generable in any other way. A future research could also consider more mature stage investigation, which would allow us to see the challenges along the way of internationalization process and what changes the company has experienced.

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8 Appendices

Interview template:

- Basic idea?
- What's the story behind the company?
- What kind of team and with what backgrounds?
- Describe the product and its different features:
- What's the company's ideology?
- What are you planning to do next?
- How are your revenue forecasts for 2014?

Who are your:

- Key Partners?
- Key Activities?
- Key Resources?

What are your:

- Value Propositions?
- Customer Relationships?
- Customer Segments?
- Sales Channels?
- Revenue streams?
- Cost Structure?