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Master's Thesis

Systematic International Market Selection Model for a Customer Relationship Management Company

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ABSTRACT

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Most internationalizing companies don't utilise a systematic process for selecting markets to enter, despite that doing so has been shown to result in better international performance. Instead, they rely on ad-hoc decisions made by the management. The goal of this thesis is to provide a systematic International Market Selection (IMS) process model for the case company - a Customer Relationship Management (CRM) systems provider.

The study utilises a single-case methodology, with the case company's internationalization history reflected against the current research on software companies' internationalization. The IMS model uses the Weighted Sum Method (WSM) to compare different elements of the target market candidates in multiple screening stages. Secondary data is gathered for the different market indicators and primary research is conducted to find the relative importance of each indicator by the combined opinion of selected members of case company's management.

Most software companies follow born global – or collaborative pathways to internationalization: Pursuing international operations from their inception and relying on resources controlled by other companies. The case company proved to be an exception, following the slow organic growth pathway instead. Its geographic expansions have been targeted at neighbouring countries, and the company heavily commits to each one by using wholly owned subsidiaries as mode of entry.

CRM market growth rate, and an industry structure aligning with the case company's target customer segments were chosen as the most important indicators for market comparison by the company's experts. As a result of the IMS process, three country markets – United Kingdom, Germany and the Netherlands – are recommended for the final selection stage.

TIIVISTELMÄ

Tekijä: Mikko Nukarinen
Työn nimi: Systemaattinen kansainvälisen markkinan valintamalli CRM-yritykselle

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Suurin osa kansainvälistyvistä yrityksistä ei hyödynnä systemaattista prosessia kohdemarkkinan valinnassa, vaikka sen on todistettu johtavan parempaan menestykseen. Sen sijaan valinta perustuu usein yrityksen johtoportaan ad-hoc päätöksiin. Tämän diplomityön tavoitteena on tarjota systemaattinen kansainvälisen markkinan valintamalli asiakassuhdehallinnan (CRM) alalla toimivalle case-yritykselle.

Tutkimus hyödyntää yhteen yritykseen keskittyvää tapaustutkimusta, jossa yrityksen laajentumishistoriaa kotimarkkinoidensa ulkopuolelle käsitellään nykyisen ohjelmistoyritysten kansainvälistymisen teorian valossa. Potentiaalisia kohdemarkkinakandidaatteja vertaillaan eri kriteerein useissa seulontavaiheissa. Kriteerit hyödyntävät sekundääridataa, ja eri kriteerien painoarvot määritetään primääritutkimuksella, jossa kerätään case-yrityksen johdon näkemykset kriteerien tärkeydestä markkinanvalinnassa.

Suurin osa ohjelmistoyrityksistä ovat syntymästään asti globaaleja, pyrkien toimimaan kotimaansa ulkopuolella mahdollisimman pian perustamisestaan. Ne ovat myös usein riippuvaisia suhteistaan muihin yrityksiin. Case-yritys on poikkeus ohjelmistoalalla, sillä sen kansainvälistyminen perustuu hitaaseen orgaaniseen kasvuun. Yrityksen tähänastiset laajentumiset ovat sijoittuneet naapurimaihin, joihin se sitoutuu vahvasti perustaen tytäryhtiöitä.

Yrityksen asiantuntijoiden mielestä tärkeimmät kriteerit markkinanvalinnassa ovat CRM-markkinan kasvunopeus, sekä markkinoiden koko yrityksen omissa kohdeasiakassegmenteissä. Markkinavalintaprosessin tuloksena kolmea kohdemarkkinaa – Isoa-Britanniaa, Saksaa ja Alankomaita – suositellaan viimeisen valinnan vaiheeseen.

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Helsinki, May 17th 2019
Mikko Nukarinen

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LIST OF ABBREVIATIONS

B2B	Business-To-Business
BG	Born Global
BAG	Born-Again Global
CRM	Customer Relationship Management
DOI	Degree-Of-Internationalization
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GNP	Gross National Product
EM	Emerging Market
ICT	Information and Communication Technology
IMS	International Market Selection
IPO	Initial Public Offering
MCDM	Multiple-Criteria Decision-Making
NRI	Networked Readiness Index
PLC	Product Life Cycle
PPP	Purchasing Power Parity
SaaS	Software-as-a-Service
SBS	Structural Business Statistics
SME	Small- and Medium-sized Enterprises
WSM	Weighted Sum Method

1 INTRODUCTION

This chapter introduces the main topics of the thesis. The goal of the study and research gap are built upon the existing research background on the topics of market selection and internationalization of software companies. Research questions to answer these goals are presented, followed by the structure of the thesis.

1.1 Research background

Selecting international target market is overshadowed by the choice of entry mode in the literature describing internationalization of the firm (Sakarya et al., 2007, pp. 211-212). Some models, such as one by Koch (2001a) integrate the two choices into one process, but for the most part, they are considered separate decisions. One reason for this is that traditionally, the research on company's internationalization process has focused on manufacturing firms: Naturally, the first question when expanding the sales of physical products to new countries is how to get them there. Software companies, being able to move their products via internet, have far less need for distribution concerns. With the growth of the software industry, it has received increasing attention in the internationalization research. Most of newly internationalizing software companies seem to follow the *Born Global* - (Bell et al., 2001) or *International New Venture* (Oviatt and McDougall, 1994) -track, focusing on international operations from their founding. In their study on internationalization patterns of Finnish knowledge-intensive Information- and Communications Technology (ICT) companies, Kuivalainen et al. (2012, pp. 377-378) found that 68% operated in a foreign market within three years of their founding.

1.2 Objectives of the study and research gap

Lime Technologies AB (Lime) is a Customer Relationship Management (CRM) systems provider, whose internationalization history is closer to the traditional stage theories first presented in Uppsala model (Johanson and Wiedersheim-Paul, 1975;

Johanson and Vahlne, 1977) than the rapid expansion of the Born Globals (BG). However, the company's implementation of the Software-as-a-Service (SaaS) business model requires them to have a strong local presence in the market, making the low-risk, low-involvement entry modes presented in Uppsala model non-applicable. The company has also recently gone public, and the new ownership structure could be the catalyst for accelerated international operations described in Born-Again-Global (BAG) theory by Bell et al. (2001). Finally, the network model of internationalization is often associated with software companies (Bell, 1995; Coviello and Munro, 1995; Coviello and Munro, 1997; Andersen and Buvik, 2002; Moen et al., 2004), and with cooperation with other software companies and increasingly global customer base, it initially looks to be applicable to Lime as well. Coviello and Martin (1999) argued that the internationalization process of Small- and Medium-sized Enterprises (SME) couldn't be explained by single theoretical framework and should be examined by integrating elements of multiple theories. In the *Internationalization handbook for the software business*, Äijö et al. (2005) describe three main pathways for software firm internationalization: *organic*, *collaborative* and *born global*. The first goal of this thesis is to use elements of these pathways to explain the internationalization history of Lime and find the implications for future ones.

Many internationalizing companies don't follow a systematic process when selecting target markets, even though doing so results in better performance (Yip et al., 2000; Rahman, 2003; Brouthers and Nakos, 2005; Hollensen, 2017; Papadopoulos & Martin 2011). This has been the situation for Lime as well. With the Nordic expansion complete, the company is looking for other European markets, and wishes to have a more defined process of selecting which markets to target. The second goal of this study is to build a systematic process for selecting international markets for Lime.

The research gap of the study is presented in figure 1. The study focuses on the intersection of internationalization theories (with focus on international market selection and entry mode choice) and software industry, particularly CRM markets.

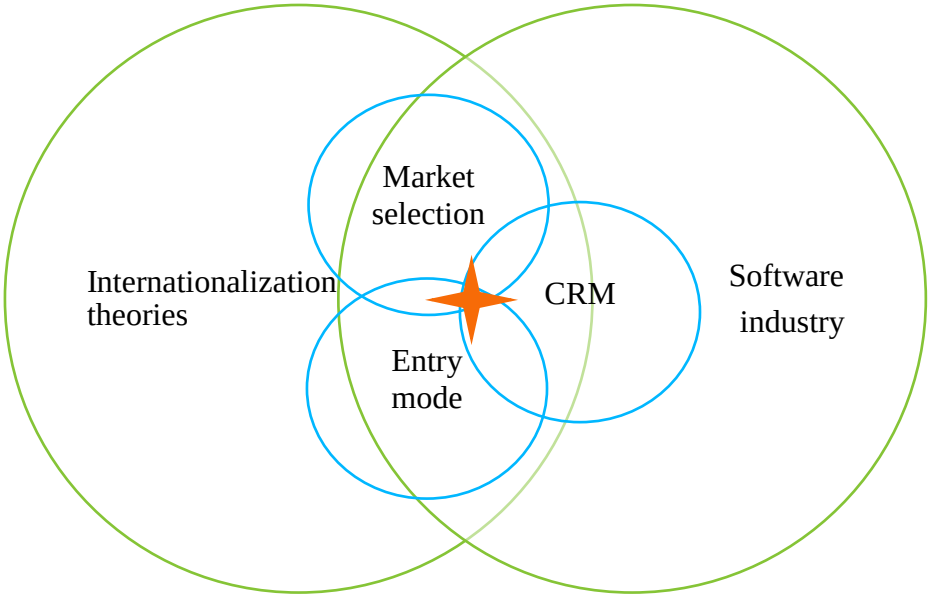

Figure 1. Research gap of the study

1.3 Research questions

To reach the objectives of the study, two research questions are formulated. The first question aims to find what internationalization pathway the case company has followed so far, and what implications can be drawn from that for future expansions. To answer this question, a literature review on general internationalization theories, international market selection, and entry mode choice is conducted. The main purpose of this thesis is to provide a systematic model to be used by the case company and other software SMEs when selecting foreign target markets. The second research question is formulated to achieve that, utilising the findings of the first question.

RQ1: How the internationalization history of Lime reflects current internationalization theories?

RQ2: How software SMEs should conduct international market selection process?

Both research questions are broken down into sub-questions, which offer different viewpoints for the research. The breakdown of the research questions is shown in table 1:

Table 1. Research questions of the study

		Description	Objective
RQ1	RQ1.1	Which markets the company has previously entered?	Find the reasoning behind previous market selections
	RQ1.2	How the company has entered foreign markets?	Find how the company's business model effects the entry mode choice
	RQ1.3	What is the level of interdependence between the company and other firms?	Find if the company depends on other firms' resources for internationalization or not
	RQ1.4	When the company started its internationalization?	Find out the pace of internationalization the case company aims for
RQ2	RQ2.1	How potential markets can be compared in different stages of the selection process?	Build a systematic international market selection model with relevant indicators
	RQ2.2	Which countries the case company should target next?	Apply the market selection model to the case company

1.4 Report structure

The report starts with a literature review. The internationalization theories related to the organic, collaborative and born global pathways (Äijö et al., 2005) – Uppsala model, Relationship model and BG model respectively – are examined first, followed by internationalization research focusing on services and software companies. Finally, the theories on selecting the international market are presented, with a brief overview of market entry mode options and their effect on market choice. Customer relationship management industry and the case company are

presented in the beginning of the empiric part. Using the theory frameworks and considering the internationalization history of the company, a systematic International Market Selection (IMS) model is presented for Lime. The chapters of the thesis are shown in table 2:

Table 2. Structure of the thesis

	Chapter	Purpose
1	Introduction	Provide background and purpose for the thesis
2	Internationalization theories	Review the general internationalization theory
3	Software internationalization	Review the internationalization theory specific to software industry and its relation to general theory
4	International market selection	Review the theory on different market selection methods, focusing on the systematic process
5	Research methodology	Provide the structure and data collection methods used in the thesis
6	Industry and company overview	Provide an understanding of CRM industry and the case company
7	Building the international market selection model	Based on software industry's characteristics and IMS theory, build a systematic IMS model using relevant market comparison indicators
8	Applying the market selection model to the case company	Considering the case company's business model and internationalization history, apply the IMS model to it and recommend the most promising markets for future international expansions
9	Results	Discuss the answers to the research questions
10	Conclusions	Summarize the findings of the thesis

2 INTERNATIONALIZATION THEORIES

The three main internationalization theories used in this thesis are the Uppsala model, the Network model and the Born Global (BG) model. Each of them is discussed in the following chapters. Psychic- and cultural distances - concepts closely related to Uppsala model - and the Born-Again Global (BAG) variation of the BG model are also discussed in relative chapters.

2.1 Uppsala model

One of the most common models for describing the development of company's international operations is the Uppsala model. Developed during the 1970's in Sweden (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne 1977), this model was created to explain the international expansion behaviour of four Swedish manufacturing companies. According to the model, the largest obstacles to internationalization are lack of knowledge and resources. As a result, the firms start their expansion in comparatively well-known neighbour markets and increase their commitment to any given market in small, incremental steps to avoid risking too high commitment of resources in the beginning. Johanson and Wiedersheim-Paul (1975, p. 307) called this incremental increase of commitment the *establishment chain* and generalised it to contain the following stages:

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

At the same time as commitment in operated markets increases, the company expands to new markets further away as it gains more international experience. This two-dimensional increase to market distance and commitment is illustrated in Figure 2:

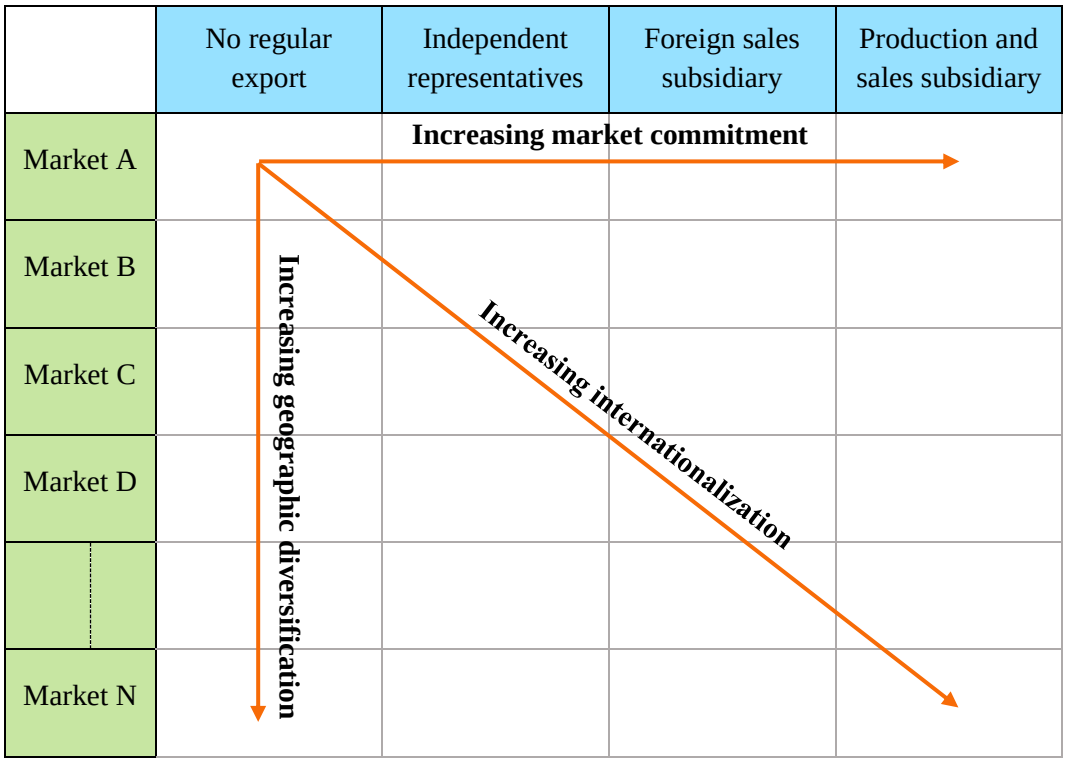

Figure 2. Incremental internationalization of the firm (Adapted from Hollensen, 2017, p. 86)

An important thing to note about market knowledge is that geographically close countries don't automatically mean that the firm possesses a lot of information about them. Instead of geographical proximity, the market choice is better explained by the concept of *psychic distance*. It is defined by Johanson and Wiedersheim-Paul (1975, p. 308) as "…*factors preventing or disturbing the flows of information between firm and market*" and contains differences in language, culture, political systems, level of education and level of industrial development, among other factors.

The concept of psychic distance and its effects on market selection has been widely researched since the inception of Uppsala model. Most of this research, as observed by Dow (2000), supports the notion that psychic distance is a highly accurate predictor of early market selection, and that it is distinct from geographical proximity, another important predictor. Dow (2000, pp. 60-61) also found that the

impact of psychic distance decreases sharply after the first market entry and continues to diminish as the company gains international experience. In their 2006 study, Dow and Karunaratna proposed eight measuring indicators, called *psychic distance stimuli*: Culture, language, education level, industrial development, political systems, religions, time zones and colonial links. Budeva and Mullen (2014) found that cultural changes are often related to economic changes but happen at a slower pace. They stress the importance of evaluating both economic and cultural variables when choosing potential markets.

One of the most common methods to measure cultural distance are Hofstede's cultural dimensions. They are six elements of culture that can be used to compare countries. The dimensions are: *Power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, long term- versus short term orientation* and *indulgence versus restraint*. Power distance is the extent to which less powerful members of society accept that power is not distributed equally. Uncertainty avoidance means society's tolerance for ambiguity and tells how comfortable its members are in non-structured situations. In countries with high uncertainty avoidance, non-structured situations are minimized by strict laws and non-written rules. Individualism versus collectivism describes if people of the society are tightly integrated into groups, or if each individual person is mostly expected to look after themselves. Masculinity versus femininity considers the differentiation between gender roles in a society. Short- versus long term time orientation means how societies prioritize maintaining links to the past by carrying over past traditions and norms or embracing the possibilities of the future. Indulgence versus restraint describes the societal norms surrounding gratification of different desires. A Good example of this dimension is the society's attitude towards work-leisure time balance. (Hofstede, 2011, pp. 9-16)

Ultimately, psychic distance is a subjective indicator, since it is based on the perceptions of individual people, rather than objective facts (Dow and Karunaratna, 2006, pp. 579-580; Hollensen, 2017, pp. 84-85). The concept of psychic distance also has the limitation in that it cannot be universally applied. Larger companies

have more resources at their disposal to increase their knowledge on a given market. Different industries also have differing requirements on market knowledge and firm-to-market communication; Extracting and transporting raw materials values geographical proximity much higher than ICT and puts much lower emphasis on customer communication. If comparisons are kept within one industry, or industries with similar requirements, and the companies under consideration are of similar size, the accuracy of comparison increases. (Dow, 2000)

2.2 Network model

The basic argument of the network model is that companies cannot be analysed as isolated individuals without acknowledging the interdependence of firms. The focus of investigation is shifted from products and markets to the relationships between buyer and seller, and from the firm as a unit of analysis to exchange between firms and groups of firms. To conduct important business activities with each other, companies need to build extensive knowledge and trust between them over time. The combination of companies and their relationships form business networks. Network model doesn't negate the effect of psychic distance or incremental internationalization suggested in earlier stage theories but suggests that the process is more complex that those theories imply (Johansson and Mattsson, 1988; Bell, 1995)

Business networks are held together by different types of bonds that can be formed between companies within the network. The types of bonds include *technical, planning, knowledge, social, economic* and *legal* (Johansson and Mattsson, 1988). Social bonds are the most important for a company during early internationalization, and they can be used to explain the rapid internationalization of high-tech SMEs – entrepreneurs of those companies have established bonds to other companies through personal ties, that can help in their expansion (Hollensen, 2017, pp. 93-94). Relationships in a network can be *competitive* as well as *complementary*. The importance of bonds as knowledge-transfer tools was emphasized by Bonaccorsi (1992), who suggested that smaller companies can

imitate the internationalisation processes of larger firms and thus reduce the perceived risk of internationalization. Entering a new market is seen as entering the network established in that market. The initiator for a new firm entering an established network can be the company itself, or it can be a company inside the network pulling the new entrant in. (Johansson and Mattsson, 1988; Hollensen, 2011)

Firm's activities in industrial markets are constant modifications to its network relationships in order to both *"... give satisfactory, short-term economic return, and to create positions in the network, securing the long-term survival and development of the firm*." (Johansson and Mattsson, 1988, p. 292). This *market position* represents the possibilities and constraints for the firm's development in the network and the strategy of the company aims to defend or change this position. *Net* is a specific part of a network. For example, a heavy truck net has companies from manufacturing heavy trucks to using them. The *Degree of structuring* of the network tells how interdependent the positions in a network are on each other. High degree means high dependence, strong bonds between companies, and well-defined positions of firms. (Johansson and Matsson, 1988)

The underlying assumption of the network model is that a company is dependent on resources controlled by other companies. Firm gets access to these *external resources* through its market position (network position). Since it takes time to develop a position in a network, and since position defines opportunities and limitations for further operations, the network position of a company is an *intangible asset*. It gives access to other firms' *internal assets*. (Johansson and Matsson, 1988) Internationalization in network model's context means developing positions in foreign networks. There are three ways to achieve this:

1. *Expanding* to new countries; establish positions in national nets new to the firm
2. *Penetrating* deeper into markets where the firm already operates by increasing commitment there
3. *Integrating* operations in different national nets deeper together; increasing cooperation between firm's internal operations.

Number of positions occupied in different national nets, and the integration between those positions define the firm's *Degree Of Internationalization* (DOI). Firm internationalizes to best utilise its market assets to achieve long-term financial goals. Based on the DOI levels of the firm and the industry it operates in, four internationalization cases can be identified: *The early starter*, *the Lonely international*, *the late starter* and *the international among others*. Hadley and Wilson (2003) integrated the level of international experience into the network model, predicting that the higher the DOI for the company and the industry, the more international experience the company would have. This held true for the larger companies but couldn't be decisively proven for smaller firms. (Johansson and Matsson, 1988; Hadley and Wilson, 2003)

In the early started case, the DOI is low for both the company and the industry. Company has little knowledge on foreign markets and can't utilise relationships to gain this knowledge. Size and resourcefulness of the company play an important role. Expansions to close markets with risk-averse modes of operation is common - especially for small firms. Potential buyers will also have a lack of knowledge with international sellers. The role of the buyer is important in getting a position in the international network. If the buyer is big player in tightly structured network, it means easier penetration for the seller. Transition from early starter to lonely international matches the process described by Uppsala model. (Johansson and Matsson, 1988; Hadley and Wilson, 2003)

Company is the lonely international, when it has a high DOI in a low DOI industry. Advantage of this position is that resources are more easily adjusted to new markets.

Expansion is not as dependent on the similarities of different markets than for the early starter. Initiation for extension doesn't come from networks, since those are not internationalized, and instead company is the initiator. The lonely international can promote the internationalization of other companies by pulling them into the network. The developed network position is a competitive advantage, especially in tightly structured networks. (Johansson and Matsson, 1988; Hadley and Wilson, 2003)

The late starter has a low DOI in a high DOI industry. There are usually some indirect relations to international networks even if the company only operates in domestic markets. Trigger for internationalization comes usually from outside the firm, as it is pulled into the network. For example, customer may demand supplier following it abroad if it wants to keep the business at home. Other networks might be tightly structured because others have had time to develop their positions and increase entry barriers for new entrants, and therefore internationalization is dependent on the indirect relations and entry opportunities. Hadley and Wilson found that late starter companies possessed higher foreign business knowledge than lonely internationals, showing that the network acts as a multiplier for the experience of the firm. (Johansson and Matsson, 1988; Hadley and Wilson, 2003)

International among others is the company with high DOI operating in high DOI industry. Large companies in this segment were found to have the highest level of international experience by Hadley and Wilson (2003). For these companies, integration results in better results than extension and penetration. Firm's position in one net can be used as a bridge to other nets. Positions in different nets make *externalization* easier, meaning companies can use their connections to outsource the activities they don't have competitive advantage in. Since everyone in the industry is internationalized, position changes in the network take the form of joint ventures, acquisitions and merges more often than in the other three cases. (Johansson and Matsson, 1988)

2.3 Born global model

One of the more recent additions to the field of internationalization research is the concept of BG – a company that focuses heavily on international operations from the start (Oviatt and Mcdougall, 1994; Bell et al., 2001, Bell et al., 2003). While companies focusing on foreign operations have existed for a long time in countries with small domestic markets, their large-scale emergence in countries with large domestic markets is a recent phenomenon (Knight and Liesch, 2016). Oviatt and McDougall (1994) observed, that emerging new companies didn't have a long evolutionary stage before going international, nor did their small size prevent this process. Their competitive advantage against larger firms was instead their sophisticated knowledge base, which they use to quickly adapt to changing global market (Bell et al., 2001) The fast BG model is the opposite of the slow, incremental Uppsala stage theories. Companies following the stage model can build up the knowledge and skill, and maybe most importantly, finances required for international operations over time, but BGs seeking rapid expansion need to find alternatives ways to access them. (Bell et al., 2003; Äijö et al., 2005, pp. 5-6; Hollensen 2017, pp. 94-99)

Bell et al. (2001) added to the theory by introducing the concept of *Born-again globals* (BAG). They are *"... well established firms that have previously focused on their domestic markets, but which suddenly embrace rapid and dedicated internationalization*." (Bell et al., 2001, p. 174) The authors argue that outside-firm events play a significant role in the internationalization choices of these companies, and they can experience shifts between periods of rapid expansion and domestic market consolidation following opportunities and risks in the abroad markets. Both BGs and BAGs target markets regardless of their psychic distance (Olejnik and Swodoba, 2012. p. 469). Compared to BGs, they are also even more growth oriented (Olejnik and Swodoba, 2012, p. 488) and better equipped to deal with the financial requirements mentioned above, having established reliable revenue stream in their domestic market. (Bell et al., 2003)

3 INTERNATIONALIZATION OF SOFTWARE COMPANIES

Software industry has several characteristics that need to be accounted for when considering the internationalization of software companies. Since the delivery is in most cases done through the internet, the distribution process requires little to no effort compared to manufacturing industries, and geographic distance to target markets become less important (Ojala and Tyrväinen, 2007). At the same time, customer's involvement in the value-creation process is important. In Business-To-Business (B2B) software industry, the core product is rarely enough to satisfy customer's needs, and it needs to be complemented with additional features, integration to other systems, and consulting. Papadopoulos and Martin (2011, p. 139) argued that: "*... producer-consumer inseparability in services means that in most cases international expansion necessitates direct investment in the target market*." This holds true for complex software solutions offering high customization options. Often new needs arise after the system has been in use for some time, and customers want to upgrade their solution. After-sales support is also often needed to deal with any issues with the usage of the system. Often the customer doesn't fully know what they want in the beginning of the service process, and in turn, the producer can't be completely sure on the amount of resources required to fulfil the customer's needs. This results in higher importance for understanding the cultural environment of the market. (Äijö et al., 2005; Hollensen, 2017)

Because the distribution of software is easy, the industry is characterized by tough competition on a global scale. In many cases, software companies operate in a narrow niche, and internationalization becomes the only way to achieve growth. The many real-life paths to international growth for software companies can be grouped into three categories: *organic*, *BG*, and *collaborative*. Organic and BG are, in many ways, opposites of each other. Organic path follows ideas presented in the Uppsala model: Companies establish themselves in the home market first, and then expand to psychically close markets with low-risk entry modes. BG companies aim for global operations from their inception. Both emphasize the role of the company

as singular entity, whereas the collaborative pathway emphasizes relationships. It is important to remember that this categorization is based on arbitrary limits, and in reality, companies can show behaviour associated with multiple pathways, or switch from one to another. (Äijö et al., 2005)

3.1 Organic growth pathway

Companies in the organic growth path desire to maintain control of their operations. They opt for more risk-averse strategies, are willing to self-fund with existing revenue streams and are content to expand slowly, learning while doing. If the company desires a shift to faster pathway, it must accept some loss of control, and likely find additional sources of funding. (Äijö et al., 2005)

It is easy to assume, that because of the ease of distribution, geographic distance would have little to no impact on the choice of target market. However, in the study of internationalizing small software firms, Bell (1995) found that 50-70 per cent entered geographically and culturally close markets in the initial stages of expansion – confirming the importance of both physical and psychic distances. Similar results were found by Coviello and Munro (1997), who emphasized that the distance factor was mostly influential in the first target market, and lost importance in the subsequent market choices. Moen et al. (2004), studying the internationalization of small Norwegian software firms also found that the first expansion was often to a neighbouring country, but questioned the role of psychic distance in this decision. According to them, globalization and the internet have made markets more homogenous, and this is even more prevalent in the software industry, since "*... technological competency is somewhat independent of cultural differences*" (Moen et al., 2004, p. 1246). Finally, Ojala and Tyrväinen (2007, p. 140) found that geographic distance and software market size were the most important determinants for the first country choice, whereas cultural distance and software market size were for the second.

If the importance of geographic distance in distribution is minimal, and the impact of psychic distance questionable, why do so many software companies still expand according to the organic growth pathway? Ojala and Tyrväinen (2007) offer an operational viewpoint: it is cheaper and easier to set up customer support operations in a nearby country where there is less uncertainty. The established operations can then be easily moved to more distant markets. They also mentioned limited market knowledge, and low financial and human resources as reasons. Andersen and Buvik (2002) point out that this could be easily explained simply by the lack of experience of the management. According to them, when decision-makers have a low understanding of a problem and its context, they often implement an uncertainty avoidance strategy, incrementally changing existing conditions, without considering what the optimal alternative would be, or how close they are to it. Further Andersen and Buvik argue that companies start their expansion in neighbouring countries, simply because those they can most easily understand.

3.2 Born global pathway

BGs usually operate in a narrow niche, and for this reason, can't thrive in a single small market. Environment for these companies is often characterized by high up-front costs, small windows of opportunity, fast technological development and short product lifecycles. (Äijö et al., 2005) Software companies are often associated with the fast growth presented in BG models. Coviello and Munro (1997) found that the firms often follow an accelerated version of the stage model, and usually go through the following three stages:

1. Year 0-1: Domestic focus, but clear internationalization intensions
2. Year 1-3: Become actively involved in first foreign market
3. Year 3-: Committed involvement across numerous markets, international sales dominating growth

Kuivalainen et al., (2012, pp. 377-378) found that 68% of the studied Finnish ICT companies followed the BG pathway, operating in foreign market within three years

of their inception. Other companies followed the organic growth - or BAG-pathways. Interesting contributions of the study by Kuivalainen et al. (2012) were the identification of ten distinct sub-paths within these three main pathways, and most importantly, how the chosen internationalization path correlated with the success of the company. BG approach was mostly followed by success and great potential, if the companies managed to accumulate significant foreign revenues. Following a niche strategy, and acquiring key customers were identified as the most important success factors for the BG companies. The risks of going international unprepared were evident, however. The single largest sub-path (37.2% of the companies) was the "Sporadic Born-global" – companies who went international within three years, but operated in low amount of countries, and had less than 25% of their revenue come from foreign markets. These companies were found to have only mediocre success, having to de-internationalize or went bankrupt. BAG, in contrast, was shown to be a more secure option – none of the companies following this pattern went into bankruptcy or had to scale down their international operations. They also had more clear competitive advantage from being able to develop their value proposition in domestic market. (Kuivalainen et al., 2012)

Internationalization requires financial and personnel resources, as well as enough knowledge of the foreign market environment. Organic growth and BG pathways are similar in that they both assume that the company as a single entity needs to possess these. Firms on the organic growth pathway build them slowly over time, whereas BG companies possess them from the start – in the form of experienced management founding the company and outside funding. However, another popular view is that companies are dependent on the resources controlled by others. This is the core idea of the network model, and of the third internationalization pathway for software companies – collaborative pathway. (Äijö et al., 2005)

3.3 Collaborative pathway

Collaborative relationships with other companies aim to fill gaps in the firm's own resources or competencies. For example, Finnish software companies usually have

a strong technological know-how, but lack knowledge in other areas required for successful international operations, such as marketing. This pathway represents a compromise between the two extremes; companies are willing to expand quicker than those on organic growth pathway, but don't have the capability of expanding into multiple markets alone. (Äijö et al., 2005)

Key difference between collaborative and the other two pathways is the idea of who acts as an initiator in the decision to go abroad. The assumption underlying in organic growth and BG pathways is that the seller chooses to go abroad, but collaborative pathway emphasizes that they can just be pulled into international markets by the network. Andersen and Buvik (2002) criticise non-relationship approaches to international market selection in that they don't pay any attention to customers available in those markets. Instead companies just choose a country consisting of faceless customers, assuming they are out there to be found. In reality, Andersen and Buvik (2002) continue, the choice to go to foreign market is often the result of unsolicited orders from that country. This is supported by the findings of Bell (1995), who found that for 62.5% of the studied software companies, following a domestic client abroad was the key influencer in both the decision to go international and the choice of target market. Coviello and Munro (1995; 1997) also highlighted the role of partners in foreign business networks, who often acted as a trigger for the internationalization: 64% of surveyed software firms stated that their initial choice of foreign market and entry mode were the result of reactive trigger from the network, instead of their own proactive process (Coviello and Munro, 1995, p. 55).

Moen et al., (2004) also found that network relationships have a significant role on the chosen entry mode, and somewhat lesser, but still noticeable effect on the target market. As an explanation for this, they identified several characteristics in software industry, that make it more likely for companies to require access to resources controller by other companies. These include: *Sophisticated customers*, *volatile competitive market*, and *strategically important, non-standardisable product*. For the Norwegian software companies studied by them, the expansions to new markets

were preceded by existing network connections almost without exception. The importance of network relationships is highlighted by one of the surveyed firms explaining that "*... a lot of highly interesting markets, especially in Europe, have not yet been targeted because they have not found the right partners to collaborate with. When they do, it is less important what type of entry form this will represent*" (Moen et al., 2004, p. 1244).

The process of selecting an international partner has three stages: *Awareness*, *Exploration* and *Choice*. Awareness starts with the buyer or seller trying to find potential exchange partners first from their direct relations, and then from their indirect relations in the network. In the exploration phase, potential relationships are tested and evaluated, with both parties trying to find out if the benefits of the potential relationship outweigh its costs. This stage includes trial purchases, initial negotiations, identifying attitudes and establishing standards of conduct. For the final choice perceptions of *goal compatibility*, *trust* and *performance* are most likely deciders. (Andersen and Buvik, 2002)

In conclusion, the collaborative pathway switches the focus from choosing which market to select to choosing which foreign customer to do business with. Opportunities arising from networks can be used to explain the seemingly random and irrational internationalization of some companies (Coviello and Munro, 1995, p. 58). Collaborative pathway is closely tied to the network model of internationalization. Following a domestic customer abroad was presented as a key internationalizing trigger for the "late starter" company in the network model of internationalization. Companies also emphasized the importance of general business contacts, the social bonds from network model of internationalization. Even if the traditional approach to market selection is used, relationship paradigm can act as a supplementary perspective and help to find exchange partners. (Coviello and Munro, 1995; Andersen and Buvik, 2002; Ojala. 2009)

Ultimately, the different pathways are just like any other model – simplified abstractions of reality. As Olejnik and Swodoba (2012, p. 489) point out, *"...*

conceptualisation of internationalization patterns based on different thresholds is somewhat arbitrary." In reality, companies are likely to have characteristics from more than one of them or move between them. Coviello and Martin (1999) argued, that the internationalization of service SMEs couldn't be explained by one theory alone and same holds true here. The different viewpoints to internationalization they offer is valuable when considering international market selection and entry mode choice.

4 INTERNATIONAL MARKET SELECTION

Once the company has made the decision to extend their operations beyond domestic borders, the important choice of which markets to pursue must be made. Despite globalization and the world becoming smaller, there is still a high level of country- and culture-specific features to each market. In addition to opportunity costs of missing out on the lucrative markets, and actual costs of entering the wrong ones, positioning on the right location also has huge effect on the future global operations of the company, as well as the marketing mix used in the target market. Given its obvious importance, it is surprising that *"... research on the topic remains fragmented, overshadowed by work on market entry mode selection and that integrated frameworks and comprehensive studies of market selection process have been rare*" (Sakarya et al., 2007, p. 211). It is important to acknowledge that the international business environment can be grouped to markets based on different ways. For the purposes of this thesis, the segmentation is done on a national country basis. (Papadopoulos & Martin 2011)

4.1 Theoretical background

Multiple researchers (Yip et al., 2000; Rahman, 2003; Brouthers and Nakos, 2005; Papadopoulos & Martin 2011) show that following a structured International Market Selection (IMS) process results in better performance in the foreign markets. Still, newly internationalizing companies don't seem to follow a systematic approach, but as a result of lacking experience and resources, favour ad-hoc decisions by the management (Yip et al., 2000; Musso and Francioni, 2014), who rely on psychic distance or another rule of thumb (Andersen and Buvik, 2002). The drawback of this is that the individual managers' intuitive estimation of market attractiveness is often incorrect. Even when this perception is accurate, it usually doesn't account for shifts and changes that occur in markets that change their relative attractiveness. (Papadopoulos & Martin, 2011, p. 135) In addition, this consideration is usually limited to markets in immediate geographical proximity, turning the question of where to expand into a question of whether to expand into

neighbour markets or not (Hollensen 2017, p. 280). As an alternative to these ad-hoc decisions, a systematic IMS process based on secondary data and supplemented by primary research is presented below.

Primary data is tailored to answer specific questions and collected first-hand. Secondary data is already existing, readily available information. *Secondary data* is easier and cheaper to come by, but usually cannot provide all the information needed for the decision. Other disadvantages of secondary data are that its availability and reliability vary, and data from different countries is not always directly comparable. However, generally both the availability and accuracy of secondary data increases with the level of economic development, so these concerns do not affect developed markets as much as developing ones. (Johansson, 2009; Papadopoulos and Martin, 2011; Hollensen, 2017, p. 189) The rise of the internet has opened new possibilities for acquiring market information. Most notably, it has allowed the rise of "market research aggregators" – small companies who act as intermediaries between larger research firms and internationalizing companies. They offer the results of already conducted research, which are much cheaper than conducting primary research would be. (Johansson, 2009)

Sakarya et al. (2007) argued that the current IMS models fail to properly take the future potential of Emerging Markets (EM) into account. They suggest that in addition to country risk and macro-economic factors used in traditional preliminary screening, EMs should be assessed by several complementary criteria: *Long-term market potential analysis*, *Cultural distance*, *Competitive analysis in an industry* and *Customer receptiveness to the specific foreign industry and products*.

4.2 Systematic international market selection process

It has been established that systematic IMS process leads to better international performance, but there are multiple issues with its costs, complexity, applicability and reliability. The obvious question follows: How to conduct a systematic IMS process that is financially achievable, while being realistic? Johansson (2009) offers

a two-part answer. First, before the initial screening, the motives for going abroad and the available resources should be clear. If the major reason for entering foreign market is something else than to make maximum profits, like strategical positioning to hinder competition, the choice of market is often a given, or the options very limited. Any limiting constraints from resources must also be identified as early as possible. Second part relates to the final choice. It is the rule of never committing resources without first-hand information. This means confirming the reliability of published data with in-country visits. According to Johansson (2009), the value of experiencing a country first-hand when assessing its potential cannot be replaced. (Johansson, 2009)

Most research on conducting a systematic IMS (Cavusgil, 1985; Root, 1994; Kumar et al., 1994; Koch, 2001a; Sakarya et al., 2007; Johansson, 2009; Hollensen, 2017) share a similar structure. In this structure, the process is divided into three *"... gradual, and ... necessarily sequential*" (Kumar et al., 1994, p. 33) stages: Preliminary screening, In-depth screening and Selection. The models from the main studies used in this study are summarized in table 3, and further explored below, in addition to tools which can be used in different stages.

Table 3. Stages of systematic IMS (Adapted from Koch, 2001a, p. 67)

Author, year	**Stage 0**	**Stage 1**	**Stage 2**	**Stage 3**
Cavusgil, 1985		Screening	Identification	Selection
Kumar et al., 1994		Screening	Identification	Selection
Root, 1994	Choosing the product	Preliminary screening	Estimating industry market	Estimating company sales
Johansson, 2009	Country identification	Preliminary screening	In-depth screening	Final selection

4.2.1 Stage 0 – Preparations

The models presented by Root (1994) and Johansson's (2009) have an additional preparation step. For Johansson, this is Country Identification. The main point of this wide-ranging, informal stage is to assess the political risks associated with potential target markets. If those risks are deemed too high, the country can be quickly dropped from further consideration, without wasting resources researching it. The other part of this stage is an environment analysis of the market, with the goal of identifying actual customer behaviours and use cases to better inform the rest of the process. Root (1994) emphasizes the role of the product choice in IMS, naming it the most important element of the process. Company should find a competitive niche with the product and thus the selection of the target market should start by examining which product(s) to take there. Products stagnating in domestic markets can find growth abroad, if the Product Life Cycle (PLC) for that product is still in its earlier stages. Both Johansson and Root also recommend identifying actual customer cases before starting the preliminary screening. This is done by constructing general customer profile for the selected product.

4.2.2 Stage 1 – Preliminary screening

The goal of the preliminary screening stage is to use low-cost secondary sources to narrow down the list of potential markets to find those which warrant detailed investigation (Cavusgil, 1985; Kumar et al., 1994; Root, 1994; Johansson, 2009; Papadopoulos and Martin, 2011; Hollensen, 2017). According to Root (1994), the two main risks in IMS this stage aims to minimize are:

1. Ignoring prosperous markets, and
2. Spending too much time analysing unattractive markets.

The first risk is mainly a result of *"…assumptions and prejudices that rule out certain countries (or even regions) as possible target markets*" (Root, 1994, p. 33) and is far more common. Therefore, as many countries as possible should be

included in the preliminary screening stage, with exclusions only based on relevant reasons, like the political risk mentioned above. To minimize the second risk, this stage should be as quick and low-cost as possible. The requirements for a promising market obviously change between industries, so companies must choose the metrics that match their industry, product, and customer profile, as well as choose how different metrics are weighted against each other. (Cavusgil, 1985; Kumar et al., 1994; Root, 1994; Johansson, 2009)

A common tool used for analysing the high-level environment is PEST and its variations (PESTE, PESTEL, STEEPLE). PEST is a tool for grouping the criteria used to segment the international business environment to separate markets. Groups for the criteria are *Political / Legal*, *Economic*, *Socio-cultural* and *Technological*. Political and legal environment covers the laws and regulations that limit company's operation in a given market. They include taxation policies, tariff- and non-tariff barriers and import restrictions. Economic environment covers economy growth rates like Gross Domestic Product (GDP), Gross National Product (GNP) – total value of goods and services produced in the country based either on location (GDP) or ownership (GNP), inflation, currency exchange – and interest rates, and the requirements set by the economic union the target country is part of. Socio-cultural environment focuses on surrounding values, trends, attitudes and cultural environment. For example, in high-context cultures, reading "between the lines" in negotiation situations is much more important, than in low-context cultures (Meyer, 2014, p. 120). Technological environment can be divided into general development in Information Technology (IT), and the development of the technologies specific to the industry. (Cadle et al., 2010, pp. 3-6; Hollensen, 2017)

4.2.3 Stage 2 – In-depth screening

The goal of the in-depth screening stage is to estimate industry attractiveness for each of the countries short listed from preliminary screening (Kumar et al., 1994) and rank them against several accepted decision criteria (Koch, 2001a, p. 69). The usual factors determining this are *market size, market growth, competition* and *trade*

barriers and regulations (Kumar et al., 1994; Johansson, 2009). In addition to comparing target countries, further division to in-country segments can be done to achieve more precise target forecasts, if there are significant differences in market conditions. (Johansson, 2009; Hollensen, 2017).

The first step is determining the current and future aggregate demand for a given industry in the chosen market (Cavusgil, 1985). This trade-off between current market size and future growth depends on the short- / long term orientation and risk-averseness of the company (Kumar et al., 1994; Root, 1994; Johansson, 2009). Possible methods for estimating industry sales potential in a given market include:

- Build-up method
- Forecasting by analogy / Lead-lag analysis
- Chain ratio method
- Proxy indicators

Build-up method indicates collecting separate expert opinions on different segment market sizes. These estimations are then combined to find the aggregate sales potential. (Johansson, 2009). If determinants of demand in two countries are estimated to be same, and only separated by time, being in different phases of the PLC, the demand in the second country can be derived from the demand in first country. This is known as *forecasting by analogy* (Johansson, 2009 or *Lead-lag analysis* (Hollensen, 2017, p. 192). *Chain ratio method* starts with the total potential customer base and reduces it arithmetically by introducing chosen ratios of demand determinants. For example, demand for washing machines is dependent on electricity and running water. By using this method, the base population of a country would be multiplied by percentage of people with access to those two determinants. (Hollensen, 2017, pp. 191-192). Finally, *proxy indicators* method means using indirect variables to estimate the market size. The demand for a complementary product is a simple example of a surrogate variable. (Hollensen, 2017, p. 191).

When analysing competition, total number of competitors, market share distribution, and the share of domestic and foreign companies operating in a certain market are important factors to distinguish. Barriers to trade mainly affect manufactured goods in the form of tariffs, custom procedures or preferential treatment. The strategic reasons for competitors to operate in certain market should be considered, as well as the importance of that market to them, and how they would react to new entrants. (Johansson, 2009)

4.2.4 Stage 3 – Selection

In the final stage, the goal is to identify where the high market potential found in previous stage best converts to high sales potential for the company (Root, 1994; Hollensen, 2017) by adding firm-specific information to the consideration. In other words, the goal is to find the market which best suits the company's product offering (Cavusgil, 1985). In this stage, no new secondary data sources are added, and subjective judgements by the management starts to take a larger role, filling out the gaps in research (Johansson, 2009). The strategic goals for expansion (Johansson, 2009) and the entry mode (Root, 1994) will influence the desired market.

Forecast revenue and costs associated with market entry are compared to find the country that best utilises the available resources. *Market share forecast* can be added to the industry sales forecast conducted in previous stage. This involves identifying the current competitors and potential new entrants, finding the potential country-specific advantages for the domestic firms operating in the target country, and finally, analysing the strengths and weaknesses of the company against competitors. (Johansson, 2009). One potential tool to help comparing remaining markets in this stage is the *market attractiveness / competitive strength matrix* (Hollensen, 2017, p. 289), where the industry market potential is compared to the firm's competences. Based on countries' position in this matrix, they are classified into different priority categories.

Competitive triangle (Hollensen, 2017, p. 121) is another useful tool when comparing the company's product offering to competitors. The triangle is formed by the company, competitor and customer, and has two dimensions: the *perceived value* of the product offerings of the two firms and the *costs* incurred in creating that value. Company's operations can be categorized into different activities with *value chain* (Hollensen, 2017, pp. 28-38), and each activity can create perceived value, if it is better than competitor's one. According to Kotler (2012, pp. 146-147), customers make choices based on which offering maximises their value within their individual monetary, knowledge and mobility limitations. It is important to keep in mind that ultimately, the success of a product or service "*... depends on the value that customers, not companies, place on features*" (D'Aveni, 2007, p. 113). The company must pursue either perceived value- or relative cost advantage (Hollensen 2017, pp. 123-124) to have a chance of succeeding.

4.3 The choice of entry mode and its effects on market selection

Entry mode is defined by Root (1994, p. 5) as *"... an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country*". In other words, how the company operates in a foreign market. Koch (2001a) argues that market selection and entry mode choice are dependent on each other, and thus should be considered as parts of the same decision, instead of two independent decisions. Andersen and Buvik (2002, p. 358) point out that *"... the choice of foreign market / exchange partner may influence as well as be influenced by the entry mode*." This can be dangerous if the company is guilty of using what Root (1994) calls the *naïve rule* of entry mode selection: using the same entry mode they have always used. Doing this *"... ignores the heterogeneity of country markets and entry conditions*" (Root, 1994, p. 159) and makes the company a prime candidate to commit the mistake of ignoring potential prosperous markets.

The numerous different ways to conduct a market entry are usually grouped into three distinct categories based on the level of commitment they require: Export

modes, intermediate (contractual) modes and hierarchical modes. These groups are shown in Figure 3:

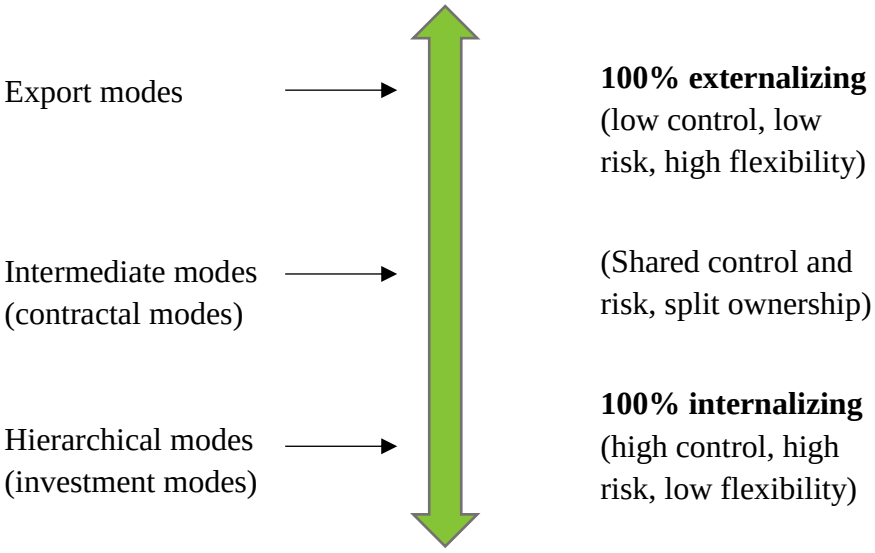

Figure 3. Market entry mode classification (adapted from Hollensen, 2017, p. 345)

All three groups are briefly described with the focus on hierarchical modes, which are most fitting for the case company. The viewpoint of services is brought up in addition the manufactured goods. For that, the distinction between *hard* and *soft* services needs to be made, because they differ greatly in the forms of entry modes required (Ekeledo and Sivakumar, 1998). In hard services, the production is separated from consumption, making them exportable. They share similarities with manufactured goods, but the service component remains the main value for customer. Soft services are consumed at the same time they are produced, and thus require the service provider's presence. (Ekeledo and Sivakumar, 1998)

4.3.1 Export modes

Export modes are the most common entry mode for initial international market entry. The product is manufactured outside the target country and transferred to it. Export modes mainly concern manufactured goods and hard services, although it can be used by some soft services, like maintenance of high-value equipment, or consulting (Grönroos, 1999, p. 293). Depending on how much responsibility of the different parts of the export channel is taken by the exporting firm, and how much

is handled by external agents, exporting can take the form of *indirect export*, *direct export* and *cooperative export*. (Root, 1994; Hollensen, 2017)

4.3.2 Intermediate entry modes

If supplying the market from outside is not feasible, but the company doesn't want to completely internalize the market entry, intermediate- or contractual modes are an option. They differ from export modes in that they primarily transfer knowledge and skills between partners, in order to create foreign sales. They are separated from hierarchical modes in that there is no full ownership by the parent firm. Some of the more popular intermediate entry modes are *contract manufacturing*, *licensing*, and *franchising*. (Root, 1994; Hollensen, 2017)

4.3.3 Hierarchical entry modes

Basic conclusion of the transaction cost analysis is that if the transaction costs (search, contract, monitoring, enforcing) through externalization (doing business through third-party company) are higher than the control cost through an internal hierarchical system, the firm should internalize its activities. Hierarchical- / investment modes are entry modes where the firm completely owns and controls the foreign entry mode. The degree of control that the head office will have is dependent on how many and which value chain functions can be transferred to the market. (Root, 1994; Hollensen, 2017). For many services, the producer and production facilities are part of the services, so they need more control over their resources compared to manufacturing firms. Manufacturing firms have the option to gradually increase their commitment from sales office to local production, but no such option is available for service companies, who often must produce and the deliver the service from day one. (Grönroos, 1999)

Domestic-based sales representatives, presented in figure 4 below, reside in the home country of the manufacturer and travel abroad to sell directly to the customer. This model doesn't involve investments to any foreign-based facilities. They are

often used in sectors, where there are only few large customers who require close contact with suppliers and where the size of the orders justifies the high travel costs. It offers better control of sales than independent intermediary would, close contact with customers, and shows commitment to them. High travel expenses mean that this mode is not feasible for markets far from home. (Hollensen, 2017)

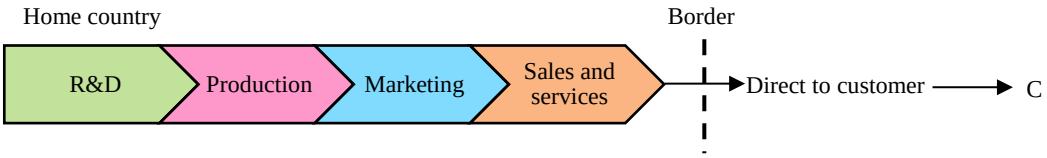

Figure 4. Domestic-based representatives (adapted from Hollensen, 2017, p. 421)

Resident sales representatives reside in the target country. The nature of the product or service is important when deciding whether resident- or domestic representatives should be used. If a lot of servicing or supply is needed, it is better to use resident representatives. *Sales subsidiary* and *sales branch* mean setting up a formal office in the target country. Branch is an extension of the parent company and taxation is based in parent country, subsidiary is operated under the laws and taxation of the host country. They offer the full control over sales function. Resident sales representatives, sales subsidiaries and sales branches are depicted in figure 5: (Hollensen, 2017)

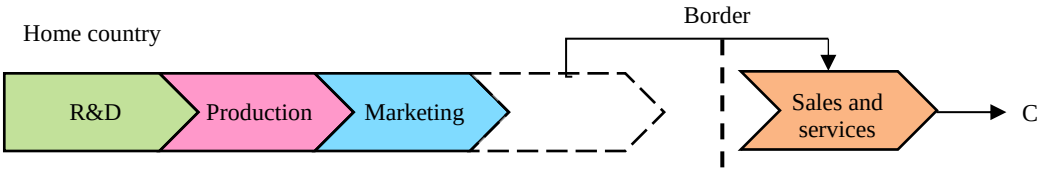

Figure 5. Resident sales representatives, sales subsidiary, sales branch (adapted from Hollensen, 2017, p. 421)

Sales and production subsidiary, shown in figure 6 below, is an extension of the sales subsidiary, moving the production to the host country in addition to sales operations. It offers even greater control of operations, with increased market access and knowledge. With increasing control come increased initial investment, higher exit barriers and higher risk. Company can establish a wholly owned subsidiary either by acquiring an existing company from the market, or by building its own

operations from scratch in the foreign country. *Acquisition* provides quick access to the market, local knowledge and contacts, and established brand names. If the market is saturated and there is little to no room for new entrants, acquisition may be the only option if the firm wants to gain a foothold in the market. *Greenfield*, building their own operations, allows the company to choose the most optimal format and technology for the business. With greenfield, the firm does not need to worry about changing the local company to suit their own way of operating. (Hollensen, 2017)

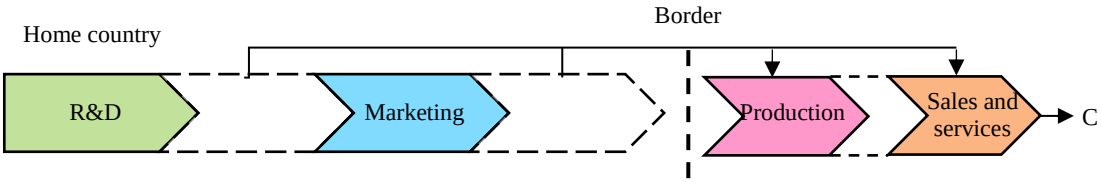

Figure 6. Sales and production subsidiary (adapted from Hollensen, 2017, p. 421)

The chosen entry mode affects the factors that target markets are evaluated by in the selection process. The more risk-averse and hands-off entry modes offer easier access to the market and reduced costs, but higher commitment hierarchical modes offer better market coverage and combability with the market, reduced image dissonance, better strategic fit between the company and the market, improved access to market information and establishment of closer contacts. (Koch, 2001a)

5 RESEARCH METHODOLOGY

The purpose of a well-defined research strategy is to enable the study to answer its research questions (Saunders et al., 2009, p. 141). The two main research questions of this thesis aim to explain how the internationalization history of Lime reflects current theories on the subject, and how software SMEs should conduct an IMS. A case study is a good fit for a research strategy; According to Yin (2014, p. 4), it's the most relevant and useful strategy when trying to explain *how* and *why* some phenomenon works, and when extensive and in-depth investigation into the phenomenon is needed. Most of the thesis is focused around a single company, so single-case study (Yin, 2014, p. 50) is natural. However, the IMS model is built to be applicable to other software SMEs to some extent as well.

Data collection is a mix of primary and secondary data. The most important sources for the secondary data used in the IMS model's indicators are World Economy Forum's Global Competitive Index 2018 (GCI) and Networked Readiness Index 2016 (NRI) and Eurostat's Structural Business Data (SBS). Primary data for the indicators of the IMS model – Experts weighing the different criteria during later screening stage – is collected through a questionnaire send to selected experts of the company. Questionnaire was sent to eight people, including the CEO, CPO / CMO, Head of sales, Head of consulting, and other long-time employees in prominent positions of the company. Out of the eight receivers, seven responded to the questionnaire. The rest of the primary data has been collected through participant observation by the author working in the case company. When utilising participant observation, the researcher becomes a part of the organisation or community under study to better understand the studied phenomenon. (Saunders et al., 2009)

6 INDUSTRY AND COMPANY OVERVIEW

Customer relationship management industry and the case company are presented in this chapter. First, the concept of CRM is explained, alongside how CRM systems work and are deployed. Next, the case company and its approach to operate in this highly competitive market are presented.

6.1 Overview of customer relationship management industry

In marketing literature, CRM has been used interchangeably with *relationship marketing* (Parvatiyar and Sheth, 2001, p. 4). Relationship marketing is a term used to describe the shifted focus of marketing from product-centred thinking - marketing mix, or 4P's - to customer-centred thinking. In this paradigm shift, the overall goal of marketing moved from creating transactions to creating profitable long-term relationships with customers (Grönroos, 1997). In the words of Peter Drucker: "*There is only one valid definition of business purpose: to create a customer*" (Watson, 2002, p. 55).

In practice, CRM also means the *strategy* or *process* outlining how companies should manage current and potential customers to build those long-lasting relationships. CRM also means the *technology*: CRM system is a software purpose-built to help companies in this process. Hughes (2008) identified four pillars of CRM: *Customer acquisition*, which is getting the customers in the first place, *Customer retention*, which is important because acquiring new customers is more expensive than retaining old ones, *Customer extension*, or upselling additional products of features to existing customers and *Customer selection*, identifying and picking the most profitable customers. (Payne and Frow, 2005; Hughes, 2008)

To help companies manage their customer relationships, CRM systems collect, organize and present to them relevant customer data. This data means everything from basic contact information, other employees' activities (such as sales calls) with the customer, to more specific information like service tickets related to that

customer. This creates a holistic view of each current and potential customer that every employee using the system can instantly access, increasing efficiency and productivity. Since everyone has the access to the same information, CRM system makes collaboration between different departments, like marketing, sales, and customer service, easier. The two main deployment models for CRM systems are on-premise and Software-as-a-Service (SaaS). They are briefly described below. (Kostojohn, 2011)

On-premise is the traditional way of deploying a CRM system. The software is installed to the client's own server in their own premises. This model provides the most control to the customer over their system, but also requires them to maintain the infrastructure. SaaS model *"... seeks to transform enterprise software from a capital asset to a utility service that is purchased and consumed*" (Kostojohn et al., 2011, p. 67); The customer buys license with a monthly or per-user pricing for the system, which can be accessed from anywhere with an internet connection. The benefit of SaaS over an on-premise system are the lower initial cost and requirements for the customer, but total lifetime costs are often higher. The high exit barriers also mean that if the provider decides to increase prices, the customer can end up in a difficult situation. SaaS is constantly gaining more popularity over the cumbersome on-premise model. (Kostojohn et al., 2011)

There are also two main ways the users can access the application: Client application, and web application. *Client application* installed to the customer's computers allows offline usage, as well as the highest level of customization that can be done to the system. *Web applications*, or accessing the system by internet browser, are getting increasingly common. Its main benefit is access from anywhere where internet connection is available and easier update process. The main drawback of web applications is currently the lack of customization options compared to client application, but the gap is closing all the time, as web components are developed. (Kostojohn et al., 2011)

6.2 Overview of the case company

Lime was founded in 1990 in Sweden as Lundalogik AB (name changed to Lime Technologies in 2018). The company offers implementation and continuous customisation of CRM products, using the SaaS model. The two main revenue streams for the company are licences, and billable consultation hours. Their CRM systems are used by around 60 000 users across 4 500 customers. The company's two main products on offer are Lime CRM, a flexible and powerful CRM platform aimed for medium- to large-sized organizations, which can be augmented with many auxiliary systems, and Lime Go, a streamlined tool specifically designed for smaller sales organisations. Of the previously mentioned deployment options, both on-premise and cloud are offered for Lime CRM, and it has both client- and web application. By contrast, the only deployment option for Lime Go is cloud. (Lime Technologies AB, 2019)

The company employs 220 people, and its gross revenue in 2018 was around EUR 23 million. According to firm-size classification used by the European Commission, this makes Lime a medium-sized company. European Commission (2015) defines SMEs as companies which employ fewer than 250 persons and have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million. Company is considered medium-sized when it employs between 50 and 250 persons, and its annual turnover is between EUR 10 million and EUR 50 million. The growth of Lime has been consistent and profitable over the last 20 years, with an average yearly growth rate of 19 per cent since the year 2000. A major milestone for the company was going public December 6, 2018 when its stocks were listed in Nasdaq Stockholm. (Lime Technologies AB, 2019)

Lime focuses on four industry verticals, of which it has the most expertise: *Real estate, wholesale, consulting* and *utility*. Since each solution requires a certain amount of customization, and companies in a selected vertical have similar requirements, focusing on a select few helps Lime to increase the value proposition for customers in these segments. (Lime Technologies AB, 2019)

The company controls the entire value chain. This is a major competitive advantage especially in the Nordic markets, where the competition mainly consists of suppliers selling third-party products. Other competitive advantages are the high customizability, and user-friendliness of the software. A simplified version of Lime's value chain is divided into Development, Marketing, Sales, Consulting and Support. Consultants (known as Expert Services at Lime) are responsible for implementing and customizing the solutions for individual customers. The Lime CRM system is highly customizable, and the requirements of different customers vary a lot, making each implementation unique. Because of this, and the need for frequent communication and cooperation even after the first implementation is done (in the form of support and further development), the need for high level of control and local presence is high. All the current expansions thus follow a hierarchical entry mode to the market– an office in each country. Development, Marketing and Support are all located in Sweden, while other countries house sales and consulting teams. Lime's current mode of operation in foreign markets closely resembles the foreign sales and production subsidiary, with consulting taking the role of production. Lime's value chain is illustrated in figure 7. (Lime Technologies AB, 2019)

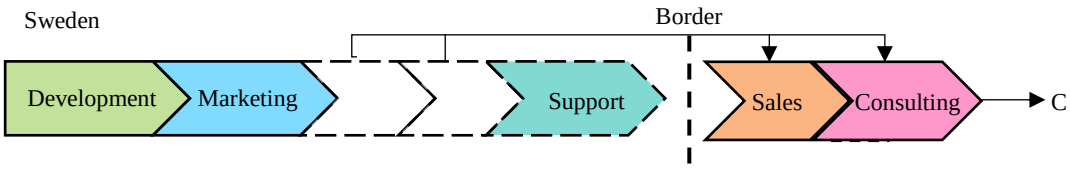

Figure 7. Lime's simplified value chain

6.3 Internationalization history of the case company

The speed of internationalization of the company has been slow so far and is closest to the organic growth pathway. Even though the countries the company has entered have been geographically and psychically close, the entry modes have been high-risk hierarchical modes: setting up new offices. This entry mode most closely resembles the sales and production subsidiaries presented in chapter 4.3.3.

Currently, the foreign markets the company operates in are Finland (entered 2010), Norway (2010) and Denmark (2014). Lime is market leader in Sweden, and domestic market accounted for 85 per cent of total sales in 2018. As a part of their organic growth, Lime has filled gaps in its competencies by acquiring smaller companies offering B2B solutions and integrating them into Lime's product offering by creating auxiliary products out of them. In 2017, Lime acquired RemoteX Technologies, whose cloud-based mobile case management tool became Lime Field, and Netoptions Sweden AB, whose expertise in marketing automation was turned into Lime Newsletter. In 2018, Lime acquired Hysminai AB, whose gamification platform was reborn as Lime Engage. (Lime Technologies AB, 2019)

Company is increasing its market share in other Nordic markets, with the goal of extending the market leader position from Sweden to cover all the Nordics. While the main focus now is on their current markets, the company is looking for opportunities in other countries as well. Looking into the future, the recent Initial Public Offering (IPO) and change in ownership could act as a catalyst for increased focus on internationalization and shift the company from the organic growth pathway towards the accelerated paths, making Lime a potential BAG candidate. Lime brands itself as "Nordic CRM experts", and the locality plays an important role in increasing the perceived value in Nordic customers' eyes. Converting this value to apply in markets outside of the Nordics will be an interesting challenge for the company. (Lime Technologies AB, 2019)

7 BUILDING THE INTERNATIONAL MARKET SELECTION MODEL

In this chapter, the model for IMS process is built. The assumption underlying the entire process is that the need for constant communication with the customer, local market knowledge and business culture understanding will remain as important in the future as they have in the past expansions, resulting in hierarchical entry modes being the preferred way to enter a new market. The scope of the model is presented in figure 8. Notably the entry mode choice is not considered as a separate decision after the market has been chosen, but the limitations it sets are considered when forming the initial pool of potential countries. The final decision is also left outside of the scope, and instead the model presents a short-listed set of potential markets for that consideration. The reason for this is the paramount importance of management's vision and experience in the final decision stage. The model is mainly built with Lime in mind but could be modified to suit other software SMEs as well.

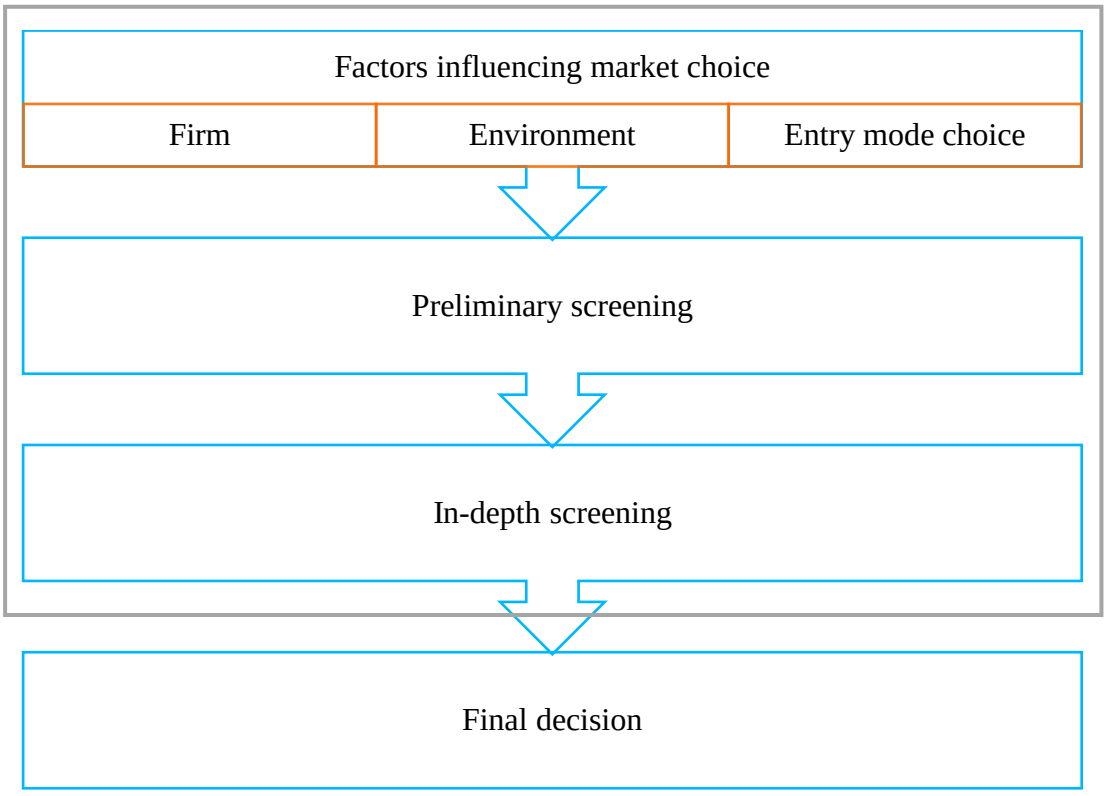

Figure 8. Scope of the thesis' international market selection model

7.1 Preliminary screening

The preliminary screening stage will employ one of two approaches to preliminary country selection proposed by Cavusgil et al. (2004): *Country ranking.* As mentioned in the IMS theory, the goal here is to use efficient secondary data sources to narrow down the list of potential markets for further analysis, while avoiding the risks of ignoring prosperous markets, or analysing unattractive markets for too long. Another risk mentioned by Cavusgil et al. (2004) is the lack of product- or industry specificity. To achieve these goals and avoid the risks, the indicators used will address both broad assessment of country's overall attractiveness for businesses, and country's ICT-environment. With the selected indicators, the goal is to address each category of PEST.

7.1.1 Preliminary screening indicators

The first set of metrics in the initial screening come from the *Global Competitiveness Index* (GCI). It is a part of the *Global Competitiveness Report* (GCR) published yearly by the World Economic Forum. According to Schwab (2016), the world is currently experiencing a fourth industrial revolution, a time characterized by physical, digital and biological worlds merged by smart technologies. This revolution is characterized by exponential speed of technological breakthroughs, a scope covering almost every industry across the globe, and changes affecting entire production, management and governance systems. Whether these developments warrant the distinction of fourth industrial revolution from the third or not, the GCI has been constructed to reflect the changing world. The index measures the prosperity and growth of countries using indicators in four categories: *Enabling environment*, *Human Capital*, *Markets* and *Innovation Ecosystem*. The categories consist of 12 pillars, each housing several indicators. (World Economic Forum, 2018)

For the selection process used in this thesis, four out of 12 pillars: *Macroeconomic stability* (pillar 4), *Product market* (7), *Market size* (10) and *Business Dynamism*

(11) are used. These pillars were chosen, because they provide the most relevant information regarding the prosperity of target markets from a SaaS CRM company's point-of-view. *Macroeconomic stability* measures level of inflation and sustainability of fiscal policy and is used in this thesis as an indicator to assess the risk level associated with investing into a country. *Product market* captures "*The extent to which a country provides an even playing field for companies to participate in its markets*" (World Economic Forum, 2018, p. 41). It provides an idea of how much resistance a foreign company can expect when starting operations in the country, and since the increased competition resulting from more open market forces companies to innovate their business models (like investing in a CRM system), is seen as a further incentive to operate in that market. To avoid confusion with another indicator used in the further stage, Market size is renamed as *Size of the economy*. It is deemed most important and will be weighed three times as high as the other GCI indicators. Size of the economy is *"... proxied by the sum of the value of consumption, investment and exports*." (World Economic Forum, 2018, p. 42). And uses Gross Domestic Product (GDP) based on Purchasing Power Parity (PPP) and the share of imports in its calculations. PPP is used to make the currencies of different countries similar in their purchasing power, in order to better compare their economies. Finally, *Business dynamism* indicates "*The private sector's capacity to generate and adopt new technologies and new ways to organize work, through a culture that embraces change, risk, new business models…*" (World Economic Forum, 2018, p. 42). A dynamic, risk-taking private sector more likely to embrace high-technology solutions in their business operations are further incentive for Lime to enter the country. Indicators used are presented in table 4. (World Economic Forum, 2018):

Table 4. Global Competitive Index indicators (World Economic Forum, 2018)

Pillar 4: Macroeconomic stability	
4.01	Inflation
4.02	Debt dynamics
Pillar 7: Product market	
7.01	Distortive effect of taxes and subsidies on competition
7.02	Extent of market dominance
7.03	Competition in services
7.04	Prevalence of non-tariff barriers
7.05	Trade tariffs
7.06	Complexity of tariffs
7.07	Border clearance efficiency
7.08	Service trade openness
Pillar 10: Size of the economy	
10.01	Gross domestic product (PPP)
10.02	Imports of goods and services, percentage of GDP
Pillar 11: Business dynamism	
11.01	Cost of starting a business
11.02	Time to start a business
11.03	Insolvency recovery rate
11.04	Insolvency regulatory framework
11.05	Attitudes toward entrepreneurial risk
11.06	Willingness to delegate authority
11.07	Growth of innovative companies
11.08	Companies embracing disruptive ideas

The second source used in preliminary screening stage is the *Networked Readiness Index* (NRI). It is the focus of *The Global Information Technology Report*, created and published by World Economic Forum. The NRI *"... measures the capacity of countries to leverage ICTs for increased competitiveness and well-being*" (World Economic Forum, 2016, p. xi). This thesis uses it as a proxy indicator of how successful software industry investments countries are likely to be. The index is built upon four main categories constructed from 10 pillars of ICT readiness, shown in table 5:

Table 5. Structure of the networked readiness index (World Economic Forum, 2016)

Pillar 1: Political and regulatory environment	
1.01	Effectiveness of law-making bodies
1.02	Laws relating to ICT
1.03	Judicial independence
1.04	Efficiency of legal framework in settling disputes
1.05	Efficiency of legal framework in challenging regulations
1.06	Intellectual property protection
1.07	Software piracy
1.08	Number of procedures to enforce a contract
1.09	Time required to enforce a contract
Pillar 2: Business and innovation environment	
2.01	Availability of latest technologies
2.02	Venture capital availability
2.03	Total tax rate
2.04	Time required to start a business
2.05	Number of procedures to start a business
2.06	Intensity of local competition
2.07	Tertiary education enrolment rate
2.08	Quality of management schools
2.09	Government procurement of advanced technology products
Pillar 3: Infrastructure	
3.01	Electricity production
3.02	Mobile network coverage rate
3.03	International internet bandwidth
3.04	Secure internet servers
Pillar 4: Affordability	
4.01	Prepaid mobile cellular tariffs
4.02	Fixed broadband internet tariffs
4.03	Internet and telephone sectors competition index
Pillar 5: Skills	
5.01	Quality of education system
5.02	Quality of math and science education

5.03	Secondary education enrollment rate
5.04	Adult literacy rate
Pillar 6: Individual usage	
6.01	Mobile telephone subscriptions
6.02	Internet users
6.03	Households with a personal computer
6.04	Households with internet access
6.05	Fixed broadband internet subscriptions
6.06	Mobile broadband internet subscriptions
6.07	Use of virtual social networks
Pillar 7: Business usage	
7.01	Firm-level technology absorption
7.02	Capacity for innovation
7.03	PCT patents applications
7.04	ICT use for business-to-business transactions
7.05	Business-to-consumer internet use
7.06	Extent of staff training
Pillar 8: Government usage	
8.01	Importance of ICTs to government vision
8.02	Government Online Service Index
8.03	Government success in ICT promotion
Pillar 9: Economic impact	
9.01	Impact of ICTs on business models
9.02	ICT PCT patent applications per million population
9.03	Impact of ICTs on organizational model
9.04	Knowledge intensive jobs, % workforce
Pillar 10: Social impacts	
10.01	Impact of ICTs on access to basic services
10.02	Internet access in schools
10.03	ICT use and government efficiency
10.04	E-participation index

7.1.2 Preliminary screening formulas

The indicators for the two indices come both from statistical sources such as UNESCO and the World Bank, and from a survey of 14000 business executives in more than 140 countries. (World Economic Forum, 2016) Since the value ranges used in the two reports are different, the values need to be normalized to the same value range in order to be compared. The NRI scores will be converted to the scale used in GCI with the *min-max normalization*, shown in equation 1:

$$B' = \left(\frac{A - A_{min}}{A_{max} - A_{min}}\right) \times (B_{max} - B_{min}) + B_{min}$$

Equation 1. Min-max normalization (Jain et al., 2005, p. 2276)

Where B' is the scaled value, A the original value, A_{min}, A_{max} minimum and maximum values of the original sample and B_{min}, B_{max} minimum and maximum values of the new scale.

The countries are compared using the Weighted Sum Method (WSM). It is a simple and popular Multiple-Criteria Decision-Making (MCDM) method where, as the name implies, each criterion is weighted based on its importance, and then summed, as shown in equation 2:

$$S_i = \sum_{j=1}^{M} w_j r_{ij} \ \ for\ i = 1,2, \dots, N$$

Equation 2. Weighted sum method (Janic and Reggiani, 2002, p. 199)

Where S_i is the overall score for alternative i, w_j is the weight of importance for criterion j, r_{ij} is the normalized score for alternative i in criterion j, M is the number of criteria and N is the number of alternatives.

Despite its simplicity, the WSM was found to yield very similar results to more advanced and resource consuming methods, such as Analytical Hierarchy Process, in a simulation study by Adamczak et al. (2016). As mentioned, size of the economy

and NRI will be given higher importance than macroeconomic stability, product market and business dynamism. The weights of importance for the criteria are shown in table 6:

Table 6. Established market preliminary screening criteria and their importance

Criterion	Weight of importance
Size of the economy	1 / 3
Networked readiness index	1 / 3
Macroeconomic stability	1 / 9
Product market	1 / 9
Business dynamism	1 / 9

Once the ranking is complete, the highest performing countries are selected to the next stage. The number of countries going through depends on the amount of resources the firm can commit on the next stage, the scores themselves and other case-specific factors, such as the focus between large current market size, and future potential growth. To address that particular situation, an optional modification of the initial screening is provided, and discussed further below.

Less risk-averse companies can opt to choose countries with lower initial returns, but greater long-term prospects over time (Johansson, 2009). If the growth is expected to take a long time and it will take several years for the market to reach its potential, it is a good opportunity to establish wholly owned subsidiaries, or utilise other hierarchical entry modes, which will take time to set up (Koch, 2001b). There is a view among scholars (Sakaraya et al., 2007, Fulton and Fulton, 2013) that traditional IMS models underestimate Emerging markets, placing too much value to current GDP figures. To properly take EMs into consideration, an additional phase is added to the preliminary screening stage. The initial screening is conducted in two parallel paths: one picking out the most promising markets based on their current situation (shown above), and another based on their growth potential. This results in two sets of countries proceeding into next stage, like in the 3/2 Country Market Evaluation model presented by Fulton and Fulton (2013). The size of the

economy indicator is replaced by average GDP growth in a ten-year time period, while the business environment and NRI indicators remaining unchanged. GDP growth is converted to 0-100 scale using the previous min-max normalization. The countries with GDP lower than 1% of Europe's total will not be considered. Business environment (macroeconomic stability, product market and business dynamism) and Network readiness are considered to be a by-product of prosperous economy, and their levels are expected to rise as country's economy develops. As a result, GDP growth is weighed higher than other indicators. The criteria to be used for the alternative preliminary screening are shown in table 7:

Table 7. Emerging market preliminary screening criteria and their importance

Criterion	Weight of importance
GDP growth-%	1 / 2
Networked readiness index	1 / 4
Macroeconomic stability	1 / 12
Product market	1 / 12
Business dynamism	1 / 12

7.2 In-depth screening

In this stage, the goal is to find out which of the countries short-listed from preliminary screening are the most prosperous for the company. The indicators used will depend on the company and industry, and mainly the availability of the indicator data, but the ones always used are *market size*, *market growth*, *geographic distance* and *cultural distance*. Market size and growth will focus on the industry instead of the country as a whole in this stage and will require more resources to produce than in the initial screening stage. Similar to the preliminary screening stage, a WSM is used to rank the countries. However, instead of the weights of each indicator being assigned by the model, they are assigned by experts from the company. This helps to bring their expertise on the industry into the equation and makes the model more accurate. For the in-depth screening stage, the indicators should to be industry-specific, as mentioned in chapter 4.2.3. The main method to

obtain them are commissioned industry reports. Since not everyone can afford them, and to maintain a wide applicability for this model, the next best thing is used: free structural business statistics from Eurostat (2019). Indicators are further explained below.

For market size the aggregate Gross Value Added (GVA) of all potential customer companies is used. If a more industry-specific indicator is available, that should be used. Market growth is the change in market size in a selected timeframe. The longer the cultural distance, the more company must change the way it operates, and longer cultural distance is seen as an obstacle for entering a new market. Thus, the countries are ranked based on how small the cultural distance between their domestic market and the target market is. If the company is in later phases of internationalization and has had time to gather experience in adapting to foreign markets, the negative effect of cultural distance diminishes. Thus, the importance of this indicator, like all the others, needs to be evaluated for each case. The formula for calculating cultural distance using Hofstede's dimensions was first developed by Kogut and Singh (1988, p. 422). For this thesis, an adaptation of this formula made by Morosini et al. (1998), presented in equation 3, is used:

$$CD_j = \sqrt{\sum_{i=1}^{6} \left(I_{ij_1} - I_{ij_2}\right)^2}$$

Equation 3. Cultural distance (Morosini et al., 2998, p. 144)

Where CD_j is the cultural distance for country j, I_{ij_1} and I_{ij_2} are the values of cultural dimension i for the countries under comparison. New dimensions have been added to the framework since the original formula was created, which is why six dimensions are used in this thesis, instead of four. Geographic distance is used as an indicator, because of the underlying assumption that a hierarchical entry mode is used. Since hierarchical entry modes, require a lot of resources and coordination, the closer the country is, the less strain it puts on the rest of the organization. (Kogut and Singh, 1988; Morosini, 1998, Malhotra et al., 2009)

8 MARKET SELECTION MODEL APPLIED TO THE CASE COMPANY

In this chapter, the IMS process model presented above is applied to Lime. The company is willing to investigate EMs in addition to established ones, so both versions of the preliminary screening stage will be utilised. Out of the countries that Lime operates in, Sweden is taken into the screening process for comparison's sake.

8.1 Preliminary screening

Since hierarchical entry modes are assumed to be used, the screening will be limited to include only European countries. Countries with GDP less than 1% of European total) were excluded from comparison. Russia was added, because it is a large economy located close. Turkey was added to bring more perspective to the EM consideration, even though expansion there is very far-fetched at the moment. The top 12 countries for established market preliminary screening are shown in table 8:

Table 8. Lime's initial country screening results for established markets (World Economic Forum, 2016; 2018)

	Country	**Total score**	**Econo-my size**	**M.E.Sta-bility**	**Product market**	**B.Dyna-mism**	**NRI**
1	Germany	82.2	85.8	100	72	81.6	76.2
2	UK	81	81.7	100	68.7	79	78.6
3	Netherlands	79.7	73.9	100	72.3	80.3	81
4	Sweden	76.3	65.1	100	68.8	79.8	81
5	France	75.9	81.5	99.9	62.5	69.4	69
6	Switzerland	75.5	65.9	99.4	66.8	72.6	81
7	Belgium	73.2	68.9	100	66.5	69.9	71.4
8	Austria	71.5	64.3	100	66.5	69.9	71.4
9	Ireland	71	64	99.4	64.2	76.9	69
10	Spain	68.8	76.7	90	62	66.3	57
11	Russia	67.3	84	87.5	54.2	62.9	49.7
12	Italy	65.8	79.1	85	62.6	65.4	47.3

The large economy of Germany, UK and France is reflected in their high scores. Macroeconomic stability, product market and business dynamism are relatively even for Northern- and Western-European countries. Sweden, Netherlands and Switzerland are leaders in the NRI category. Germany's and UK's NRI scores are not far behind, which combined with their large economies keep them in the top positions. France's lower NRI score causes it to lose one place to the Netherlands, who secures number three position with strong scores in all categories. Switzerland is the fifth country to make it through to the in-depth screening stage. Some countries with large economies were held back by their low NRI and macroeconomic stability scores, showing that even though the market has lot of potential, the readiness to utilise ICT is not there, or the market is too volatile and risky because of shaky financial foundations. This behaviour is best exemplified by Russia, and to a lesser extent, Spain and Italy.

Next the preliminary screening process using criteria best suited in finding the most potential EMs is conducted. The set of countries is the same, size of the economy is replaced with GDP growth, and the weights of importance are changed based on table 7. It is important to notice that since the economy size, which was used to normalize the NRI scores in previous step, is replaced by GDP growth, the normalization of NRI scores must be switched to be based on GDP growth as well, making them different from previous step. The results for the top 12 countries are presented in table 9:

Table 9. Lime's initial country screening results for emerging markets (World Economic Forum, 2016; 2018)

	Country	Total score	GDP Growth	M.E.Sta-bility	Product market	B.Dyna-mism	NRI
1	Ireland	79.2	80.3	99.4	64.2	76.9	76.1
2	Sweden	73.8	65.2	100	68.8	79.8	82.1
3	Turkey	73.5	84.5	67.4	55.2	57.2	65.2
4	Poland	72.9	75.5	100	61.2	61.5	66.4
5	Germany	72.4	62.8	100	72	81.6	79.7
6	Switzerland	72.1	63.4	99.4	66.8	72.6	82.1
7	Netherlands	72.1	60.9	100	72.3	80.3	82.1
8	UK	71.9	62.2	100	68.7	79	80.9
9	Belgium	69.6	60.9	100	64.3	73.8	77.3
10	Austria	69.5	60.9	100	66.5	69.9	77.3
11	Czech Republic	68.7	64.6	100	60.4	70.2	68.8
12	France	68.2	59.7	99.9	62.5	69.4	76.1

The results are interesting. Ireland is the clear winner, combining high growth with already impressing scores for surrounding business environment and NRI. Its GDP growth is only beaten by Turkey's, who in turn has underdeveloped business environment compared to other emerging markets but is on the same level in terms of readiness to exploit information technology. As mentioned previously, Turkey is not exactly the most feasible target for next expansion and is left out. Poland is another country, whose GDP growth stands out, and advances together with Ireland as the two most promising EMs. Belgium and Austria, who just missed the selection in the previous step, score lower than majority of the established markets chosen there. They are brought up to the next selection as well, for their relatively good performances in both steps. Thus, the countries moving into in-depth screening stage are Germany, UK, Netherlands, France, Switzerland, Ireland, Poland, Belgium and Austria. At the time of writing this thesis, the exact form and consequences of Brexit are still unknown. No matter the result, the effects to the

attractiveness of UK, and to a lesser extent, Ireland, as a desirable target market, will be significant. Still, the size of the UK market and the growth rate of Ireland mean, that they should not be completely removed from consideration.

8.2 In-depth screening

For this case, CRM market size for each country under comparison is readily available from second-hand sources. A fifth indicator, *industry structure*, is added. It is the aggregate GVA of all companies operating in Lime's four verticals (real estate, wholesale, consulting, utility). The goal of this indicator is to identify where Lime can best convert the market potential to sales given its competitive advantages.

Statista's (2019) CRM market revenue for European countries is used for market size. CRM market size for 2018 is presented in Figure 9:

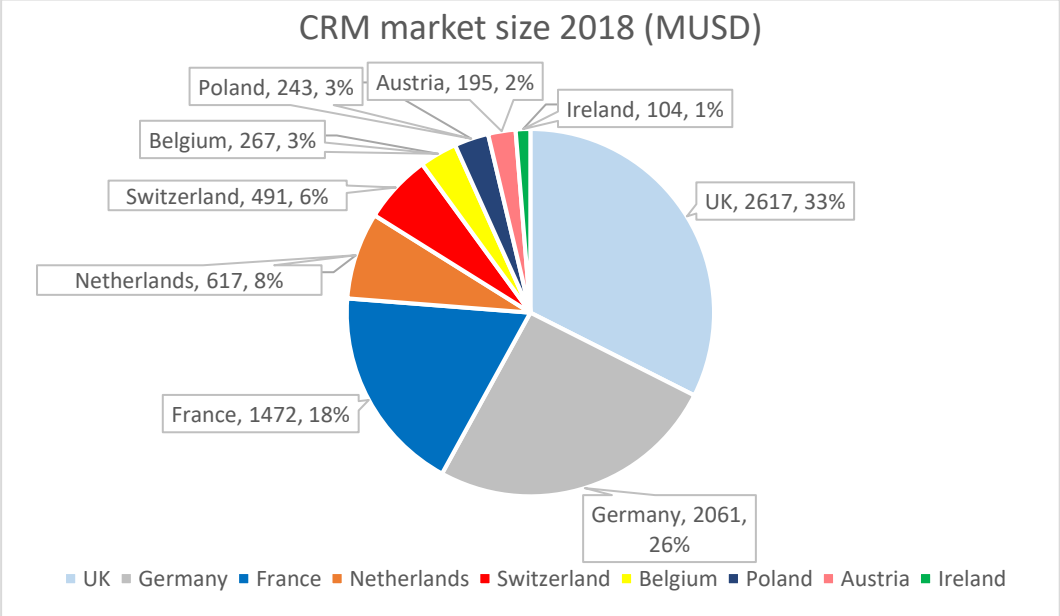

Figure 9. CRM market size (Statista 2019)

For the most part, the CRM market size reflects the economy size of each country. The largest exception is the UK, which has the largest CRM market by noticeable

margin even though it has a smaller economy overall than Germany. Poland, being the least developed economy in the group, also has relatively low CRM market size. For market growth, the estimated growth of the CRM market from 2016 to 2021 is used. It is based on the same data than market size, and the results are presented in table 10: (Statista, 2019)

Table 10. CRM market growth rate estimate (Statista, 2019)

	Market size 2016 (MUSD)	Market size 2021 (MUSD)	Growth-% 2016-2021
Ireland	79	124	57
Poland	186	291	56.5
Belgium	206	319	54.9
Switzerland	382	583	52.6
Netherlands	480	732	52.5
France	1145	1742	52.1
UK	2044	3106	52
Austria	154	230	49.4
Germany	1646	2394	45.4

CRM markets are growing fast in each country, and the growth is relatively even. Apart from Austria and Germany, the growth of all the countries is within 5%. The two countries with the best results from the EM screening step, Ireland and Poland, also show the fastest growth in CRM markets, and UK is showing more promise for CRM vendors than the large continental economies.

The indicator used to estimate industry structure is the aggregate gross value added (GVA) in millions of Euros of all companies operating in one of Lime's four verticals (Real estate, wholesale, consulting, utility). Market size is presented in figure 10. The data is collected from Eurostat's structural business statistics (Eurostat, 2019). More details on the data source can be found in appendix I.

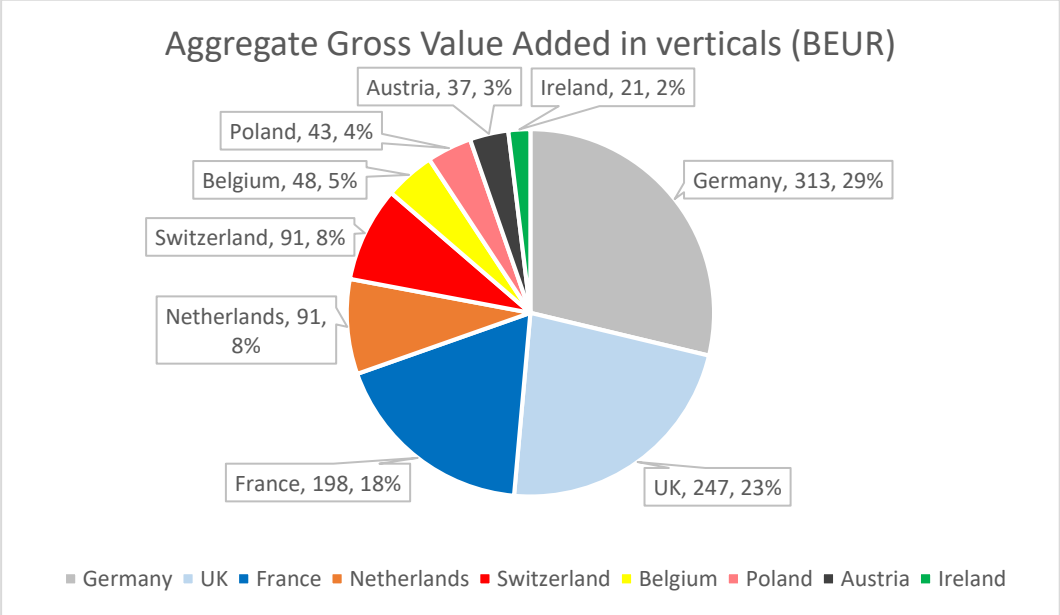

Figure 10. Market size of Lime's four industry verticals (Eurostat, 2019)

Reflecting its larger overall economy, Germany takes the top spot from the UK. Switzerland has similarly sized verticals to Netherlands but had noticeably smaller CRM market. Otherwise, the relative sizes between the countries stay similar to the CRM market sizes; The smaller countries have slightly higher shares of industry vertical market size, meaning the larger economies are slightly more saturated in terms of CRM offerings.

Cultural distance is especially important metric for Lime, because of the strong focus on the company's core values and its own "company culture". The values and ways of operating are more easily transferred to countries, whose overall culture is similar to Lime's home country, Sweden. The cultural distance from Sweden is calculated using equation 3 presented previously and the results are shown in the table 11:

Table 11. Cultural distances from Sweden (Hofstede, 2011)

Country	PD	Individ.	Mascul.	UA	LT-O	Indulg.	Distance from SWE
Sweden	31	71	5	29	53	78	
Netherlands	38	80	14	53	67	68	33
UK	35	89	66	35	51	69	65
Ireland	28	70	68	35	24	65	71
Switzerland	34	68	70	58	74	66	75
France	68	71	43	86	63	48	84
Germany	35	67	66	65	83	40	86
Austria	11	55	79	70	60	63	90
Belgium	65	75	54	94	82	57	95
Poland	68	60	64	93	38	29	108

Netherlands is by far the closest to Sweden in terms of culture. The rest of the western European countries are pretty close to each other, with UK being the second closest, followed by Ireland and Switzerland. Poland is the most distant, but the difference compared to Germany, Austria, Belgium and France is not extremely large. The most influential dimension is masculinity versus femininity. In all the countries except the Netherlands, the gap between gender roles is much larger than it is in Sweden. Notable differences in power distance are France (high) and Austria (low). All countries are more individualistic than collective, a trait common in western societies. Only UK and Ireland are close to Sweden with their low uncertainty avoidance, where the other countries, especially France, rank high. Ireland is notably more short-term oriented than the other countries, and Poland scores lowest in the Indulgence over restraint dimension.

The final indicator used is the geographic distance from Sweden. The smaller the distance, the easier it is to start and support operations in the country. Distances are shown in table 12 and the indicators are combined in table 13:

Table 12. Geographical distance from Sweden

Country	**Distance (km)**
Poland	910
Germany	1120
Netherlands	1210
Belgium	1390
UK	1400
Austria	1430
Switzerland	1630
Ireland	1780
France	1880

Table 13. Absolute values for in-depth screening

	Market size	Market growth	Industry structure	Cultural distance	Geographic distance
Austria	195	49.4	37	90	1430
Belgium	267	54.9	48	95	1390
France	1472	52.1	198	84	1880
Germany	2061	45.4	313	86	1120
Ireland	104	57	21	71	1780
Netherlands	617	52.5	91	33	1210
Poland	243	56.5	43	108	910
Switzerland	491	52.6	91	75	1630
UK	2617	52	247	65	1400

In order for the indicators to be used together, they must be converted to the same scale. Min-max normalization (equation 1) is once again used, with the new scale being 0-10. Min-max normalization will then take the form shown in equation 4:

$$S = \left(\frac{A - A_{min}}{A_{max} - A_{min}}\right) \times 10$$

Equation 4. In-depth screening value normalization (Market size, market growth, industry structure)

Where S is scaled value for any given indicator, A is the absolute value for a country, and A_{min}, A_{max} are the lowest and highest scores for that indicator. Smaller values in cultural- and geographic distance are desirable, so for them the normalization must be inverted, as shown in equation 5. The scaled values are shown in table 14:

$$S = \left(1 - \left(\frac{A - A_{min}}{A_{max} - A_{min}}\right)\right) \times 10$$

Equation 5. In-depth screening value normalization (Cultural- and geographical distance)

Table 14. Scaled values for in-depth screening

	Market size	Market growth	Industry structure	Cultural distance	Geographic distance
Austria	0.4	3.4	0.5	2.4	4.6
Belgium	0.6	8.2	0.9	1.7	5.1
France	5.4	5.8	6.1	3.2	0
Germany	7.8	0	10	2.9	7.8
Ireland	0	10	0	4.9	1
Netherlands	2	6.1	2.4	10	6.9
Poland	0.6	9.6	0.8	0	10
Switzerland	1.5	6.2	2.4	4.4	2.6
UK	10	5.7	7.7	5.7	4.9

Interestingly, no country scored highest in any two indicators, and Ireland was the only one to have two lowest scores. The importance of each indicator was determined by the combined opinion of multiple experts from the company. A questionnaire was sent to selected members of Lime's upper management and long-time employees in prominent positions. They were asked to rate the importance of

each metric on a scale from 1 to 10, where 1 was irrelevant and 10 extremely important in terms of country's attractiveness for Lime. The results of the questionnaire are shown in table 15 below. For each indicator, the values given by the experts are shown above, and the portion of that value from the expert's total score is shown below. The total weight of importance for each indicator is the average portion value.

Table 15. Indicators' weights of importance

Indicator	**Experts**							**Total Weight**
	A	B	C	D	E	F	G	
Market size	7	7	7	2	3	6	7	0.15
	0.19	0.20	0.19	0.06	0.08	0.17	0.18	
Market growth	9	9	9	6	7	9	9	0.23
	0.24	0.26	0.24	0.19	0.19	0.26	0.23	
Industry structure	7	9	7	7	10	8	9	0.23
	0.19	0.26	0.19	0.23	0.28	0.23	0.23	
Cultural similarity	6	6	6	9	7	5	8	0.19
	0.16	0.17	0.16	0.29	0.19	0.14	0.21	
Geographical proximity	8	4	8	7	9	7	6	0.20
	0.22	0.11	0.22	0.23	0.25	0.20	0.15	

As can be seen from the table, fast CRM market growth and industry structure aligned with Lime's target verticals are deemed most important criteria when choosing a new target market. Somewhat surprisingly, the current CRM market size is seen as the least important indicator. It was also the most divisive factor together with geographical proximity, with five points of difference between the highest and lowest scores. Everyone rated market growth rate higher than current market size, which exemplifies the long-term orientation of the company discussed in the organic pathway choice.

The final scores for in-depth screening are the results of using the WSM, with scaled values from table 14, and weights of importance from table 15. The results are shown below in table 16:

Table 16. Lime's in-depth screening results

Country	Market size		Market growth		Industry structure		Cultural similarity		Geographical proximity		**Score**
UK	10	0.15	5.7	0.23	7.7	0.23	5.7	0.19	4.9	0.20	6.7
Germany	7.8		0		10		2.9		7.8		5.6
Netherlands	2		6.1		2.4		10		6.9		5.5
Poland	0.6		9.6		0.8		0		10		4.5
France	5.4		5.8		6.1		3.2		0		4.1
Switzerland	1.5		6.2		2.4		4.4		2.6		3.6
Belgium	0.6		8.2		0.9		1.7		5.1		3.5
Ireland	0		10		0		4.9		1		3.4
Austria	0.4		3.4		0.5		2.4		4.6		2.4

Despite CRM market size, UK's strongest metric, being the lowest importance, it still got the highest overall score. Germany's slow market growth kept it from getting the top score, but strong scores in other dimensions, especially having the largest market in the selected industry verticals, carried it to second place overall. Netherlands, mainly driven by market growth and cultural similarity, rounds out the top three. Out of the fast-growing markets, Poland places highest mainly because its close location. Overall, the top three countries stand out, and they are recommended for the final decision stage. The decision to only include the top three was made because of the significant difference to the rest, but also the fact that they scored highest in the preliminary screening stage as well.

8.3 Examining the markets proceeding to final selection stage

UK, Germany and Netherlands are further examined in this chapter. More specifically, the industry verticals are examined more closely. Industry vertical

sizes in 2010, 2013 and 2016 are evaluated, allowing the development of these verticals to be perceived.

8.3.1 United Kingdom

United Kingdom scored the highest overall, with a noticeable margin. Figure 11 shows the industry verticals in more detail:

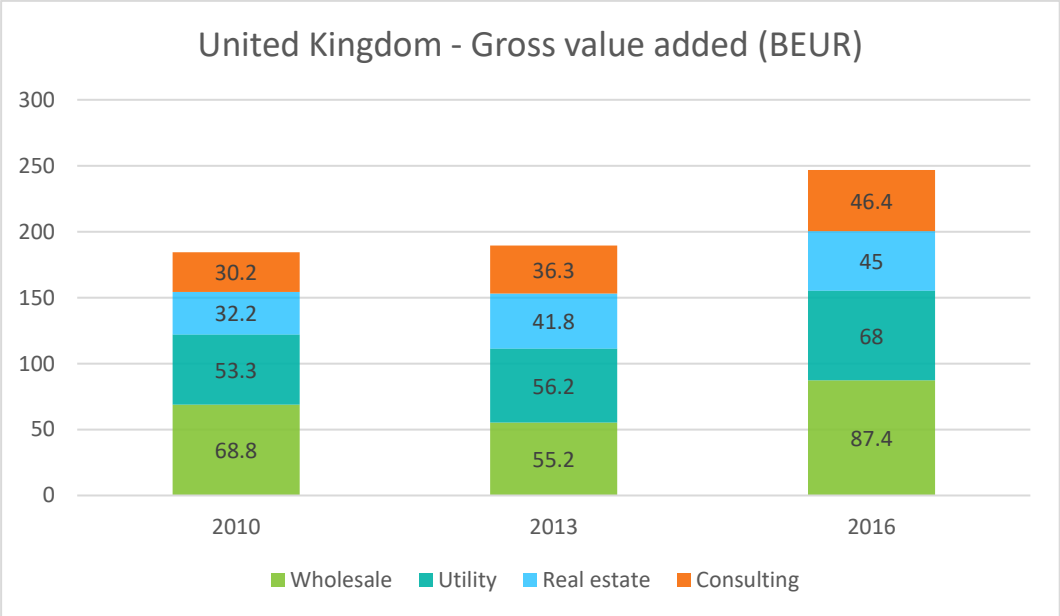

Figure 11. Market breakdown – United Kingdom (Eurostat, 2019)

Overall, the largest industry vertical in the UK is wholesale, even though it briefly dipped below utility in 2013. In 2016, consulting grew larger than real estate segment. The total growth from 2010 to 2013 was very modest, but from 2013 to 2016, a fast growth was evident in every sector, especially in wholesale. Combining the fast growth and large size in the four verticals with the largest, and still growing CRM market size, UK seems the best candidate. However, the effect of Brexit is not fully reflected in the figures used here, and with its result still up in the air at the time of writing, not all the ramifications are even known yet. Only thing for certain is that the attractiveness of the UK as a target market is decreased as a result.

8.3.2 Germany

Compared to the UK, Germany has a smaller CRM market and slower CRM market growth, but larger market in the four industry verticals. It is also closer geographically, but further away culturally. Figure 12 depicts the market development in the industry verticals:

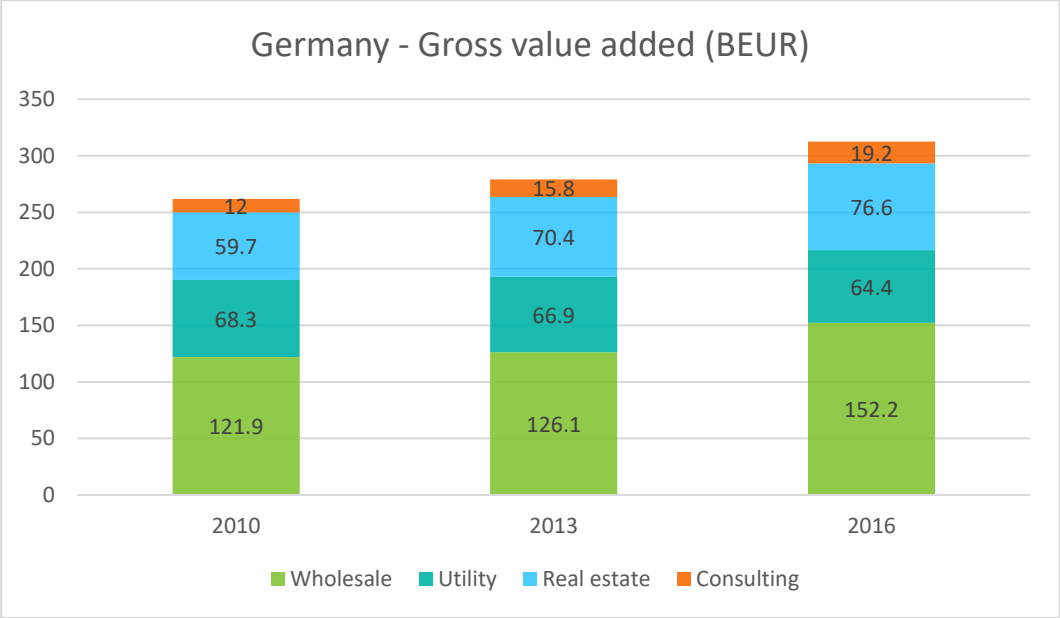

Figure 12. Market breakdown – Germany (Eurostat, 2019)

The differences between vertical sizes are much higher for Germany than for UK. Wholesale counts for approximately half of the total GVA across the verticals. The size of the utility segment has actually come slightly down from 2010 to 2016, and it has been surpassed by real estate as the second-largest vertical. Consulting vertical is noticeably smaller than in UK, both in absolute size and in its size compared to other verticals. The comparatively smaller CRM market size to UK means that even though there are more potential customers in Germany, the value of a CRM system might be harder to sell to them.

8.3.3 Netherlands

A much smaller economy than the previous two, Netherlands made the final selection mainly due to solid CRM market growth, similar culture, and being one of the closer countries geographically. It also beat some of the countries with higher market growth in the existing CRM market size, and industry vertical sizes. Figure 13 breaks down the Netherlands' market:

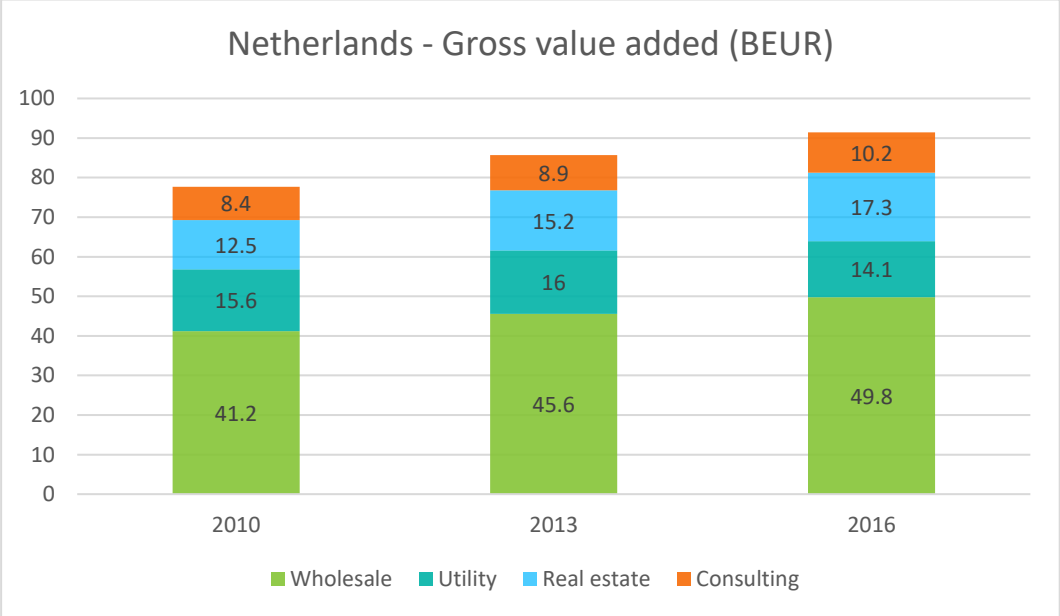

Figure 13. Market breakdown – Netherlands (Eurostat, 2019)

Wholesale is once again the single largest vertical, having over half of the total GVA across all four verticals. Utility and real estate see similar development in the Netherlands than they did in Germany from 2010 to 2016: Utility market is stagnating, or slightly declining, and real estate grows to be the second-largest vertical. The shares of each vertical from total market size are similar to Germany, apart from proportionally larger consulting segment in the Netherlands.

9 RESULTS

This chapter combines the major findings of the thesis and answers the research question. First, the case company's internationalization history is reflected in light of current software industry internationalization theories. It is followed by discussion on the IMS model and the indicators chosen for it, as well as the results of applying the model to Lime. Finally, the limitations of the study are discussed.

9.1 Case company's internationalization pathway against theoretical background

Lime has only expanded to its neighbour markets so far. Selecting geographically and psychically close markets supports the ideas of Uppsala model and organic growth internationalisation pathway. Company culture receives a lot of emphasis from Lime, so similar cultures of other Nordic countries made expanding there easier. The chosen entry modes do not reflect organic growth models: Instead of starting with low-risk entry modes and increasing commitment in incremental steps, the company has adopted high-risk, high-involvement hierarchical entry modes by establishing new consulting and sales offices in each market. The company's choice to compete with differentiation instead of cost advantage likely plays an important role in this: Elements of the value chain must be moved to the target country to offer the desired value proposition. Contrary to most theories on software companies, which emphasize the role of the business network the company is a part of, Lime is not dependent on other companies to conduct business. The company has cooperation with some companies, like Vainu and GetAccept, by offering integrations between Lime CRM and their systems, but they are used as a supplement to the overall value proposition, instead of being a critical part of it. Gaps in Lime's competencies have been filled by acquiring smaller companies. Overall, the support found for network model and relationship pathway is limited at best. The pace of internationalization has been much slower than that proposed in the BG model: Entering the first foreign market was preceded by a 20-year period in the domestic market. The recent IPO might bring more focus to accelerated

internationalization in the future, making it possible for Lime to switch pathways and become BAG.

9.2 Recommendations for the international market selection process

For the case company and other software SMEs to make the choice of next target market more structured, a systematic IMS model with three stages (Preliminary screening, in-depth screening and final selection) is presented. Since the experience and vision of the management plays a paramount role in the final selection stage, the scope of the model in this thesis is limited to the screening stages. Before the preliminary screening stage, market-choice influencing factors from inside the firm, the business environment, and entry mode (if the firm is limited to one or more of them) should be considered. Product or service choice, risks associated with particular market, and business model of the company are examples of such factors. As many markets as possible given these limitations should be considered in preliminary screening stage. In that stage, the goal is to use secondary data sources to cheaply and efficiently cull the selection down to a more manageable level. The preliminary screening indicators suitable for software SME were chosen for this thesis' model. They are Size of the economy, Macroeconomic stability, Product market and Business dynamism from the global competitiveness index, supplemented by Networked readiness index. With these indicators, the overall potential of the target country market, the risks associated with investing there, the obstacles a foreign firm entering there might face, and the market's attitude and readiness to adopt high-technology solutions are all accounted for. Putting too much emphasis on the current economy size leaves emerging markets out of consideration, and this is accounted for by having a parallel screening step, where the focus is on the growth rate of the economy.

Depending on the situation, four to ten companies is recommended for the in-depth screening stage. The focus in this stage is on the industry the company operates in. Five indicators used to compare markets are: Market size, market growth, industry structure, cultural distance and geographical distance. The importance of these

indicators should be weighed based on the opinion of experts from the company. Market size and –growth are obviously important to assess the potential of the countries. If the company focuses on particular customer demographics, or has some other feature distinguishing itself from the competitors, industry structure can be used to measure the attractiveness of countries in that sense. Cultural – and geographic distance were found to be a significant indicator of expansion patterns in multiple studies, and their importance grows further when hierarchical entry modes are used. From the in-depth screening stage, two to four companies are supposed to make it to the final selection stage, where further examination takes place. Competitive benchmarking against individual competitors and market attractiveness / competitive strength matrix are examples of tools to be used in the final stage.

9.3 Country suggestions for the case company

For Lime, local presence in the market is required, and some form of hierarchical entry mode will be used. The options are to follow the model set in other Nordic markets, and establish a wholly owned consulting and sales subsidiary, either by acquisition or by greenfield, or by using domestic representatives operating from Sweden. If a suitable company for acquisition or the right people to set up the greenfield investment are found, the company can move at a rapid pace, but if not, it can wait for the right moment. In this sense, the network model is supported. High-involvement entry mode, combined with the need for constant support availability, make countries with large time-zone differences from Sweden difficult. As a result, the country selection is limited to cover only European countries, and selected countries close-by. Established- and emerging markets are both separately considered for the preliminary screening stage, which results in nine most promising markets going through the second stage. Readiness to utilise ICT was an important factor in this stage, and countries with large economies, but lower NRI scores, such as Russia, Spain and Italy did not make the selection. From established markets, Germany, UK, France, Netherlands and Switzerland were chosen. The first three combined large economies with relatively high NRI, and the latter two

are among world leaders in ICT adoption, while having respectable-sized economies. The surrounding business environment – macroeconomic stability, product market and business dynamism - was relatively even for all the screened countries and played the smallest role as a deciding factor. From EM screening, which focused on economy growth instead of its current size, Ireland and Poland were chosen. Ireland was the clear stand-out, combining high economy growth with NRI rating close to the large economies. Austria and Belgium scored well enough on both steps, that they were also brought forward to the in-depth screening stage.

The indicators used for Lime in the in-depth screening are CRM market size in 2018, CRM market growth estimate from 2016 to 2021, Aggregate gross value added for companies operating in Lime's four industry verticals, culture's similarity to Sweden, and geographic proximity to Sweden. The importance of these indicators was determined based on combined opinion of multiple experts from the company. CRM market growth and industry structure favouring Lime's verticals were seen as the most important, followed by geographical proximity, cultural similarity to Sweden, and lastly, CRM market size. In terms of results, UK had the largest CRM market, while Ireland had the fastest market growth rate. Germany had the most aggregate GVA across Lime's four industry verticals, and thus had the most favourable industry structure. Netherlands had the most similar culture to Sweden, whereas Poland was the country geographically closest. In the final results, UK scored highest before Germany and Netherlands. These three countries are recommended for the final selection stage. In that stage, some market selection elements omitted from this thesis should be addressed, most importantly competitive landscape.

9.4 Limitations of the study and further research

Due to the schedule of the study, some elements are not included in its scope. The most important of them are analysing the competitive landscape of potential markets, estimating the market entry costs, and comparing the process of setting up a greenfield wholly owned subsidiary in the markets. In the in-depth screening

stage, potential customer companies of all sizes are considered. To increase its accuracy for Lime, micro companies should be filtered out. Limiting the case study to a single company can also hinder the study's general applicability. In this case, it is estimated that the role of cultural distance is elevated by placing it in the in-depth screening stage because of cultural similarity's importance for Lime. On the other hand, since the importance of the indicators is weighed by experts of the company, model's overreliance on any given indicator should not happen.

Future research on the subject should expand the scope of analysis from CRM to a wider spectrum of the software industry. In this study's case, the entry mode options are limited by the case company's business model. In future studies, entry mode's role in the screening stages could be expanded. Implementing a competitive landscape analysis would also be a good addition to the in-depth screening stage.

10 CONCLUSIONS

This thesis aims to contribute to the body of research on international market selection process, which has received less attention than the research on market entry mode choice. Instead of separating these two decisions, they are addressed as part of the same process. The company's business model makes them prefer certain entry mode types, which in turn set requirements for the target country. In the systematic international market selection model presented in this thesis, the entry mode choice is used to limit the initial country pool. The research gap for the study is formed when these two concepts are applied to software industry, and particularly to customer relationship management. The first part of the thesis is a single-case study on Lime Technologies, a Swedish CRM provider with market leader position in its domestic market and operations in Finland, Norway and Denmark. The first research question of the thesis is:

RQ1: How the internationalization history of Lime reflects current internationalization theories?

The company's internationalization history is reflected on three main internationalization pathways for software companies: *organic growth*, *collaborative* and *BG* and the three related general internationalization theories – *Uppsala model*, *network model* and *BG model* respectively. The findings indicate that Lime is an exception in the software industry. Most software companies internationalize according to BG – or collaborative pathways, aiming for rapid internationalization from their inception or extensively relying on cooperation with other companies. Lime, on the other hand, mostly follows the organic growth pathway with a 20-year domestic period before first international expansion, and still having 85 per cent of its revenue come from domestic market in 2018. The company also controls the entire value chain, and cooperation with other companies are used to enhance the value proposition, instead of being an essential part of it. The one departure from organic growth and Uppsala model is the entry modes chosen. Instead of starting with low-risk, low-involvement entry modes and

gradually increasing their commitment in a given market, the company uses wholly owned subsidiaries, heavily committing to each market they enter. This is a result from the company's business model, where individual customization is an important part of the value proposition, and local knowledge and - presence is required to achieve that.

The second part of the thesis provides a systematic international market selection model for Lime, which can be modified to suit other software SMEs as well. This provides answer to the second research question:

RQ2: How software SMEs should conduct international market selection process?

First step of the process is to consider the factors affecting the market choice decision. The main factor is the entry mode, if it is limited by the company's business model. The initial market candidate pool is first narrowed down in *preliminary screening*, which uses readily available secondary data suited for software industry. The criteria used to compare countries in this stage are *size of the economy*, *macroeconomic stability*, *product market*, *business dynamism* and *readiness to utilise ICT*. An additional option focusing on emerging markets by replacing economy's current size with growth is also provided. The next screening stage is *in-depth screening*, which focuses on industry-specific metrics. The metrics used will vary from one company to another, and for this case, the following were chosen: *market size*, *market growth*, *industry structure*, *cultural similarity* and *geographical proximity*. The comparison is done using a weighted sum model, where the weights of importance for each criterion should be decided by experts from the company. The final stage – *selection* – should consist of benchmarking the company against main competitors and evaluating each market's attractiveness against its competitive structure.

For Lime, the high-involvement entry modes limit the country pool for preliminary screening to European ones. Since the company was interested in the long-term

prospects of each market in addition to current potential, both versions of the preliminary screening stage were applied. The readiness to utilise ICT was proven to be an important factor in this stage, with low scores eliminating some countries with large economies. The surrounding business environment – macroeconomic stability, product market and business dynamism – was found to be relatively even in the evaluated countries. From the preliminary screening stage, Germany, UK, Netherlands, France, Switzerland, Ireland, Poland, Belgium and Austria were chosen for the in-depth screening stage.

The importance of each indicator was evaluated by selected experts from the company. The most important metrics were CRM market growth and an industry structure favouring Lime's target industry vertical (large markets in real estate -, wholesale-, consulting- and utility sectors). They were followed by geographical proximity, cultural similarity and on last place – perhaps surprisingly – current CRM market size. Three countries rise above the others and are recommended for the final selection stage – UK, Germany and Netherlands. In addition to scoring highest in the in-depth screening, they were also the three leading countries for the preliminary screening of established markets. Wholesale is the single largest vertical in all three countries, followed by utility in the UK and real estate in Germany and Netherlands.

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APPENDICES

Appendix I. Structural business statistic sources (Eurostat, 2019)

Vertical	**NACE_r2 classification and description**	**Source file**
Real estate	L68 – Real estate activities	sbs_sc_1b_se_r2
Wholesale	G46 – Wholesale trade, except for motor vehicles and motorcycles	sbs_sc_dt_r2
Consulting	M702 – Management consulting activities	sbs_sc_1b_se_r2
Utility	D35 – Electricity, gas, steam and air conditioning supply J61 - Telecommunications	sbs_sc_ind_r2 sbs_na_1a_se_r2