



DEVELOPMENT OF INTERNATIONALIZATION STRATEGY

Lappeenranta–Lahti University of Technology LUT

Master's Programme in International Business and Entrepreneurship, Master's thesis

2023

Jenni Eklund

Examiners: Professor Juha Väätänen

Post-Doctoral Researcher Roman Teplov

ABSTRACT

Lappeenranta–Lahti University of Technology LUT

LUT School of Business and Management

Business Administration

Jenni Eklund

Development of internationalization strategy

Master's thesis

2023

47 pages, 2 figures, 1 table, 1 appendice

Examiners: Professor Juha Väätänen and Post-Doctoral Researcher Roman Teplov

Keywords: internationalization, internationalization strategy, strategy development

The objective of this thesis was to examine the internationalization of Finnish SMEs and the factors influencing the internationalization. The aim was to get more understanding and knowledge about companies' internationalization strategies, and the focus was on the development of the internationalization strategy. The study focused on Finnish SMEs operating in digital industry and in the B2B sector.

The theoretical base of this study consists of the internationalization process of companies, internationalization theories, and strategy development. The empirical part of the study was conducted as qualitative research, and the study was conducted as a multiple case study with two case companies. The data for the study was collected through semi structured interviews. Both of the case companies have a digital product, but their fields of business are very different, and the results of the study show many differences between the case companies in their internationalization processes and strategy development processes.

TIIVISTELMÄ

Lappeenrannan–Lahden teknillinen yliopisto LUT

LUT-kauppakorkeakoulu

Kauppätieteet

Jenni Eklund

Kansainvälistymisstrategian kehittäminen

Kauppätieteiden pro gradu -tutkielma

2023

47 sivua, 2 kuvaa, 1 taulukko, 1 liite

Tarkastajat: Professori Juha Väättänen ja Tutkijatohtori Roman Teplov

Avainsanat: kansainvälistyminen, kansainvälistymisstrategia, strategian kehittäminen

Tämän pro-gradu tutkielman tavoitteena oli tutkia suomalaisten pk-yritysten kansainvälistymistä, sekä kansainvälistymiseen vaikuttavia tekijöitä. Tavoitteena oli saada enemmän tietoa ja ymmärrystä yritysten kansainvälistymisstrategioista, ja tutkimus keskittyi kansainvälistymisstrategian kehittämiseen. Tutkimus keskittyy suomalaisiin pieniin ja keskisuuriin yrityksiin, jotka toimivat digitalisaation alalla sekä B2B sektorilla.

Tutkimuksen teoreettinen osuus koostuu yritysten kansainvälistymisprosessista, kansainvälistymisteorioista sekä strategian kehittämisestä. Tutkimuksen empiirinen osuus toteutettiin laadullisena tutkimuksena, ja tutkimus toteutettiin monitapaustutkimuksena. Aineisto kerättiin osittain strukturoiduilla haastatteluilla. Molemmilla case-yrityksillä on digitaalinen tuote, mutta ne toimivat hyvin eri aloilla, ja tutkimuksen tulokset osoittivat monia eroja case-yritysten kansainvälistymisprosessissa sekä strategian kehittämisessä.

LIST OF ABBREVIATIONS

B2B	Business to business
SaaS	Software as a Service
SME	Small and medium sized company

Table of contents

Abstract

List of abbreviations

1. INTRODUCTION	4
1.1 The aim of the study and research questions	4
1.2 Preliminary literature review	5
1.3 Theoretical framework.....	7
1.4 Definitions of key concepts.....	8
1.5 Research methodology.....	9
1.6 Delimitations.....	10
1.7 Structure of the study.....	10
2. LITERATURE REVIEW OF INTERNATIONALIZATION AND STRATEGY DEVELOPMENT	12
2.1 Internationalization	12
2.2 Internationalization theories.....	15
2.2.1 The Uppsala model	15
2.2.3 Network theory	16
2.2.4 Born globals.....	17
2.3 Strategy development	18
2.3.1 The resource-based view	20
2.3.2 Institution-based view.....	21
3. RESEARCH METHODOLOGY	23
3.1. Qualitative research.....	23
3.2 Case study.....	23
3.3 Data collection	24
3.4. Method of analysis	25
3.5 Reliability and validity	26
4. FINDINGS AND ANALYSIS	28
4.1 Case company A.....	28
4.1.1 Internationalization	28
4.1.2 Challenges in the internationalization process.....	29
4.1.3 Target market selection.....	30
4.1.4 Resources for internationalization	30
4.1.5 Partners in the target markets.....	31
4.1.6 Strategy development	32
4.2 Case company B.....	33
4.2.1 Internationalization	33
4.2.2 Challenges in the internationalization process.....	34
4.2.3 Target market selection.....	35
4.2.4 Resources for internationalization	35
4.2.5 Partners in the target markets.....	36
4.2.6 Strategy development	36
5. DISCUSSION	38

6. CONCLUSIONS	44
6.2 Practical implications	47
6.3 Limitations and future research	47
REFERENCES	48
APPENDICES	53

Appendices

Appendix 1: Interview questions

Figures

Figure 1: Theoretical framework

Figure 2: Data structure

Tables

Table 1: Summary of the findings

1. INTRODUCTION

Traditionally international business has been considered as the domain of large and resource-rich companies, but recently internationally active small and medium-sized companies have emerged in large numbers, challenging this traditional thinking. SMEs are increasingly active in international markets due to the globalization of markets, advances in information and communications technologies, and other facilitating trends. (Knight 2001) Today, SMEs represent the majority of companies in most countries, which is why they are important for the economic growth of the countries. This has affected on that the internationalization process of SMEs has become a subject of academic research. (Musso & Francioni 2014)

The contexts surrounding the internationalization of SMEs has been widely researched for the last two decades. The research focus on studying SMEs derive partly due to the increasing evidence for the emerging involvement of SMEs in international markets. Studies analysing the internationalization process of SMEs include themes such as strategies and mode of internationalization, barriers, motives and drivers for internationalization, market selection, and the role of networks for SME internationalization. (Morais & Ferreira 2020)

The need to look for growth from international markets is increasing for SMEs, and the globally increasing digitalization provides extensive opportunities for their internationalization. Many home markets may be very competitive and small for profitable growth, so early and rapid internationalization is needed to be considered for SMEs looking for growth. (Westerlund 2020)

1.1 The aim of the study and research questions

The objective of this research is to examine the internationalization of Finnish SME companies and the factors influencing the internationalization. The aim is to get more understanding and knowledge about companies' internationalization strategies. The focus is on the development of the internationalization strategy, and the aim is to get more knowledge and understanding about the internal processes and most important considerations

concerning the development of the internationalization strategy of the company. The research will focus on Finnish digital SMEs that operate in the B2B sector.

Five research questions are formulated to support the aim of the research. Four of the questions are sub-questions that will support answering the main research question. The research questions are formulated as follows:

The main research question:

1. How does Finnish B2B digital SME develop internationalization strategy?

The sub-questions:

2. What are the drivers for the company's internationalization?

3. How is the internationalization of the company resourced?

4. How does the company get partners?

5. What kind of challenges the company faces during the internationalization process?

1.2 Preliminary literature review

In this chapter, a preliminary literature review is presented of some previous studies about the internationalization and internationalization strategies of digital companies.

In their article, Cahen and Borini (2020) evaluate which specific capabilities enable the internationalization process of digital companies. The research contributes to theory by developing a new concept called 'international digital competence' (IDC), which is a multidimensional concept that includes four capabilities: cross-cultural programming skills,

global virtual networks, cross-border digital monetizing adaptability, and international business model reconfiguration. The findings of their study suggest that together these four capabilities reveal international digital competence and enable the internationalization of digital companies. (Cahen & Borini 2020)

In their article, Wittkop, Zulauf & Wagner (2018) develop a comprehensive understanding about the internationalization processes of internet-based companies in the digital market. The findings of their study show that even if the internationalization theories affect on the internationalization strategies of internet-based companies, further variables need to be considered in digital markets, as the internationalization theories have focused on variables like efficiencies of the value chain and internal capabilities. The particular way of value creation and the customer interface used by a digital business as well as the impacts of value creation and the firm-specific resources and capabilities are central factors in digital internationalization. (Wittkop, Zulauf & Wagner 2018)

Hervé, Schmitt and Baldegger (2022) examine digitalization and firm internationalization in their article, and based on the results of their study, they propose a conceptual process that connects the dimensions of digitalization and internationalization through entrepreneurial behaviors of companies and entrepreneurs. The process shows how the usage of digital technologies can affect entrepreneurial behaviors, and how this can formulate new opportunities to increase the tendency for internationalization of companies. The process demonstrates that the effective use of digital technologies depends on the entrepreneurial behaviors of companies and of entrepreneurs. (Hervé, Schmitt and Baldegger 2022)

In their article, Ojala, Evers and Rialp (2018) examine how digital-based international new ventures internationalize their services, and the effects of technological developments to the company's internationalization processes. In the article they provide a model describing how different factors may affect the internationalization process of digital platform providers at different stages. (Ojala, Evers & Rialp 2018)

As presented in this literature review, there are previous studies about digitalization and how it has affected the internationalization of companies, and about internationalization processes of digital companies. But, specifically the development of internationalization

strategy in the context of Finnish digital SMEs isn't widely researched. Thus, there is a research gap for the internationalization strategy development of Finnish digital SMEs.

1.3 Theoretical framework

Theoretical framework illustrates the central concepts of the study and the relationships between them. The theoretical framework of the thesis consists of internationalization and strategy development in the context of Finnish digital SME aiming to internationalize. The internationalization is examined through the internationalization process of companies, also in the context of digital companies, and through internationalization theories. The internationalization theories covered in the study are the Uppsala model, network theory and born globals, which is especially used in the study to explain the internationalization of Finnish digital SME. The strategy development examines the strategy and the internal processes of the company. The theories used in the study to cover strategy development of the company are the resource-based view, the industry-based view and the institution based view. The overall aim of the study is to find out how Finnish digital SME develops internationalization strategy. The theoretical framework of the study is presented in Figure 1.

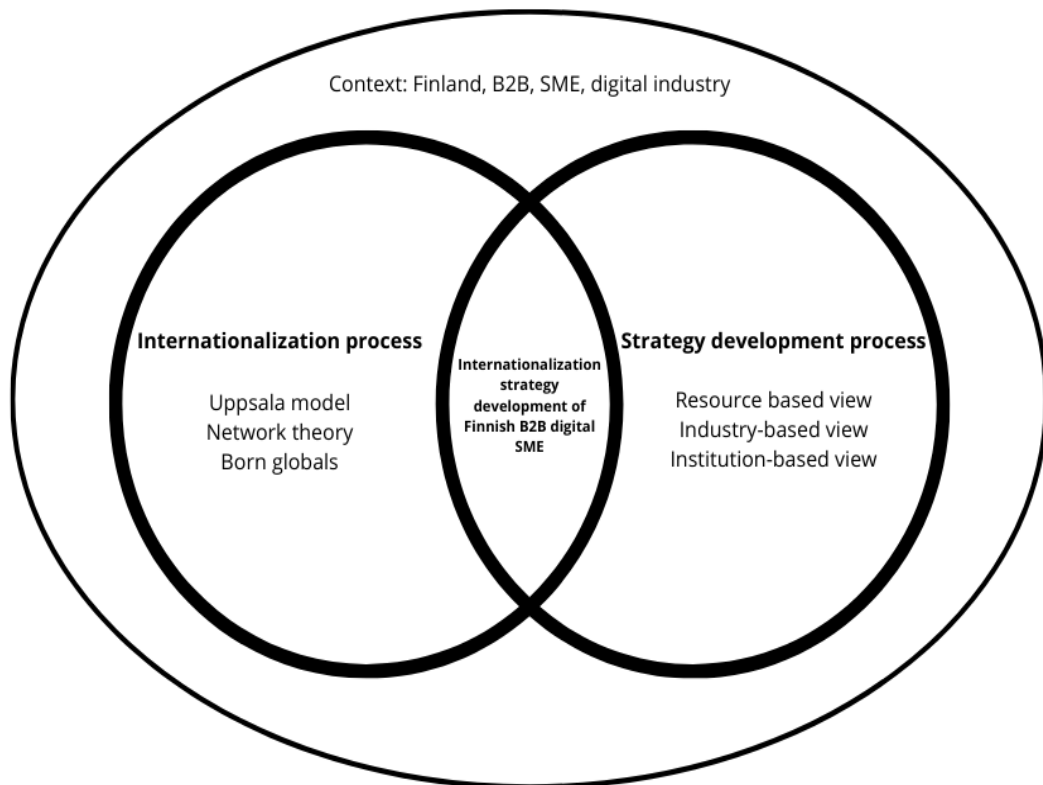


Figure 1. Theoretical framework

1.4 Definitions of key concepts

Internationalization: Internationalization can be defined as “a process of gradually increasing a company’s involvement and commitment to international markets”. Internationalization can be seen as a process of the company’s operational adaptation, such as strategy and resources, to the international environment. (Morais & Ferreira 2020)

Strategy: Strategy can be defined in many ways, but often it is defined with the theme of a designed set of guidelines that determines decisions into the future (Mintzberg 1978).

Johnson, Whittington and Scholes (2011, 3) define strategy as “the long-term direction of an organisation”. In management theory, strategy is generally defined as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". (Mintzberg 1978)

SME: The number of personnel and turnover or balance sheet total are the main factors used to define if a company is small and medium sized enterprise (SME). Medium sized companies are companies with 250 employees at most and maximum annual turnover of 50 million euros, and small companies are companies that have 50 employees at most and maximum annual turnover of 10 million euros. (European Commission 2023)

Digital company: Digital companies include companies such as providers of digital solutions, Internet platforms, and producers and distributors of digital content (Cahen & Borini 2020). According to Monaghan, Tippmann & Coviello (2020) two characteristics are common for digital companies. First, a digital firm builds and exploits digital infrastructure, which means an identifiable online presence of the company. The second characteristic of a digital company is its reliance on digital infrastructure to increase communication, collaboration, and capabilities that enable creating and selling the offering of the company online through a digital business model. (Monaghan, Tippmann & Coviello 2020)

1.5 Research methodology

The empirical part of the study is conducted as qualitative research using multiple case study approach, with two case companies. The construction of the case is central in in case study research, and the research questions are related to the understanding and solving of the case (Eriksson & Kovalainen 2008, 115). Case study research allows to examine the phenomenon in context (Farquhar 2012, 6).

The data collection for the research is conducted by semi structured interview. Interviews are the mostly used form of data collection in qualitative research studies (Saldana 2011). The semi structured interview can either include only more flexibly worded questions, or the

interview can include both more and less structured questions (Merriam 2009, 90). Method of analysis that will be used in the research is thematic analysis, which is “a process of identifying patterns or themes within qualitative data”. The aim in thematic analysis is to identify important and interesting themes in the data. (Maguire & Delahunt 2017)

1.6 Delimitations

Limitation of this study is that it was conducted as a multiple case study with only two case companies, which limits the generalization of the results. The geographic area in the study is limited, as the case companies are from Finland. The case companies operate in specific industries, which limits the research only to these industries. The focus of the study is also limited to B2B companies.

1.7 Structure of the study

The thesis consists of two main parts; the theoretical part and the empirical part. The introduction chapter introduces the aim of the study and research questions, and presents preliminary literature review about the internationalization of digital companies. Also, the theoretical framework of the research is presented and the key concepts of the thesis are defined. The research method and limitations of the study are also presented.

The next chapter presents the literature review about internationalization and strategy development. The chapter covers the concept of internationalization and internationalization theories as well as the concept of strategy and strategy development. The third chapter presents the research method of the study. The data collection method and the method of analysis of the study are also presented, as well as the reliability and validity of the study. The reasoning for the choice of the case companies is also presented in the chapter.

The fourth chapter presents the findings and analysis of the research. The interview data is presented and analysed, and the case companies of the study are presented in the chapter. In the fifth chapter, the findings of the research are discussed and referred to theory and empirical studies. In the final chapter of the thesis, the research questions of the study are

answered. Also, practical implications are discussed, and the limitations of the study and suggestions for future research are presented.

2. LITERATURE REVIEW OF INTERNATIONALIZATION AND STRATEGY DEVELOPMENT

In this chapter the literature review of the internationalization of companies and strategy development are presented. The chapter begins with explaining the concept of internationalization and the internationalization of digital companies is also covered. Then the internationalization theories that are most relevant for this study are presented. Finally, the internal processes and the strategy of the company are explained, as the concept of strategy and strategy development of companies are covered. Strategy development covers also the theories of resource-based view, industry-based view and institution-based view.

2.1 Internationalization

Internationalization can be defined as “a process of increasing company involvement in international operations” (Morais & Ferreira 2020). Due to globalization, the environment for the internationalization of SMEs is more favourable, because of the decline in trade barriers as well as in the costs of both transportation and communication. Growing competition in home markets has also created pressure for SMEs to look for opportunities in international markets. (Genc, Dayan & Genc 2019)

Internationalization is a strategy for the search of growth by expanding into new markets. Two main objectives that are related to international expansion are firm growth and improved profitability. Compared to large multinationals, SMEs face challenges in their internationalization process, as they operate on a smaller scale, and thus, are less able to achieve economies of scale and higher productivity, which makes them less competitive in international markets. (Pergelova et al 2019) Also, the lack of the necessary resources and capabilities makes the internationalization process of SMEs more challenging (Genc, Dayan & Genc 2019). The pursuit of international business opportunities is essentially dependent on the company’s ability to strategically mobilize and deploy the resources that it has (Pergelova et al. 2019).

There are many drivers and motives for companies to internationalize. Firm-specific drivers to internationalization refer to resources and competencies, entrepreneurial orientation and the characteristics of the company, such as the size of the company that can affect its international behaviour, as well as the company age that can influence to the speed of internationalization. Also, the values, attitudes and perceptions of the company can be a driver towards internationalization. Many external factors are also drivers for international expansion, that are related to market conditions, competitive environment, government factors and environmental characteristics. Market conditions include issues such as the size, availability and sales potential of the domestic or foreign market. Government issues that affect the internationalization process include for example regulation, export policy, and legal regulations that can have an effect on a firm's internationalization decision. Environmental characteristics that can have an effect on the internationalisation of a company are related to political, economic, social, technical and legal issues in both in the domestic and foreign markets. (Bowen 2020)

The drivers for internationalization can be divided into proactive and reactive motives. Proactive measures focus on how actively the company is reaching for internationalization, while reactive measures relate to responses to the conditions and competition of the home market. Proactive motives include for example managerial urge, economies of scale, foreign market opportunities, growth and profit goals, and unique product. Reactive motives are for example competitive pressure, small and saturated domestic market and overproduction. (Bowen 2020)

Companies can face many challenges and barriers in their internationalization. Environmental barriers to internationalization exist both in domestic and foreign markets. These barriers in the domestic market include the limitations in the availability of resources and lack of government support. In foreign markets challenges can be caused by cultural differences, logistics problems and regulations. Obstacles for internationalization can also be the lack of finances, knowledge, connections and foreign distribution channels. (Bowen 2020)

Digitalization can affect the internationalization process of companies in relation to the timing and pace of internationalization, learning and knowledge of foreign market, entry

mode choice, accessibility of resources and capabilities in domestic and foreign markets, and the company's ability to manage the liabilities of foreignness (Coviello, Kano & Liesch 2017). The internationalization of digital companies is characterized by digital sales, non-equity entry modes, digital users and digitally connected partnerships. The internationalization of these companies takes advantage of the global digital platforms, improvements in digital technologies, Internet connectivity and the use of smart mobile devices. The engagement of digital companies to digital marketplaces has enabled them to internationalize with no foreign direct investment and with rather limited resources. (Cahen & Borini 2020)

Digital companies can, from their establishment, explore inbound leads and generate revenue from international markets without having to invest in production or local sales and support, as they manage website data, such as leads and conversions, to identify potential target markets and use interactive technologies to build broad user base. Digitalization enables better transferability of firm-specific assets. Depending on the business model of the company, the physical presence of some digital companies can remain located in the home market. Because of the online presence of digital companies, they can rapidly build their reputation online. Digitalization mitigates the ability to scale and improves both customer interaction and customization, which makes the faster growth of digital companies possible. (Coviello, Kano & Liesch 2017)

Autio and Zander (2016) suggest that digitalization challenges internationalization theories in four ways. First, digitalization increases communication and coordination capabilities of companies. Second, through digitalization companies can organize their boundaries through outsourcing and offshoring more flexibly. Third, digitalization reduces the dependence of location bound assets, and fourth, digitalization advances business model innovation, which enables companies to create and implement new approaches for their international business activities. (Autio & Zander 2016)

2.2 Internationalization theories

There are many theories presented from the international business literature to explain why companies engage in international operations. In this chapter, the internationalization theories that are most relevant for this study are presented: the Uppsala model, network theory and born globals. The Uppsala model is a dynamic model that explains the internationalization process of companies, network theory explains the internationalization by establishing and developing relationships in networks and born globals refers to companies that internationalize from or near their establishment.

2.2.1 The Uppsala model

The Uppsala model was developed by Swedish researchers Jan Johanson and Jan-Erik Vahlne in 1977 to explain the process of internationalization of companies. They presented a dynamic model, that was based on empirical studies of Swedish multinational companies. (Johanson & Vahlne 2013) The main structure of the model includes two types of variables, state and change aspects of internationalization variables. The change aspects in the original model are market commitment and market knowledge, and the change aspects are commitment decisions and the performance of current business activities. Market knowledge and market commitment are presumed to have an effect on both of the change aspects. It is assumed in the model that the state of internationalization has an effect on the perceived opportunities and risks, while those impact the commitment decisions and current activities. (Johanson & Vahlne 1977)

Since the model was presented in 1977, it has become one of the best known models for studying the process of firm internationalization. Johanson and Vahlne have made many revisions to the original model to address the advancements in international business research as well as the changing international business practices of companies. (Coviello, Kano & Liesch 2017) In their revised model from 2017, the change variables, which are the essential elements of the model, are commitment and knowledge development processes. State variables refer to both operational and dynamic capabilities, and performance and commitments. (Johanson & Vahlne 2017)

2.2.3 Network theory

Network theory is much used approach in understanding the internationalization process of companies in the context of SME internationalization (Udomkit & Schreier 2017). Networks are important facilitators of internationalization, as they are important for different stages of the internationalization process, for example for the identification and exploitation of market opportunities and for the growth and performance of the company in international markets (Andersson, Evers & Gliga 2018).

According to the network model by Mattsson and Johanson (2013), the company internationalizes through the establishment and development of positions in networks. This can be achieved through *national extension* by establishing positions in national networks that are new to the company, or through *penetration* by developing the positions and increasing resource commitments in networks that the company already has positions abroad, or through *international integration* by increasing coordination between positions in different national networks. (Mattsson & Johanson 2013, 296)

Networks help companies in initiating and sustaining their internationalization process, and they can help in navigating better in international markets through knowledge accumulation. Networks can also be a crucial asset that helps to minimize constraints in resources of SMEs, such as limitations in resourced and lack of market knowledge, in their attempts to internationalize, as networks enable to gain access to essential market information and other intangible and tangible resources. (Udomkit & Schreier 2017; Andersson, Evers & Gliga 2018) Thus, through networks SMEs can gain awareness of international opportunities and can help in the decisions of when and how to internationalize (Udomkit & Schreier 2017).

2.2.4 Born globals

According to Knight and Cavusgil (2004) born globals can be defined as “business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries”. These companies are early adopters of internationalization, and their origins are international with the management having a global focus and with specific resources committed to international activities. Compared to the traditional pattern of companies that start by operating in the domestic market for many years and then gradually internationalize, born globals begin with a global view of their markets, developing the capabilities that are needed to achieve their international goals at or near the company is founded. (Knight & Cavusgil 2004)

Usually born globals are young SMEs that have limited resources (Knight & Liesch 2016). Despite the limited financial, human, and tangible resources, born globals progress to international markets rapidly, as they internationalize soon after founding and commonly within three years of their foundation (Knight & Cavusgil 2004). Especially in the early years, these companies are usually regional in their internationalization. The founding and growth of these companies are typically supported by distinctive entrepreneurial proficiency and by founders who view the world as their marketplace. As born globals are usually smaller companies with limited resources, they face many constraints in their internationalization, for example insufficient economies of scale, shortage of financial and human resources and the possible inexperience in international business. But, they typically have distinctive intangible resources and capabilities, and also allocate their resources efficiently. (Knight & Liesch 2016)

At first, born globals emerged in countries with small home markets, but during the recent decades they have emerged largely around the world. Today, born globals are more common also in countries with large domestic markets, such as the United States. The phenomenon of the increase of these companies has been affected by globalization, the Internet, and other communications innovations that have reduced the cost of internationalization, enhancing the internationalization of smaller companies with limited resources. (Knight & Liesch 2016)

2.3 Strategy development

Strategy can be defined in many ways, but often it is defined with the theme of a designed set of guidelines that determines decisions into the future. In management theory, strategy is generally defined as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". (Mintzberg 1978) In their book, Johnson, Whittington and Scholes (2011, 3) define strategy as "the long-term direction of an organisation". (Johnson, Whittington & Scholes 2011, 4)

Strategies can be divided into three main levels inside the organisation: corporate-level strategy, business-level strategy and operational strategies. Corporate-level strategy is related to the overall scope of the organisation, and issues that such strategy concerns are geographical scope, diversity of products or services, acquisitions of new business, and the allocation of resources. Business-level strategy is related to how the individual businesses, such as business units, should be competing in the markets. For example, innovation, and response to competitors' moves are some of the issues that business-level strategy concerns. Operational strategies are related to the components of an organisation to deliver the corporate-level strategies and business-level strategies efficiently. The decisions that are made and activities that arise at the operational level, can have significant effect on successful business strategies. Thus, it is important that operational level decisions are closely related to business-level strategy, and they are also important to successful strategy implementation. (Johnson, Whittington & Scholes 2011, 7)

Strategy development can be divided into two views: strategy as intended and strategy as emergent. The intended strategy means that the strategy is intentionally formulated or planned by managers, and this kind of strategy can be developed through strategic leadership, strategic planning or external imposition of strategy. Strategic leaders may influence on the organisation's strategy because their position in the organisation can give them dominance over the strategy development process. Intended strategies can also develop through strategic planning systems, as the organisation's strategy develops through systematised, step-by-step procedures of the system. The third way that intended strategy

can develop is in situations where managers of the organisation have the strategy imposed on them by external stakeholders. (Johnson, Whittington & Scholes 2011, 397-412)

According to the emergent strategy view of strategy development, strategies emerge in organisations over time, based on a series of decisions. The emergent strategy can develop through logical incrementalism, political processes, prior decisions, and as the product of organisational systems. Logical incrementalism means the strategy development in the organisation by experimentation and learning. The emergent strategy developed through political processes means that the strategy is developed through bargaining and negotiation among interest groups or stakeholders. Strategy can also emerge based on prior decisions that inform or constrain strategy development. The fourth way that strategies may emerge is as the product of organisational systems. (Johnson, Whittington & Scholes 2011, 397-412)

According to Mintzberg (1978) the process of strategy development in many companies can be seen as revolving around the interaction of three factors, which are the environment, the organizational operating system and leadership. As the environment changes continually, the organizational operating system seeks to stabilize its actions, and the leadership intermediates between these two factors to retain the stability of the organizational operating system as well as ensures its adaptation to environmental change. Thus, strategy can be seen as a set of coherent behaviours of the company to constitute its place in its environment, and strategic change can be seen as how the company responds to the changes in the environment. (Mintzberg 1978)

The international strategic planning process of the company includes three steps, which are formulation of the strategy, implementation of the strategy and the control and evaluation of the process. Formulation of the strategy is a process of evaluating the company's external environment and its internal strengths, and identifying the long-term and short-term objectives. The process usually begins by analyzing the external environment to determine the opportunities that can be exploited, and then by assessing the internal environment, as well as the resources the company has or can develop to take advantage of the opportunities. (Collinson, Narula & Rugman 2017, 262, 277)

International strategies can be divided into business-level international strategies and corporate-level international strategies. The business-level international strategies are usually generic strategies, like differentiation or cost-leadership, and these strategies are at least partly based on the type of international corporate-level strategy of the company. The international corporate-level strategy can be either multidomestic, global or transnational, and it concentrates on the scope of a company's operations through product and geographic diversification. (Hitt, Hoskisson & Ireland 2007, 228, 230)

2.3.1 The resource-based view

The resource-based view is a commonly used approach in the internationalization research, and the role of resources in the internationalization process of companies has been recognized in the international business literature for a long time (Ayden et al. 2012). According to the resource-based view, the idiosyncratic resources owned by the company are its source of competitive advantage (Collinson, Narula & Rugman 2017, 97).

Internationalization is a process of resource commitments to capture opportunities in international markets where industry conditions may be different from that of the company's home market. The existing resources the company has and the market conditions in foreign markets have an effect on this strategic process. (Ayden et al. 2021) Resources can be divided into tangible resources and intangible resources, and involve for example the assets, organizational processes, brand, technological capabilities, and information and knowledge that the company has, that can be used in the development and implementation of strategies. (Chen, Kuo & Huang 2023)

The resources and capabilities of a company shape the strategic motives for internationalization and also the activities and behaviour during the internationalization process. Therefore, the internationalization strategies of the company can be driven by asset-exploiting motives, while limitations in resources and capabilities can drive the company to undertake cross-border activities to compensate their limited resources. (Ayden et al. 2021)

2.3.2 The industry-based view

According to the industry-based view, central in competitive strategy formulation is the relationship between the company and its environment, represented by the industry in which the company competes. Therefore, the external factors define the company's strategy, and those have an effect on its performance. Although the company's dependence on the external environment creates constraints to the strategic choices of the company, it can develop adequate competitive strategies to manage their dependence. (Gao et al. 2010)

Companies develop and implement their competitive strategies in an attempt to change their position in the industry according to suppliers and competitors. Thus, industry factors are central in defining a company's strategic behavior. (Gao et al. 2010) Five competitive forces determine the degree of competition in an industry: bargaining power of suppliers, bargaining power of customers, threat of substitute products or services, threat of new entrants, and rivalry among existing companies. These forces define the industry's profit potential, which is relevant to gain competitive advantage in a certain industry. (Ponte, Viana & Silva 2023)

According to the industry-based view, it is important for the company to develop and protect a competitive position in the market against its competitors, and the role of industry forces is central in shaping the company's strategic choices and strategic behaviors. Thus, market conditions, like competitive intensity and the nature of competitive advantages, in both home and foreign markets can indicate the strategic behaviors and activities of internationalizing companies. (Ayden et al. 2021)

2.3.3 The institution-based view

Central to the institution-based view is the institutional conditions within countries, and according to the institution-based view both formal and informal institutions and changes in them over time shape the behavior and performance of companies in a society. (Hicheon, Heechun & Hoskisson 2010) Institution-based view has mostly been used in international business literature in the last decade, but its use in strategic management is also increasing.

The institution-based view can be viewed as a complementary perspective to the industry- and resource-based views. (Garrido et al. 2014)

The institution-based view emphasizes the role of institutions in determining that why companies are different in terms of competitive advantage (Garrido et al. 2014). As companies are affected by formal and informal institutions, these institutions affect to the level of market competition as well as have an effect on the types of resources that companies are encouraged to develop. Institutional conditions also affect on firm-level corporate governance practices, that ultimately determines how companies allocate their resources. (Hicheon, Heechun & Hoskisson 2010)

3. RESEARCH METHODOLOGY

In this chapter, the research method of the study is presented and analysed. Also, the data collection method and the method of analysis of the study are presented. The reasoning for the choice of the case company is also presented. Finally, the reliability and validity of the research are discussed.

3.1. Qualitative research

The empirical part of the study is conducted as qualitative research. Hammersley (2013, 12) defines qualitative research as “a form of social inquiry that tends to adopt a flexible and data-driven research design, to use relatively unstructured data, to emphasize the essential role of subjectivity in the research process, to study a small number of naturally occurring cases in detail, and to use verbal rather than statistical forms of analysis”. The objective of qualitative research is to provide a holistic view of the research problem. The research requires a large number of variables, but compared to quantitative research, only a few respondents. (Hollensen 2015, 626)

In qualitative research, the information or data collected and analysed consists mainly of textual materials, in other words, the data is nonquantitative in character (Saldana 2011, 3). Compared to quantitative research, the data in qualitative research is less structured, as the data collection process itself is less structured, more flexible, and inductive (Guest, MacQueen & Namey 2012, 6).

3.2 Case study

Case study research has been widely used across academic disciplines, and many organization and management studies can also be classified as case studies (Eriksson & Kovalainen 2008, 115). The construction of the case is central to case study research, and the research questions are related to the understanding and solving of the case (Eriksson

& Kovalainen 2008, 115). Case study research allows to examine the phenomenon in context. In business research this means the collection of data in where the phenomenon takes place, for example in a company (Farquhar 2012, 6).

Case study can be defined as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between the phenomenon and the context are not clearly evident, and in which multiple sources of evidence are used”. Common to the definitions of case study research is that it emphasizes the production of comprehensive knowledge, that is based on the analysis of many empirical sources. Case studies can be single case studies or multiple case studies, depending on the number of cases involved in the study. (Eriksson & Kovalainen 2008, 115-118).

This study is conducted as a multiple case study with two case companies. The choice of the case companies was based on that the company is Finnish SME that operates in the digital industry and in B2B sector. As the research is about the internationalization and the development of internationalization strategy, the choice was also based on that the company has already had international operations.

3.3 Data collection

Interviews are the mostly used form of data collection in qualitative research studies, and many qualitative studies use only interviews as their source of empirical data (Saldana 2011, 75; Packer 2011, 42). The data collection for this study is conducted by semi structured interview, which is the form of interview that is typically used in qualitative research studies. Other forms of interviews are for example focus group interviews or unstructured interviews, but the semi structured interview is the most used form of interview in qualitative research today, and is the form of interview often used in business research as well. (Packer 2011, 43; Eriksson & Kovalainen 2008, 82)

In a semi structured interview, the researcher has a plan for the topics to be discussed, but the interview doesn't follow a fixed order of questions and the questions are more flexibly worded. The semi structured interview is conversational and informal, and the interviewees

are encouraged to speak in their own words. (Packer 2011, 43; Eriksson & Kovalainen 2008, 82) The semi structured interview is suitable to study 'how' and 'what' questions (Eriksson & Kovalainen 2008, 82).

The interview with case company A was conducted with the Chief sales officer (CSO) and Partner of the case company. The interviewee has been in charge of the internationalization of the case company, and thus, had the experience and knowledge about the internationalization and strategy development of the company. The interview was held in 6/2023, and it was arranged remotely on Teams. The length of the interview was about 40 minutes.

The interview with case company B was conducted with the Senior Manager of the e-commerce business of the case company. The interview was held in 9/2023, and it was arranged face to face in the company's office in Espoo. The length of the interview was about 20 minutes.

3.4. Method of analysis

The method of analysis of this study is thematic analysis, which according to Clarke and Braun (2017) is "a method for identifying, analyzing, and interpreting patterns of meaning, i.e. themes, within qualitative data". With thematic analysis, codes and themes can be generated by systematic procedures from qualitative data. The interesting features of the data relevant to the research question are captured with codes, which form the themes. (Clarke & Braun 2017)

Thematic analysis can be used to analyze both small and large and small sets of data, and as such, it can be used to analyze case study research with one or two participants as well as large interview studies with dozens of participants. The method can be used to analyze any kind of data, from widely used interviews and focus groups to emerging methods, like qualitative surveys. Thematic analysis can also be used for inductive, data-driven analyses as well as for deductive, theory-driven analyses. (Clarke & Braun 2017) The data structure of the study is presented in Figure 2.

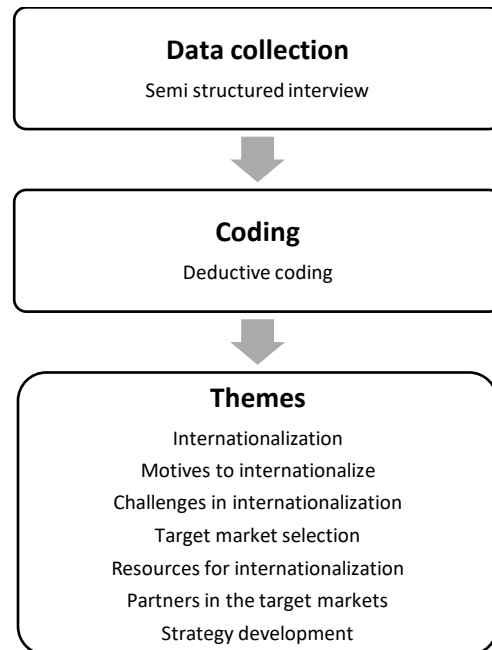


Figure 2. Data structure

3.5 Reliability and validity

The evaluation of qualitative research can be done with the concepts of reliability, validity and generalizability. Reliability and validity are both classic evaluation criterias. (Eriksson & Kovalainen 2008, 292) Reliability means "the extent to which research findings can be replicated" (Merriam & Tisdell 2016, 250). Reliability refers to the degree of consistency in research, meaning the degree to which the research can be replicated with similar findings (Eriksson & Kovalainen 2008, 292). In qualitative research, important in terms of reliability is also the question of whether the results are consistent with the data collected (Merriam & Tisdell 2016, 251).

Validity is related to "the extent to which conclusions drawn in research give an accurate description or explanation of what happened". For research findings to be valid they need to be true and certain. If the research findings represent the phenomenon of the research

accurately and are supported by evidence, it can be said that they are true and certain.
(Eriksson & Kovalainen 2008, 292)

4. FINDINGS AND ANALYSIS

In this chapter the case companies are introduced and the interview data is presented and analysed. Besides interview data, the websites of the case companies are also used as a source of information in the chapter.

4.1 Case company A

Case company A is a Finnish Software as a Service (SaaS) startup company from Oulu, specialised in construction technology. The company was founded in 2014. The company provides a 3D digital design solution for property developers, construction companies, and homebuyers. The company develops and offer their customer journey management platform to real estate developers and construction companies, so that they can deliver a better experience for their customers and streamline their internal processes. The platform focuses on enhancing the home buying experience, improving the communication between the parties involved, and streamlining the construction process. The case company's platform is the market leader in Finland.

The company's headquarters is in Oulu, and the company has offices also in Helsinki, Stockholm and London. Besides Finland the company operates in 12 markets: Sweden, Norway, Estonia, Latvia, Lithuania, the United Kingdom, Germany, Austria, Slovakia, Czechia, Belgium and United Arab Emirates.

4.1.1 Internationalization

For case company A, it was clear from the start that the company would internationalize, and the plan was to internationalize as soon as possible. This was based on how small the Finnish market is and how small the opportunities are in Finland. The company started their internationalization activities in 2016, when the interviewee wasn't working in the company yet. The founder had connections to some construction companies in Norway, so based on their relationship, the founder was able to sell the solution to a few Norwegian clients, and those were the first international projects the company ever did.

The interviewee joined case company A in September of 2017, and his role was to take charge of the internationalization process of the company. As the interviewee had joined the company, they started to build the idea of target markets that they thought could be suitable markets for the company, which took a lot of market research, and based on a number of criteria the company came up with a short list of markets to take actions to. The interviewee was working from Oulu, and used all the online tools, such as the Internet and LinkedIn, and also traveling to related events to try to get contacts and get discussions going with potential clients in the target markets. The company also took part in a few Business Finland organised events. Via all the online channels, exhibitions, conferences and Business Finland activities the company was able to get some connections, and started the discussions with the first potential clients. At first, the company decided to focus on a couple of markets.

The first couple of years mostly the interviewee was trying to do the selling from Oulu and was travelling quite much around Europe to meet their clients, while still also visit all the exhibitions and conferences to try to make new contacts. The resources and money were limited, as back then the company was making under a million revenue, so the company couldn't really afford to make any hiring in the local markets yet. As the company didn't have anyone on the ground, was an obstacle for some things, that there was no local support. The plan of the company originally was that as soon as they would have the chance to hire someone locally, they would do so, and finally in 2020 they hired their first international sales people in London and Stockholm.

4.1.2 Challenges in the internationalization process

Case company A has faced some challenges during their internationalization process. The Covid-19 pandemic and the current economic turndown have been challenges for the company, as those have put a lot of delays in the company's progress and deals. Different cultures and language barriers are also one challenge the interviewee mentioned. One example of the challenges caused by language barriers is France, which was one of the markets the company explored. The interviewee doesn't speak French, and as he went to an event in Paris and had meetings there, the language barrier was a huge obstacle for the company to get to France. Competition in the French market was also quite fierce, so due to these reasons, the company doesn't operate in France. In the long run, if the company would

have the monetary resources to hire a few people in France, it could make sense, but with the current resources, it wouldn't be a smart move for the company to go there.

Learning about the business etiquette and processes have also been challenges for the company, and also the changes in the industry itself, how real estate companies operate and what stages are they at in digitalization. According to the interviewee, Scandinavian companies are really progressed in all fields of digitalization, and maybe 3-5 years ahead of the rest of the Europe in terms of digitalization in the construction industry.

The customers of the case company are real estate developers and construction companies, which are both really traditional industries. Both of these industries are slow to change and move, and slow to make decisions, and they are not very digitalized. Thus, it is a challenging market to try to offer a digital solution for.

4.1.3 Target market selection

Case company A chooses the target markets based on, for example, the size of the market, the trends, regulations, what kind of companies operate in the markets and what is the real estate development process like. But as the company serves residential projects mostly, they look for the number of units built per year, what is the ratio between outright buy and rent, for example.

As mentioned, the first internationalization trial was to Norway, and it was built on existing relationships, and thus, it was easy to start operations in the market. Also the cultural issues and language have had effect on the target market selection. For example, comparing the market selection between UK and France, the language barrier in France was an obstacle for the company, whereas the UK was very open culturally and language wise also. Thus, the company doesn't operate in France, and decided to start operations in the UK.

4.1.4 Resources for internationalization

The case company is a SaaS company, and to start with this type of company is rather easy, as a laptop is enough to work on. Of course it depends on the company, that are for example

production facilities or service centers needed to be set up, but in the case of the case company, it is very simple to get started and heavy investments aren't required.

The company gets part of the resources of the revenue from the domestic market. The company also did an investment round in 2020 for a few million euros. For technology startups, investment rounds are a very typical way to try to scale faster. They raised the money to grow faster, and it enabled the company to hire a number of people, than what the organic growth of the company would have allowed.

4.1.5 Partners in the target markets

As mentioned, the case company's first internationalization trial to Norway was via connections that the founder happened to have. For example, the Swedish market and the UK, were markets that the company identified as good ones to go to, so those markets took a different route in terms of processes. The case company is open to partnerships and it has partnerships. Some of these partnerships can be collaborative, if a product or service can extend the case company's reach or something that would create value for their customers, and which they can also see being productive and feasible. The Baltic states came actually through a partnership, as the company got to know a consulting agency in Italy, and they started to represent the case company in Estonia. Now the company has a number of Estonian clients, so going to Estonian market was a question of partners. The case company hasn't really looked for partnerships in that sense, but the company has just been in events and present online, sharing what they do and keeping close ear on both the technology and the traditional construction and real estate market. Many companies, at least in the technology industry, are open for collaboration as well.

One example of of the case company's collaboration with a technology company is a partnership with an international IT-consultancy company, that has started to represent the company's platform for Saudi Arabia's real estate market. The IT-consultancy company provides resources and knowledge to localize the case company's product for Saudi Arabia's markets. There is an excellent market fit for the case company's platform in Saudi Arabia's rapidly growing real estate markets, as the market there is thriving with a growing adoption of digital technologies in their processes.

The case company A has also expanded to some of the markets by expanding through their clients. For example, the company began its operations in Czechia and Slovakia, because their biggest client uses the company in those markets. Having the client there has helped the company to get a few other clients as well. But those markets were purely coincidence, as the client wanted to use the case company there, and that is why the company is operating in those markets.

4.1.6 Strategy development

When case company A started their internationalization, the CEO and founder of the company and the interviewee developed the internationalization strategy and made the decisions. Back then, the plan was to get actions ongoing, and research and learn while doing, and then quickly and as fast as possible try to learn from the successes and failures. The development was agile and decision making was really straight forward, as it was just two people making the decisions. Now, with a bigger team, they do involve the technical team and technical heads, and the COO and customer success department in the strategy as well. So, now the development process is more structured and more thoroughly planned, and the thoughts and development ideas come from a wider perspective than what it was to start with. Bigger changes in the case company are discussed over weekly management team meeting, which brings together the heads of different departments. But the smaller changes are decided by the interviewee and the CEO of the company.

The Covid-19 pandemic and the current economic crisis are unexpected challenges, that are out of the company's control, but the company was able to react and the industry reacted quite quickly as well. In the long run, these unexpected challenges will be good for the construction industry, for them to realize that these companies have to start looking for digital tools, because these types of unexpected challenges can occur. Also, after the Covid-19 pandemic, people are used to working from home and having access to data and information, so it is a must for construction companies or real estate companies to have digital platforms in use, such as the case company's platform. Thus, in the long run, those unexpected challenges will be a good kick and accelerate the phase of digitalization. Also,

in the short run, there was an unexpected challenge when you couldn't travel anymore for example to the meetings with clients, and everything moved to virtual.

Even though the decision making team and the management team is now bigger, the company can still react quickly and are really flexible in the decision making process. In terms of the internationalization, for example, how the company proceeded with France. The decision to not move forward with the French market was based on a quick research and quick feedback. As the company reacted on the findings, it was very fast and flexible, how the strategy changed towards that market. And going forward, it could be that the company wouldn't even try to go to that market alone, but would try to go there via a partner.

4.2 Case company B

Case company B is a Finnish marketing analytics software company from Espoo. The company was founded in 2017. The company provides a marketing mix modelling platform for companies in for example speciality retail, grocery retail, and e-commerce industries. The company's headquarters is in Espoo, and the company has office also in Germany. Besides Finland the company has clients in 14 markets, for example in Sweden, Germany, Norway, Denmark and Netherlands.

4.2.1 Internationalization

Case company B started at the beginning in the Finnish market. After a few years the company realized that they need to expand to foreign markets, and decided that they would expand to the Nordics. This wasn't just because Finland is quite small market, the company targets large enterprise clients, and thus, for the company to grow at certain point, it was necessary to look for growth outside the Finnish market.

Another reason for the internationalization of case company B is that the investors of the company are also looking for international growth. So in a way, the internationalization comes organically for the company, but also the investors are looking for international growth. The company started their internationalization activities a few years before Covid-19 pandemic, and expanded first to the Nordics. At first, there wasn't any big

internationalization strategy for the company, as the company tested whether they could sell their solution the same way to for example Swedish companies.

The motivation to internationalize for case company B was partly because of the growth requirements. Another reason was that Finland doesn't really hold the characteristics of global economy and market, so for the case company to understand how similar companies in Europe are analyzing their marketing performance or doing data driven decisions, they needed to have international clients. It is also a good motivation to understand whether the problem is something universal and whether the company's solution is something scalable. Going international is also a good trial for whether the company's solution is actually globally scalable, which is a good motivation. The interviewee is not one of the founders of the company, but he thinks the overarching goal for the company is to build a global solution.

4.2.2 Challenges in the internationalization process

Case company B moved to proper internationalization phase in 2019. Then the strategy was to hire seasoned country manager. At the time the company thought it needed to have local presence, local connections and local credibility, thus the strategy was to hire seasoned country manager, who would then run the operations locally. The company did that in three markets first; Sweden, Netherlands and Germany. But in the end, the company noticed that it's better to build the demand before actually investing into local operations. They had the country manager, but there wasn't local demand in that scale, that it would have made any sense. It ended up to the managers booking the meetings by themselves, and it wasn't as effective as they thought it would be. They couldn't leverage the local characteristics and features. So, the company did it the wrong way and ended up switching the strategy.

So, the company hired sales development reps first, and confronted the sales operations from Finland. At the time, Covid-19 had already started, and business was done mainly through for example Microsoft Teams and web applications. So the new strategy was to build up the demand locally, having good bookers who can speak the local language, but do the executive sales processes from Finland through Teams.

4.2.3 Target market selection

For case company B, there are three main things when choosing their target markets. First thing is market potential. The company does marketing mix modelling, so they analyze enterprise client's marketing investment on country level and how much different countries are investing into marketing. In Europe, the UK is the biggest advertiser, and after that comes Germany, Netherlands and France, and these countries are really lucrative and attractive markets for the company. At the same time, the company was considering Estonia as a target market, as it is near to Finland and the company could easily do business with them, but they don't advertise that much, so going there wouldn't be a good business opportunity for the company.

Second thing for the case company when choosing their target markets is how competitive the market is, so what are the other start-up players in the field. The UK is a very big market, but it's very difficult to get into, as it's quite closed market and a very local presence is needed there. Even though it is the biggest market, the company hasn't had any success there yet, since the market there is so competitive and closed. Third thing is the general go to market fit. The company has an advanced analytics solution, and the company knows it creates quite a lot of value for retailers, but when testing for example Spain and Italy, that aren't that modern countries technology wise, the fit isn't there. They don't see technology the same way as for example Finnish people do, so the company didn't see those countries as potential markets. The company ended up choosing Germany as their target market, because of the size of the market and the level of the competition, and as Germany is quite open, the company can penetrate the market way easier than what it could in the UK.

4.2.4 Resources for internationalization

Case company B thought first, that the resources needed would just be the hiring of the local expertise, and it is that, but it's starting from the booking level, and at some point moving on to strategic expertise. The case company needs the local speaking sales reps to have the conversations. The company has tried local bookers in many occasions, but in enterprise sales it is quite difficult to hire a good booker. So, according to the interviewee, it needs to be someone quite seasoned who is hungry and ambitious. But at the end of the day, it's also

quite much about luck on whether the company can find the right team for each market expansion. The company has also done investment rounds for their international growth.

4.2.5 Partners in the target markets

For case company B, getting partners in the target markets has required much of branding work. The company has a lot of well known Finnish brands and retailers as their customers, but when moving outside of Finland, nobody really knows these Finnish brands, thus the company didn't have the credibility outside of Finland. The company has had to spark the discussions and build leadership, and find the right influencers for the topic in each market. The company has been able to reach the right people that are interested about the same topic, and that's how the company has successfully acquired new partners in each market. It has also been important for the company to understand how these partners can benefit from the company, as it never is a one way transaction, and both parties need to benefit somehow.

4.2.6 Strategy development

As a start-up, for case company B the strategy development is a mixture of trying to understand how others have done it, where for example podcasts and case studies play a big role, and the case company has done a lot of testing. The company's focus has been on to look at where the company has been successful in the past, and closely analyze that what has been the process that has led to good results. That gives the company insights that they can leverage in the market openings. For example, during the next few years a big target for the company is the US market. When a company goes to US market, it can burn a lot of cash without any results, so the company would select a niche, where they could have few victories and then the foot hold. The interviewee thinks the company can get there by looking at what are the victories the company has received in the European markets, and also what have been the mistakes, so by being honest and open in the operations.

Since the company started the internationalization before Covid-19 pandemic, the biggest unexpected event was the pandemic. One unexpected thing was the hiring of seasoned and experienced professionals for this stage, where you have to test and learn and do a lot of work without any promises of success. The company doesn't have these country directors anymore, as now they do the booking operations locally, and run all the commercial level meetings from Finland, since it's nowadays possible. So, that is also how to make things a

bit more agile and really focus on how you can deliver a good sales experience without being locally in the market. In a few years the company will know more about what they are missing when they are not locally in the markets, but at the same time it has made sales operations much more agile and flexible. The costs are much lower than what it would be to actually be present there, to run events and operations and hire local people. The interviewee thinks that this is how the company evolved in their internationalization.

5. DISCUSSION

In this chapter the findings of the study are discussed and compared between the two case companies of the study. The findings of the study are also linked to previous literature. Summary of the findings is presented in Table 1 at the end of the chapter.

Both of the case companies started their internationalization activities soon after the companies were established. As case company A had a clear vision about the internationalization from the start, and as the company internationalized near the company's founding, the company can be seen as a born global company. Also case company B started their expansion to foreign markets a few years after the company was founded, and the overarching goal for the company is to build a global solution, so the company can also be seen as a born global company. According to Knight and Cavusgil (2004) born global companies are "business organizations that, from or near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries". Born globals begin with a global view of their markets, and start their internationalization rapidly, as they internationalize soon after founding and usually within three years of their establishment. (Knight & Cavusgil 2004) Case company A started their internationalization activities in 2016, which was about two years after the company was founded, and case company B started their proper internationalization phase in 2019, which was also about two years after the company was founded.

Case company A didn't really have any specific motivation to internationalize, as the clear vision about internationalization was there from the start, but the drivers for the company's internationalization was based on that the market and opportunities in Finland are small, thus it is possible to grow a company only to a certain size. The motivation to internationalize for case company B was also partly because of the growth requirements, as well as because Finland doesn't really hold the characteristics of global economy and market. Market conditions, such as the size and sales potential of the domestic market, are usually a driver for companies to expand to international markets (Bowen 2020).

Companies can face many challenges and barriers in their internationalization, and the case companies have also had some challenges during their internationalization processes. In foreign markets challenges can be caused for example by cultural differences and regulations in foreign markets. Obstacles for internationalization can also be the lack of finances, knowledge, and connections. (Bowen 2020) For case company A, especially the different cultures and language barriers have been challenges when expanding to new markets. Also, in the beginning of the case company's internationalization, the resources and finances were limited, as back then the company was making under a million revenue, so the company couldn't really afford to make any hiring in the local markets yet, and thus, the lack of local support was an obstacle for some things. The Covid-19 pandemic and the current economic turnaround have also been challenges for the company, as those have put a lot of delays in the company's progress and deals.

The lack of market knowledge is one of the major obstacles for companies during their internationalization. The development of knowledge is central in the internationalization process of companies, and this happens mainly through experience. (Martín Martín, Chetty & Bai 2022) For case company B, the lack of market knowledge can be seen as a challenge in the beginning of their internationalization. As the company moved to proper internationalization phase in 2019, the strategy was to hire seasoned country managers. At the time the company thought it needed to have local presence, local connections and local credibility, thus the strategy was to hire seasoned country managers, who would then run the operations locally in each market. In the end, the company noticed that it's better to build the demand before you actually invest into local operations. So, the company did it the wrong way, and ended up switching the strategy. The new strategy was to build up the demand locally and having good bookers who can speak the local language, but do the executive sales processes from Finland.

The international market selection is one of the key strategic decisions in the company's internationalization process (He & Wei 2011). Case company A chooses the target markets based on, for example, the size of the market, as well as for case company B market potential is one of the things the decision of the target markets is based on. The size of the market and market development are usually distinguished as the dimensions of market attractiveness in

the research of international market selection. The market size and potential refers to the size of the market and the amount of for example sales and profits that can be obtained from the company's entry and presence in the market. (Gaston-Breton & Martín Martín 2011) For case company A the market potential is also related to what kind of companies operate in the markets and what is the real estate development process like in the country. As case company B does marketing mix modelling, the market potential is related to the client's marketing investment on country level, and also to how much different countries are investing into marketing. Second thing for case company B when choosing their target markets is how competitive the market is, and the third thing is the general go to market fit.

For case company A, the cultural issues and language have also affected on the company's target market selection. Cultural distance means "the degree to which a firm is uncertain about foreign markets", and it can create difficulties in communication with existing and potential customers or in the access to market information. Usually when companies expand to international markets, they are more likely to begin with a culturally close market, and after becoming more experienced, they start expanding to culturally distant markets. In culturally close markets the language as well as social and business practices are more familiar, which can improve the information flow between the company and markets, and thus, risks and uncertainty can be minimized (He & Wei 2011). Comparing case company A's market selection for example between UK and France, the language barrier in France was an obstacle for the case company, whereas the UK was very open culturally and language wise also. Thus, the company doesn't operate in France, and decided to start operations in the UK, which was more culturally close market for case company A.

Companies need appropriate resources to ensure successful international expansion (Schu, Morscett & Swoboda 2016). It is common for SMEs, that the lack of the necessary resources and capabilities makes the internationalization process more challenging for them (Genc, Dayan & Genc 2019). But, in the case of digital companies with digital products and services, the engagement to digital marketplaces has allowed them to internationalize with no foreign direct investment and with rather limited resources (Cahen & Borini 2020). As both of the case companies are SaaS companies with digital products, much resources or heavy investments aren't required for the internationalization of the companies. To start with this type of company is rather easy, as a laptop is enough to work on. Case company A gets

part of the resources of the revenue from the domestic market, and the company has also done an investment round, which are very typical way for technology startups to try to grow faster. For case company B the resources needed for internationalization is the local expertise in the markets, starting from the booking level, and at some point moving on to strategic expertise. Case company B has also done investment rounds for their internationalization.

Networks can help companies in initiating and sustaining their internationalization process, and can help in navigating better in international markets through knowledge accumulation (Udomkit & Schreier 2017). Networks are important for different stages of the internationalization process, for example for the identification and exploitation of market opportunities and for the growth and performance of the company in international markets (Andersson, Evers & Gliga 2018). The partners that companies collaborate with can help them to get access to useful information and to get new contacts and opportunities in the market (Martín Martín, Chetty & Bai 2022). In case company A's internationalization process, networking and partnerships have been important for getting to new markets and getting clients and contacts in the markets. The company hasn't really looked for partnerships in that sense, but the company has been in events and present online. Some of the company's partnerships can be collaborative, if a product or service can extend the case company's reach or something that would create value for their customers, and which they can also see being productive and feasible. For case company B, getting partners in the target markets has required quite much of branding work, and the company has had to spark the discussions and find the right influencers for the topic in each market. The company has been able to reach the right people that are interested about the same topic, and that's how the company has successfully acquired new partners in each market. It has also been important for the company to understand how these partners can benefit from the company, as both parties need to benefit somehow.

Strategy development can be divided into two views: strategy as intended and strategy as emergent. The intended strategy means that the strategy is deliberately formulated or planned by managers, whereas the emergent strategy view of strategy development means that strategies emerge in organisations over time, based on a series of decisions. (Johnson, Whittington & Scholes 2011, 397-412) The internationalization strategy development process of case company A was done by the CEO and CSO (the interviewee) when the

company started their internationalization. The development was agile and decision making was straight forward, as it was just two people making the decisions. Today, a bigger team is involved in the strategy development, thus the development process is more structured and more thoroughly planned, and the thoughts and development ideas come from a wider perspective than what it was to start with. Based on this, from the two views of strategy development case company A's strategy development can be seen as an intended strategy. This kind of strategy can be developed through strategic leadership, strategic planning or external imposition of strategy (Johnson, Whittington & Scholes 2011, 397-412). As the company's strategy development is a structured and thoroughly planned process, it is developed through strategic planning.

Compared to case company A, the internationalization strategy development process of case company B can be seen as an emergent strategy. According to the emergent strategy view of strategy development, strategies emerge in organisations over time, based on a series of decisions. The emergent strategy can develop through logical incrementalism, political processes, prior decisions, and as the product of organisational systems. Logical incrementalism means the strategy development in the organisation by experimentation and learning. (Johnson, Whittington & Scholes 2011, 397-412) For case company B, the strategy development is a mixture of trying to understand how others have done it, and the company has also done a lot of testing. The company's focus has been on to look at where the company has been successful in the past, and closely analyze what has been the process that has led to good results, which has given the company insights that they can leverage in their market openings. Based on this, the strategy development of case company B has been done by experimentation and learning.

	Case company A	Case company B
Internationalization	Born global	Born global
Motives to internationalize	The size and sales potential of the domestic market	The size and sales potential of the domestic market, growth requirements
Challenges in internationalization	Different cultures and language barriers, Covid-19 pandemic and the current economic turndown	Lack of market knowledge in the beginning of internationalization
Target market selection	The size of the market, cultural issues and language	Market potential, how competitive the market is, and general go to market fit
Resources for internationalization	Company gets part of the resources of the revenue from the domestic market, and the company has also done an investment round	Local expertise in the markets, starting from the booking level, and at some point moving on to strategic expertise, company has done investment rounds
Partners in the target markets	Partnerships have been important for getting to new markets and getting clients and contacts in the markets. Has got the partnerships by being in events and present online	Getting partners has required branding work, had to find the right people for the topic in each market
Strategy development	Intended strategy	Emergent strategy

Table 1. Summary of the findings

6. CONCLUSIONS

In the final chapter of the thesis, the research questions of the study are answered. The four sub-questions are answered first, and the main research question is answered lastly. Also, practical implications are discussed, and the limitations of the study and suggestions for future research are presented.

What are the drivers for the company's internationalization?

There are many drivers and motives for companies to internationalize, that include both firm-specific drivers and external factors of the domestic and foreign market (Bowen 2020). In the study, the market conditions of the domestic market were the main driver for international expansion, as the Finnish market is small and opportunities in Finland are small. Thus, it is possible to grow the company only to a certain size in the Finnish market, and expanding to international markets enables the growth of the company. Also the growth requirements from investors were a motivation for internationalization, as the investors are also looking for international growth.

How is the internationalization of the company resourced?

The engagement of digital companies to digital marketplaces has allowed them to internationalize with no foreign direct investment and with limited resources (Cahen & Borini 2020). As the case companies of the study are SaaS companies with digital platform products, the internationalization of the companies doesn't require much resources or big investments. Both of the case companies have done investment rounds for their international growth. For technology startups, investment rounds are a typical way to try to scale faster.

How does the company get partners?

In case company A's internationalization process, networking and partnerships have been important for getting to new markets and getting clients and contacts in the markets. Case company A has used online channels, and has participated to events, exhibitions, and conferences to find contacts and partners in the target markets, and thus, the presence online and in events has been important for the case company to get partners. Some of the case company's partnerships can be collaborative, if a product or service can extend the case company's reach or would create value for their customers. The case company has also expanded to some of the markets by expanding through their clients, as the client has used the company in those markets. For case company B, getting partners in the target markets has required branding work, and the company has had to spark the discussions and find the right influencers for the topic in each market. The company has been able to reach the right people that are interested about the same topic, and that's how the company has successfully acquired new partners in each market.

What kind of challenges the company faces during the internationalization process?

The challenges that case company A has faced are related to the recent unexpected challenges caused by the Covid-19 pandemic and the current economic turndown, that have put a lot of delays in the company's progress and deals. Also cultural differences, including learning about the business etiquette and processes, and language barriers have caused challenges in some markets for the company. Challenges related to the industry have been caused by the changes in construction and real estate industries, and how real estate companies operate and what stages are they at in digitalization. The customers of case company A are real estate developers and construction companies, which are both traditional industries and as such they are slow to change and not very digitalized. Thus, it is a challenging market to try to offer a digital solution for. For case company B, the lack of market knowledge was a challenge in the beginning of their internationalization, as the company started first with country managers in each market, but in the end the company realized that it is better to build the demand before investing into local operations. So, the company did it the wrong way in the beginning of their internationalization, and ended up

switching the strategy. The new strategy was to build up the demand locally and having good bookers who can speak the local language, but do the executive sales processes from Finland.

How does Finnish B2B digital SME develop internationalization strategy?

There are many decisions for the company regarding the internationalization strategy, such as the foreign market selection and which resources are used for international growth. The international strategic planning process includes the formulation of the strategy, implementation of the strategy and the control and evaluation of the process. The formulation of the strategy is a process of evaluating the company's external environment and its internal strengths, and the identification of long-term and short-term objectives. The process usually begins by analyzing the external environment to determine the opportunities that can be exploited, and then by assessing the internal environment, as well as the resources the company has or can develop to take advantage of the opportunities. (Collinson, Narula & Rugman 2017, 262, 277)

As considering the internal processes of the strategy development of case company A, the strategy development is a structured and thoroughly planned process. When the company started their internationalization, the internationalization strategy development process of the company was done by the CEO and CSO (the interviewee). Back then, the development was agile and decision making was straight forward, as it was just two people making the decisions. Today, a bigger team is involved in the strategy development, thus the development process is more structured and more thoroughly planned, and the thoughts and development ideas come from a wider perspective than what it was to start with. Case company A's strategy development can be seen as an intended strategy, as the strategy is deliberately formulated and planned by managers. The strategy of the case company is developed through strategic planning, as the strategy development of the company is a structured and thoroughly planned process.

For case company B, the strategy development is a mixture of trying to understand how others have done it, and the company has also done a lot of testing. The company's focus has been on to look at where the company has been successful in the past, and closely analyze

what has been the process that has led to good results, which has given the company insights that they can leverage in their market openings. Case company B's strategy development can be seen as an emergent strategy, as the strategy development has been done by experimentation and learning.

6.2 Practical implications

The aim of the study was to get more knowledge and understanding about how Finnish digital SMEs operating in the B2B sector internationalize and develop their internationalization strategy. The study provides knowledge about the internationalization process of companies with digital products, and about the internal processes and most important considerations concerning the development of the internationalization strategy of these companies. The study enables digital SMEs operating in the B2B sector to gain knowledge from the results of the study. Especially companies operating in the same industries as the case companies may find the results of the study useful.

6.3 Limitations and future research

The study has many limitations that should be considered. The major limitation of the research is that it was conducted as a multiple case study with only two case companies. The findings of the study are based on interviews with two companies, which affects to the generalization of the results. The study focuses only on Finnish companies, as the case companies are from Finland. The study focuses on SaaS companies, that have a digital product. Case company A provides their digital customer journey management platform for real estate and construction companies, and case company B is a marketing analytics software company that provides a marketing mix modelling platform for companies in, for example, speciality retail, grocery retail, and e-commerce industries. Thus, the study was limited to these industries, which limits the generalization of the results. For future research, a study focusing on the development of internationalization strategy could be done by studying multiple digital product or service SMEs. This would enable better generalization of the findings, especially with more similar companies, that would also operate in the same industry.

REFERENCES

Andersson, S., Evers, N. & Gliga, G. (2018) Entrepreneurial marketing and born global internationalisation in China. *Qualitative market research*, 21 (2), p. 202-231.

Autio, E. & Zander, I. (2016) Lean internationalization. *Academy of Management Annual Meeting Proceedings*, 2016 (1).

Ayden, Y., Tatoglu, E., Glaister, K. W. & Demirbag, M. (2021) Exploring the internationalization strategies of Turkish multinationals: A multi-perspective analysis. *Journal of International Management*, 27, 3.

Bowen, R. (2020) Motives to SME internationalisation: A comparative study of export propensity among food and drink SMEs in Wales and Brittany. *Cross Cultural & Strategic Management*, 27 (1), 51-74).

Cahen, F. & Borini, F. M. (2020) International Digital Competence. *Journal of International Management*, 26, 1.

Chen, Y-A., Guo, S-L., & Huang, K-F. (2023) Antecedents of internationalization of Taiwanese SMEs: a resource-based view. *International Journal of Emerging Markets*.

Clarke, V. & Braun, V. (2017) Thematic analysis. *The Journal of Positive Psychology*, 12 (3), 297-298.

Collinson, S., Narula, R. & Rugman, A. M. (2017) *International Business*. 7th ed. Harlow, Pearson.

Coviello, N., Kano, L. & Liesch, P. (2017) Adapting the Uppsala model to a modern world: Macro-context and microfoundations. *Journal of International Business Studies*, 48, 1151-1164.

Eriksson, P. & Kovalainen, A. (2008) *Qualitative methods in business research*. London, SAGE.

European Commission (2023) *SME Definition*. [www document]. [Accessed 15.6.2023]. Available: https://single-market-economy.ec.europa.eu/smes/sme-definition_en

Farquhar, J. D. (2012) *Case study research for business*. London, SAGE.

Gao, G. Y., Murray, J. Y., Kotabe, M. & Lu, J. (2010) A "strategy tripod" perspective on export behaviors: Evidence from domestic and foreign firms based in an emerging economy. *Journal of international business studies*, 41, (3), 377-396.

Garrido, E., Gómez, J., Maicas, J. P. & Orcos, R. (2014) The institution-based view of strategy: How to measure it. *BRQ Business Research Quarterly*, 17, (2), 82-101.

Gaston-Breton, C. & Martín Martín, O. (2011) International market selection and segmentation: a two-stage model. *International Marketing Review*, 28, 3.

Genc, E., Dayan, M. & Genc, O. F. (2019) The impact of SME internationalization on innovation: The mediating role of market and entrepreneurial orientation. *Industrial Marketing Management*, 82, 253-264.

Guest, G., MacQueen, K. M. & Namey, E. E. (2012) *Applied thematic analysis*. Thousand Oaks, California, SAGE Publications.

Hammersley, M. (2013) *What is qualitative research?* London, Bloomsbury Academic.

Johnson, G., Whittington, R. & Scholes, K. (2011) *Exploring strategy – Text & cases*. 9th ed. Pearson Education.

He, X. & Wei, Y. (2011) Linking market orientation to international market selection and international performance. *International Business Review*, 20, 5, 535-546.

Hervé, A., Schmitt, C. & Baldegger, R. (2022) Digitalization and internationalization of micro-, small, and medium-sized enterprises: An overall conceptual process. *Journal of the International Council for Small Business*, 3, 4.

Hicheon, K., Heechun, K. & Hoskisson, R. E. (2010) Does market-oriented institutional change in an emerging economy make business-group-affiliated multinationals perform better? An institution-based view. *Journal of international business studies*, 41, (7), 1141-1160.

Hitt, M. A., Hoskisson, R. E. & Ireland, R. D. (2007) *Management of Strategy: Concepts and Cases*. Mason, Ohio, Thomson South-Western.

Hollensen, S. (2015) *Marketing management – A relationship approach*. 3rd ed. Harlow, Pearson.

Johanson, J. & Vahlne J.-E. (2017) From internationalization to evolution: The Uppsala model at 40 years. *Journal of International Business Studies*, 48, 1087-1102.

Johanson, J. & Vahlne, J.-E. (1977) The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), 23-32.

Johanson, J. & Vahlne, J.-E. (2013) The Uppsala model on evolution of the multinational business enterprise – from internalization to coordination of networks. *International Marketing Review*, 30, 3.

Knight, G. A. & Cavusgil, T. (2004) Innovation, organizational capabilities, and the born-global firm. *Journal of International Business Studies*, 35, 2, 124-141.

Knight, G. A. & Liesch, P. W. (2016) Internationalization: From incremental to born global. *Journal of World Business*, 51, 1, 93-102.

Maguire, M. & Delahunt, B. (2017) Doing a Thematic Analysis: A Practical, Step-by-Step Guide for Learning and Teaching Scholars. *All Ireland Journal of Teaching and Learning in Higher Education*, 8(3).

Martín Martín, O, Chetty, S. & Bai, W. (2022) Foreign market entry knowledge and international performance: The mediating role of international market selection and network capability. *Journal of World Business*, 57, 2.

Mattsson, L.-G. & Johanson, J. (2013) Internationalisation in Industrial Systems – A Network Approach. *Strategies in Global Competition: Selected Papers from the Prince Bertil Symposium at the Institute of International Business, Stockholm School of Economics*, 287-314.

Merriam, S. B. (2009) *Qualitative research – A Guide to Design and Implementation*. San Francisco, Jossey-Bass.

Merriam, S. B. & Tisdell, E. (2016) *Qualitative research – A Guide to Design and Implementation*. 4th ed. San Francisco, Jossey-Bass.

Mintzberg, H. (1978) Patterns in strategy formation. *Management Science*, 24(9), 934-948.

Monaghan, S., Tippmann, E. & Coviello, N. (2020) Born digitals: Thoughts on their internationalization and a research agenda. *Journal of International Business Studies*, 51 (1), 11-22.

Morais, F. & Ferreira, J. J. (2020) SME internationalisation process: Key issues and contributions, existing gaps and the future research agenda. *European Management Journal*, 38, 1, 62-77.

Neubert, M. (2018) The impact of digitalization on the speed of internationalization of lean global startups. *Technology Innovation Management Review*, 8, 5, 44-54.

Packer, M. (2011) *The Science of Qualitative Research*. Cambridge, Cambridge University Press.

Parvianien, P., Tihinen, M., Kääriäinen, J. & Teppola, S. (2017) Tackling the digitalization challenge: how to benefit from digitalization in practise. *International Journal of Information Systems and Project Management*, 5, 1, 63-77.

Pergelova, A., Manolova, T., Simeonova-Gavena, R. & Yordanova, D. (2019) Democratizing Entrepreneurship? Digital Technologies and the Internationalization of Female-Led SMEs. *Journal of Small Business Management*, 57 (1), 14-39.

Ponte, R. C., Viana, F. L. E. & Silva, M. E. (2023) Diving into the business strategy: The strategy tripod's influence on supply chain sustainability orientation. *Business strategy and the environment*, 32, (4), 2155-2174.

Saldana, J. (2011) *Fundamentals of qualitative research*. New York, Oxford University Press.

Schu, M., Morschett, D. & Swoboda, B. (2016) Internationalization Speed of Online Retailers: A Resource-Based Perspective on the Influence Factors. *Management International Review*, 56 (5), 733-757.

Udomkit, N. & Schreier, C. (2017) Tie the Ties: The Significance of the Binding Networks in SMEs' Internationalization Process. *Journal of Asia-Pacific Business*, 18 (1), 4-20.

Westerlund, M. (2020) Digitalization, Internationalization and Scaling of Online SMEs. *Technology Innovation Management Review*, 10(4), 48-57.

Wittkop, A., Zulauf, K. & Wagner, R. (2018) How Digitalization Changes the Internationalization of Entrepreneurial Firms: Theoretical Considerations and Empirical Evidence. *Management Dynamics in the Knowledge Economy*, 6 (2), 193-207.

APPENDICES

Appendix 1

Interview questions

Introduction

1. Could you introduce yourself and the company?

Internationalization

2. Could you describe the internationalization process of the company? When did you start your internationalization activities, and how did you internationalize?
3. What motivated you to internationalize?
4. What kind of challenges have you faced during the internationalization process?
5. How do you select the target markets?
6. What are the resources needed for internationalization, and how does the company get the resources?
7. How do you get partners in the target markets?

Strategy development

8. Could you describe the internationalization strategy development process of the company? How is the internationalization strategy developed?
9. If you have faced new unexpected challenges or opportunities during the internationalization process, how have you reacted and how flexible has your strategy been? Have the strategy objectives evolved during the internationalization process?