Business Models and Software Companies

Business models and foreign market entry strategies

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- Research interest:
  - Market entry and entry mode choice of software (SW) firms
  - Business models and foreign operations of SW firms
  - Business networks and internationalization
  - Concept of knowledge in internationalization
  - Japan as the market area for SW companies
  - The Japanese SW markets

Business models for entry into foreign markets

- Outline:
  - Internationalization of SW companies –The network approach
  - Concept of knowledge in the internationalization process
  - Foreign market entry modes for software firms
  - Market entry and strategies
  - Market entry barriers / success factors in the software industry
  - International market selection of software firms

Internationalization of SW companies – The network approach

- Outline:
  - Introduction
  - Network theory
  - Markets as networks
  - Internationalization according to the network model + Some real-life examples
  - The actors – resources – activities model
  - Some possible research question related to network theory

Introduction

- Challenges faced by software firms
  - Increased international competition
  - Lack of resources
  - Small domestic market
  - Niche market segments
  - Importance of the first mover advantage
  - Emphasis on short-term growth (IT-boom)
  - High R&D costs
  - Short product life-cycles
  - Close contacts with customers (R&D)
  - Lack of theories / models
  - Other issues?

Network theory

- Some assumptions of the network theory:
  - A company is dependent on resources controlled by other companies
    - Especially small and medium-sized enterprises (SMEs)
  - Companies establish, develop and maintain business relationships with other business actors
  - Companies can have relationships e.g. with customers, distributors, suppliers, universities… and even competitors
    - e.g. Nokia's cooperation agreement with Microsoft to use Windows Media Player in Series 60- mobile phones
  - These relationships give mutual benefits to companies within the network

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Network theory

- Network relationships can be divided into:
  - Formal relationships
    - Related to existing business relationships
  - Informal relationships
    - Related to relationships with friends
  - Mediated relationship
    - Are relations mediated, for instance, by non-profit government-owned consulting firms or exhibition organizers
    - The main purpose of these mediating organizations was promoting, encouraging, and facilitating business-to-business linkages between a buyer and a seller

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Network theory

- A relationship develops over time as a result of repeated interactions
- A relationship is mutually oriented interaction between two committed parties (individuals or organizations)
- Some cases a company not have any experience about their new partners
    - Social, cultural, technological, and geographical distance
    - In international context, these distances may be large

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Markets as networks

- The company's activities in the market are cumulative processes
  - Relationships are:
    - established
    - maintained
    - developed, and
    - broken to give economic return
- To creating positions in the network a company secure:
  - Long-term survival and development of the company
  - Access to important resources and the sale of its products and services

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Markets as networks

- The network position:
  - Relations to other companies
  - Company can get access to external resources thought its network positions
  - Present position

    → Opportunities and restrictions for the future development
  - Takes time and effort to develop
  - Can be divided into micro- and macro positions

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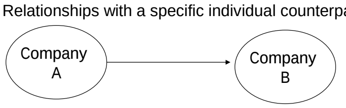
Markets as networks

- Micro-position
    - Relationships with a specific individual counterparts



- Characteristic of a micro-position:
  - Role of the company has for the other company,
  - its importance to the other company, and
  - strength of the relationship with other company.

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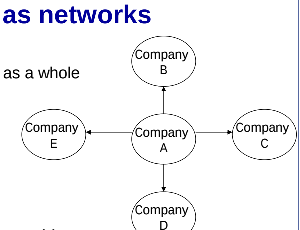
Markets as networks

- Macro-position
    - Relations to a network as a whole



- Characteristic of a macro-position:
  - Identity of the other companies with which the company has relations in the network,
  - role of the company in the network,
  - importance of the company in the network, and
  - strength of the relationships with other companies.

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Internationalization according to the network theory

- Software firms are increasingly part of international networks, which they join and exit
- The relationships of a company can be used as bridges to other networks
  - These relationships can help the company in getting inside networks in foreign countries
  - In some cases they can even force the company to enter foreign networks

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Internationalization according to the network theory

- "Checklist" of factors before the market entry decisions:
  - Who are actors in the network?
  - What are the relative positions of the actors in the network?
  - What are the relations of the company to actors in the target country market?
  - How resources of other actors can be mobilized to support the market entry?

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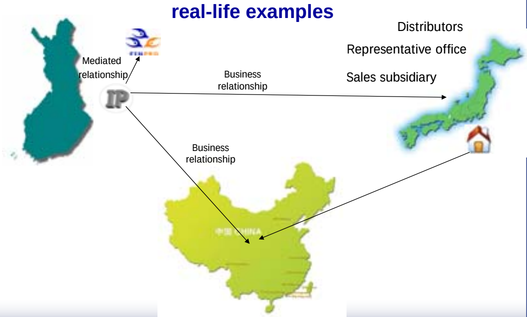
The market entry through network relationships -Some real-life examples



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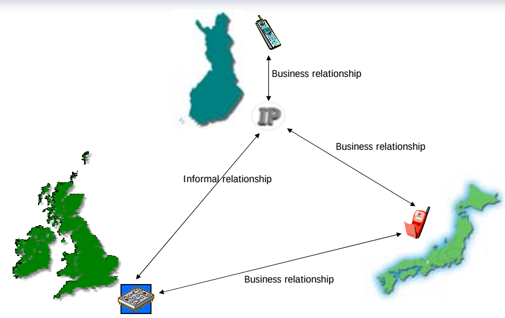

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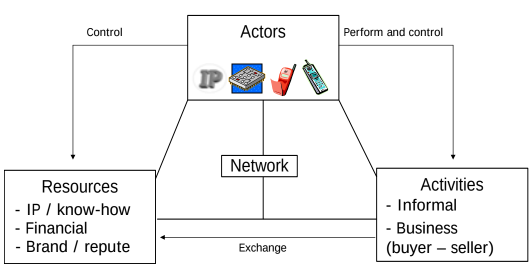
The actors – resources – activities model



Håkansson 1987

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The actors – resources – activities model

(Håkansson & Johanson, 1992)

- ACTORS
  - Control activities and/or resources
  - Can be:
    - Individuals
    - Groups of individuals
    - Firms
    - Parts of firms
    - Groups of firms
  - Actors are form several organizational level

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The actors – resources – activities model

1. Actors determine, which activities to perform, how to perform and which resources are utilized.
2. Through exchange processes actors develop relationships whit each others.
3. Actors base their activities on control over resources.
   - Direct control based on ownership
   - Indirect control based on relationships with other actors
4. Actors are goal oriented, the general goal of actors are increase their control over the network to achieve other goals.
5. Actors have different kind of knowledge about activities, resources and other actors in the network depending on actors experience in the network

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The actors – resources – activities model

- ACTIVITIES
  - Occurs when one or several actors combine, develop, exchange, or create resources by utilizing other resources in the network.
  - Transformation activities
    - Resources are changed under the direct control of one actor.
  - Transfer activities
    - Link transformation activities of different actors to each others
    - Involve two or more actors in the network

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The actors – resources – activities model

- RESOURCES
  - Performing of activities requires resources
  - Are controlled by single of several actors
  - If a resource is important or less available, it increases importance to control and more effort will be spent on getting control over it
  - If a resource is easily to available, control of it is not interest of the actors

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Some possible research question related to network theory

(adapted from Gulati, 1998; Coviello, 2005, 2006)

- How do network form?
- How are networks controlled?
- How do networks evolve?
- How do networks can perform a firm?
- What are the advantages for a firm enter a network?
- How networks can be analyzed?
- What extant networks impact the target market / entry mode choice?
- What is a firm activity in the network?

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Concept of knowledge in the internationalization process

- "We can know more than we can tell" (Polanyi, 1966)
- Concept of knowledge can be divided into:
  - explicit knowledge
  - tacit knowledge
- Explicit knowledge "know-what" is easily communicated and described by using printed or electronic media.
- Tacit knowledge "know-how" is difficult to communicate and share whit others and it basis on personal experiences.

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Concept of knowledge in the internationalization process

- According to the Uppsala internationalization model (U-model), (Johanson & Vahlne, 1977, 1990, 2003)

"The lack of knowledge of foreign markets and operations there have determined as a significant obstacle for internationalization"

- Lack of knowledge is relating to differences between of the home and target country.

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Concept of knowledge in the internationalization process

- Knowledge of foreign markets can be divided into general knowledge and market-specific (experiential) knowledge.
- General (explicit) knowledge includes:
  - marketing methods of a product,
  - operation modes, and
  - typical customers in global scale.
- General knowledge is mainly objective and transferable from one country to the target country

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Concept of knowledge in the internationalization process

- The market-specific knowledge is experiential knowledge about the target country environment, such as:
  - Culture,
  - The market structure,
  - Customers in the market etc.
- This knowledge is mainly acquired through operating in the target country and it is highly tacit. This tacitness makes it difficult to acquire and transfer from country to country.

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Concept of knowledge in the internationalization process

- A company can use their experiences and knowledge from earlier foreign operations when they are entering into the new country with a certain extent.
- Thought experiences from the market, a company can learn the specific characteristics of the market e.g. how to act with:
  - customers,
  - suppliers,
  - competitors, and
  - public organizations (Johanson & Vahlne, 2003).

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Concept of knowledge in the internationalization process

- In the network theory, knowledge is acquired through
  - network relationships of the company
  - social ties of employees
- Based on the network theory, networks where a company acts are the source of knowledge.
- Networks provide information of the market situation and opportunities in the market.
- Knowledge is only accessible for the companies who belong to the same network.

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Concept of knowledge in the internationalization process

- A company's situation in the network affects to:
  - amount,
  - quality,
  - and newness of the received information
- If a company has a strong position in the network, it can receive better knowledge of the market situation and opportunities in the target country earlier than its competitors.

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Foreign market entry modes for software firms

- Outline
- Definition of the subsidiary
- Modes for the establishment of a subsidiary
- Subsidiary mode approach
- Unit models

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Definition of the subsidiary

- A subsidiary is a business entity that is owned and controlled by the parent company.
- Main purpose of a foreign subsidiary is to increase market share and competitive ability in the global markets.
- Increase the potential to maximize growth and obtain a strong presence in the global markets.
  - Possible to provide better cooperation with customers and after-sales services
  - Improves market control
  - Helps to react quickly to economical and other changes in the target country

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Modes for the establishment of a subsidiary (Luostarinen & Welch, 1997)

- Acquisition mode (Acquire an existing company)
  - Is suitable if the industry is already highly competitive
  - There are substantial market entry barriers
  - Little room for a new entry
  - May also reduce competition in the field
  - Advantages:
    - Enables rapid market entry
    - Provide access to distribution channels and an existing customer base
  - Disadvantages:
    - Integration of business operations with existing operations
    - Communication and coordination problems,
    - Cultural conflicts

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Modes for the establishment of a subsidiary

- Greenfield mode (Build a subsidiary from scratch)
  - Using a Greenfield mode, a parent company can implement its own business operations and management practices more effectively
  - Advantages:
    - Is suitable if the cultural distance is wider,
    - Logistics are important,
    - Appropriate acquisition targets are not available or their cost is too high
  - Disadvantages:
    - Difficulties and high investment costs to build a presence in the local market and time delays

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Different types of subsidiaries

- Foreign subsidiaries can be divided into:
  - Companies
  - Branches
  - Representative offices
- Depends on legislation of the target country
- Company formed units operate primarily under the control of the host country legislations
- Branches and representative offices are affected relatively strongly by the legislation of the parent company's home country

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Subsidiary mode approach (e.g. from the Japanese market)

	Representative office	Branch	Company
Business Activity	X (limited)	X	X
Registration	-	X	X
Capital	-	-	At least 10,000,000 ¥
Representative director	-	- (Branch representative required)	At least 1
Director (board of directors)	-	-	At least 3

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Subsidiary mode approach (e.g. from the Japanese market)

	Rep. office	Branch	Company
Corporate auditor	-	-	At least 1
Income subject to corporate tax	-	Domestic source income	Global income
Accounting	-	comprehensive on with income in home country required	Completed by accounting of Japanese corporation
Taxation of repatriated funds	-	No taxation of repatriated funds after payment of corporate tax	Taxation at source of dividends, interest and royalties
Lawsuits	-	Extend to corporation in home country	Do not in principle extend to corporation in home country
Time required for establishment	-	Approx. 3-4 weeks	Approx. 4-6 weeks

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Subsidiary mode approach (e.g. from the Japanese market)

- Representative offices are ordinarily allowed to:
  - Provide information of parent company
  - Advertising and publicity
  - Market research
- **Representative offices <u>are not</u> permitted to engage in sales activities**

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Subsidiary mode approach (e.g. from the Japanese market)

- **Company mode**
  - **Positive sides:**
    - Corporation mode increases credibility of a company
      - Give a picture to customers, that a company has made a decision towards the long-term stay in the Japanese market.
      - Enhance a trust of customers towards the company.
      - Good credibility of the company gives a better chance for local network relationships.
      - "Psychological meaning"

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Subsidiary mode approach (e.g. from the Japanese market)

- **Company mode**
  - **Positive sides:**
    - Tax benefits
      - The corporation is an independent company, thus the headquarters is not liable for taxes.
      - Protect against the tax authority
      - The Japanese tax authority has no access to the accounts of the headquarters.
      - The headquarters is not liable for the payment of the debts to the Japanese tax authority.
      - If something happens regarding the taxation, the headquarters is not liable.
      - A book loss can be carried forward to the five succeeding years.

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Subsidiary mode approach (e.g. from the Japanese market)

- **Company mode**
  - **Positive sides:**
    - Easier to hire employees
    - Internationalization to nearby countries
  - **Negative sides:**
    - Requires:
      - Accountant
      - Board of directors.
      - Take time to establish
      - Capital stock at least 10,000,000 Yen
      - More expensive to closedown the business than the other entry modes.

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Unit models and key reasons for establishing various subsidiary units

1. Sales promotion unit (Representative office)

- Promotes sales of the parent company's products in the target country.
- Does not handle direct sales activities.

– The reasons for establishing:

- Wariness to penetrate a new market
- Legislation of the target country
- Help a local distribution network or manufacturer

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Unit models and key reasons for establishing various subsidiary units

2. Sales unit (Sales Subsidiary)

- Sells company's products straight to distributors, business customers or end users

– The reasons for establishing:

- Can handle product support and sales promotion,
- Boost image of the company
- Increases opportunities to operative and strategic planning of sales and marketing

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Unit models and key reasons for establishing various subsidiary units

3. Purchasing unit

- Purchase needed resources for the parent company
- Essential for companies, when availability and/or cost of raw materials, components and intermediate goods are critical for competitive ability. E.g. for mobile phone manufacturers
- E.g. original design manufacturing (ODM) companies (e.g. Elcoteq Japan Co.)

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Unit models and key reasons for establishing various subsidiary units

4. Research and Development unit

- Handles a company's R&D tasks in the target country
- Can also evaluate suitability of the product to the target country market, if it differs from the host market

– The reasons for establishing:

- High technological know-how and leadership in the target country and/or lack of technical expert in the host country
- Availability of skillful employees

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Unit models and key reasons for establishing various subsidiary units

5. Manufacturing unit

- Manufacture the parent company's products in the target country

– Reasons for establishing the manufacturing unit vary widely

– Some examples:

- Encouragement of the target country authorities (e.g. in Ireland and India)
- The competitive situation in the domestic and / or the target country markets
- The demand in the target country market and global business opportunities etc.

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Unit models and key reasons for establishing various subsidiary units

6. Assembly unit

- Internalization of the company's production functions
- Decreases transportation, tariffs, and production costs
- Not as expensive and resource demanding as a manufacturing unit
- E.g. Elcoteq in China

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Market entry and strategies

- Transaction cost theory
- Uppsala internationalization model
- Network approach
- Business model based strategy

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Market entry and strategies

- Transaction cost theory
  - Firms tend to favor subsidiary / joint venture entry modes with greater asset-specific investments and exporting / licensing entry modes with less asset-specific investments.
  - If risk level is high in the target country, firms favor exporting / licensing whereas countries with low investment risk, firms favor subsidiary modes
  - There are also differences in risk factors influencing entry mode choice
    - Manufacturing firms' entry mode choice is related to environmental uncertainty whereas service firms' entry mode choice is related to behavioral uncertainty

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Market entry and strategies

- Firms in the SW industry can also take benefit of the country risk by using various entrepreneurial entry strategies
- Thus, country risk can be seen as an opportunity to make profit from uncertainty
  - e.g. take a first mover advantage in the market

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Market entry and strategies

- Uppsala internationalization model:
  - Choice of entry mode depends on a firm's experience in the market
  - Firms without earlier experiences favor exporting
  - When a firm gathers more experience it establish own sales unit and R&D activities in the target country
  - The model is motivated by concepts of 'learning' and 'commitment'
  - This model has been challenged in the software industry because internationalization of SW firms is commonly very fast and SW firms use various entry modes simultaneously.

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Market entry and strategies

- The Network approach
  - Choice of entry mode depends on a firm's formal, informal, and mediated network relationships
- Internationalization process of small SW companies in network perspective (Coviello & Munro 1997):
  1. Starts operations with the intent to internationalize
  2. Initial relationship with a larger companies is developed in the first year
     - Usually for the purposes of product development
     - This kind of relationship provides entry to a physically close market
     - Usage of distributors / direct sales

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Market entry and strategies

3. Over time, a network of formal and informal contacts increase
   – Usually the first relationship facilitate with networking
   – Initial network provides market knowledge and potential access to entry more distant markets
   – Facilitates also international market development and sales growth
4. Growth of the network relationships lead to increased visibility of the firm in international markets
   – Managerial experience in international markets increase
     – Greater knowledge and commitment in the market
     – Firm start to prefer increasingly sales offices, subsidiaries, joint ventures as an entry mode

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Market entry and strategies

5. Increased autonomy and control over their market development activities
   – Firm expand its core product areas
   – Proactive pursue to new markets
   – Establish its own sales and/or marketing offices overseas

   OR:
   – Major network partner may have enough control over the small company to limit its production and market diversification opportunities.

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Market entry and strategies

- Business models and market entry mode choice
  – Earlier models and theories ignore special features of firms and their products
  – SW firms differ from other firms due to intangible nature of products, short product life cycles, minimal reproduction costs etc.
  – By analyzing a firm's business model, we can find out the best entry mode that suits for a firm's product strategy

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Market entry and strategies

- Definition of 'business models'
  – Magretta (2002): A definition how a firm works, who its customers are, what the customers value, how a firm makes money, how the value can be delivered to customers
  – Framework of Rajala et al. 2003:
    • Product strategy
    • Revenue logic
    • Distribution model
    • Service and implementation model

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Market entry and strategies

Product strategy
- Tailor-made software solutions
  – Requires a high level of customization / localization
  – Usually very narrow market segments
- Enterprise software solutions
  – Firm's core product can be modified and customized with minor changes for various customer segments
  – Wider market segment
- Mass-market software products
  – Usually sold without any modification to consumers
  – Wide market segments

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Market entry and strategies

- Revenue logic
  – Tailor-made software solutions
    • Licensing
    • Royalties per sold device
    • Maintenance fees
  – Enterprise solutions
    • Licensing
    • Maintenance fees
  – Mass-market products
    • Profit sharing with partners
    • Various pricing models for consumers

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Market entry and strategies

- Distribution model
  - Direct sales (e.g. through the Internet)
  - Distributor in the market
  - Own unit in the market
  - Own unit and one or more distributors in the market

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Market entry and strategies

- Service and implementation model
  - Remote support from the headquarters
  - Representative in the market
  - Subsidiary in the market
  - Distributor
  - Partner

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Market entry and strategies

Business model and entry mode choice

- Tailor-made software solution firms favor representatives / representative office.
  - Their product strategy require:
    - Close cooperation with customers to specify requirements for software
    - Intensive cooperation in implementation phase, as well as after-sales support
  - Due to limited amount of customers in the market, firms are able to handle the market without costly investments in a subsidiary
    - No requirements for marketing, only for technical support

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Market entry and strategies

- Enterprise solution firms favor sales subsidiaries
  - Core products is localized and customized on the grounds of customers needs.
  - Enables after-sales support to customers and/or distributors
  - Enables marketing activities by using local personnel
  - Increases control of the market

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Market entry and strategies

- Mass-market product firms favor joint ventures
  - Enables usage of local knowledge to localize products for consumers in the market
  - Without localization needs, these products can be sold e.g. through the Internet and by using remote support

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Business Models in Foreign Operations

(some examples from the Japanese market)

- **Case firm A**
- Target customers:
  - Mobile phone manufacturers and electronics industry
- Product strategy:
  - Tools for virtual designing, prototyping, and modeling
- Service and implementation model:
  - Distributor and representative offered technical support and training. Direct customers were mainly supported from the headquarters
- Operation mode:
  - Representative office

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Business Models in Foreign Operations
(some examples from the Japanese market)

- **Case firm B**
- Target customers:
  - Banks, financial institutions, Internet operators
- Product strategy:
  - Enterprise-level network protection solutions
- Service and implementation model:
  - Distributors supported end users and the subsidiary gave support to distributors
- Operation mode:
  - Sales subsidiary

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Business Models in Foreign Operations
(some examples from the Japanese market)

- **Case firm C**
- Target customers:
  - Mobile game players
- Product strategy:
  - Mobile games
- Service and implementation model:
  - The joint venture gave support to distributors
- Operation mode:
  - Joint venture

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Market entry barriers in the software industry
(Ojala & Tyrväinen, forthcoming)

- Due to the difference in business models and nature of products between software and manufacturing industries the market entry barriers also differ.
- Market entry barriers can be divided into
  - Organization (firm) related barriers
  - Sales process related barriers
  - Target industry segment related barriers

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Market entry barriers in the software industry
(Ojala & Tyrväinen, forthcoming)

- The organization-related barriers are based on a firm's strategic choices and the availability of sufficient resources
  - Financial, human, intellectual property, and physical resources are important competitive advantages in the market
- The barriers related to the sales process are related to problems that a firm encounters when it sells products to the customer in the market
  - Selling software products requires good knowledge of the target customers, distribution channels, and an ability to establish network relationships with important actors in the market.

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Market entry barriers in the software industry

(Ojala & Tyrväinen, forthcoming)

- Target industry segment related barriers include target industry-specific variables such as industry-specific regulations or customer behavior that may vary in different industry segments.
  - Due to the niche market strategies of the small software firms, these industry-specific variables are remarkably important.
  - These barriers are related to a firm's capability to learn how to act with a target industry.

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Market entry barriers in the software industry

(Ojala & Tyrväinen, forthcoming)

- Some of the most commonly cited entry barriers:
  - Convincing the headquarters of market requirements
    - This barrier seems to be related to a firm's capabilities to meet the customers requirements that it encountered in the market
    - This problem can also be characterized as a small firm's internal communication issue between remotely located units, the headquarters usually having the responsibility for product development and the other units for focusing on marketing and sales activities.

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Market entry barriers in the software industry

(Ojala & Tyrväinen, forthcoming)

- Slowness of the purchasing process of the customers
  - Related to customers long products' evaluation processes or budgeting systems
  - Affected delays to the sales process and profits from the market
- Recruitment of employees
  - Applicants' poor command of English and the specific skills that case firms' niche market segments required.
- Customization of the software products
  - Modification of products caused additional work and increased costs

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Market entry barriers in the software industry

(Ojala & Tyrväinen, forthcoming)

- Lack of a common language of communication with customers
  - Hindered business negotiation and networking with customers
- Finding the right contact persons in the customer's side
  - Small size of the SW firms compared to their large-sized customers in the market
  - Differences in the management styles and business practices

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Market entry barriers in the software industry

(Ojala & Tyrväinen, forthcoming)

- Some implications for practice:
  - Firms who only had local personnel in their units had the least problems in the market
    - Thus, well established network relationships with the right people in the target country and using local knowledge reduce entry barriers remarkably
  - The combination of using local personnel and executing the customization and/or localization operations in the market seem to work out well
    - Thus, managers should strongly consider positioning software localization and customization operations in a local unit in the target country
    - This also decreases communication problems between customers, subsidiary, and the headquarters

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Success factors in the market entry

(Ojala & Tyrväinen, 2006)

- *Product strategy*
  - *Comprehensive matter including:*
    - *Uniqueness*
    - *Quality*
    - *Functionality*
    - *Design*
    - *Consideration of customers' specific needs for products*
  - Vital for most of the SW firms due to the low amount of customers in the niche market segments

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Success factors in the market entry

(Ojala & Tyrväinen, 2006)

- *Personal contacts*
  - Good and reputable local partners
    - Helps to acquire in-depth market knowledge and potential distribution channels
  - Social skills of the sales person who deals with customers
    - Local manager who can deal with customers by using their native language and know the local
  - Good personal contacts help get feedback from the distributors and customers.
    - Help to make required modifications to their products.
  - Good contacts with intermediate firms whose purpose is to give support to firms in their internationalization activities.

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Success factors in the market entry

(Ojala & Tyrväinen, 2006)

- *Language*
  - Important tool in business and in establishing contacts with customers
    - Especially important in countries where English is not so commonly spoken
  - Personal marketing of the products
  - Ability to provide after-sales services and documentation in a local language
- *Qualification of personnel*
  - Small number of employees in a target country increases importance to have very skillful employees
  - Usually, both marketing and technical skills are required

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International market selection of software firms

- Cultural or psychic distance
- Geographical distance
- Country risk
- Market size

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International market selection of software firms

- Cultural or psychic distance
  - Psychic distance (Johanson and Wiedersheim-Paul 1975) between countries is related to differences in:
    - Language
    - Culture
    - Political system
    - Level of education
    - Level of industrial development
  - Firms tend to favor culturally / psychically similar markets because business practices are commonly similar with the home country

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International market selection of software firms

- Geographical distance
  - Environment in geographically close countries are usually familiar in terms of language, culture, and business practice
  - It is also less expensive to operate in nearby countries
  - Concept of geographical distance is somewhat complex in software industry
    - Software products can be sold and distributed electronically
    - This makes the geographical distance less important in the delivery process
    - Still most of the studies suggest that SW firms enter first to nearby countries
    - This is due to the fact that software products requires intensive cooperation with customers in order to specify requirements, install the software, and give after-sales support

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International market selection of software firms

- Country risk
  - Firms avoid making direct investments to counties with greater risk level
  - Countries with high risk, firms tend to use entry modes which do not require high investments
  - Risk can be also an opportunity!
  - Sometimes perceived risks of not investing can be higher than investment risk
    - Firm can loss it opportunities in the market if it not invest…
    - For instance, loss the market for competitor

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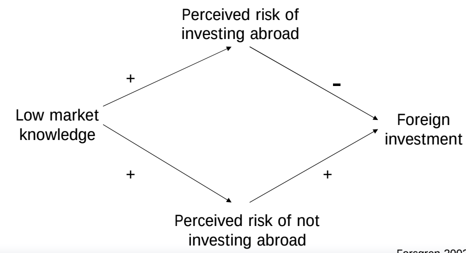
International market selection of software firms

- Impacts of perceived risks on foreign investment behavior



Forsgren 2002

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International market selection of software firms

- Firms tend to favor countries which provide large markets and customer base for their products and services
- These countries are not always culturally or geographically close to the home country
  - Thus, these countries are not so easy to enter
- Various indicators to evaluate the market size
  - GDP
  - GDP per capita
  - Vertical market size

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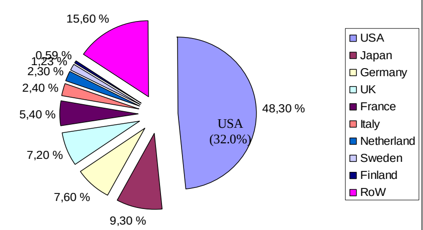
Software Product Markets



Source: EITO 2004

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Influencing factors for Finnish SW firms

- Cultural distance (Hofstead, 1980)
  - Estonia, Norway, Netherlands…
  - …, Japan, Singapore, China
- Geographical distance
  - Estonia, Latvia, Lithuania…
  - …, Japan, USA, Australia
- Riskless…
- Software markets
  - USA, Japan, Germany…
  - …Lithuania, Latvia, Estonia
- GDP
  - USA, China, Japan, …
  - …Lithuania, Latvia, Estonia
- GDP per capita
  - UAE, Norway, USA…
  - …Thailand, China, India

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Market selection of Finnish software firms

(Jokinen et. al. 2004)

- First countries
  - Sweden, Estonia/Germany, USA/UK
- Second countries
  - USA, Sweden, Netherlands/Germany/Norway…
- Third countries
  - USA, Germany/Denmark, Lithuania /Norway/UK

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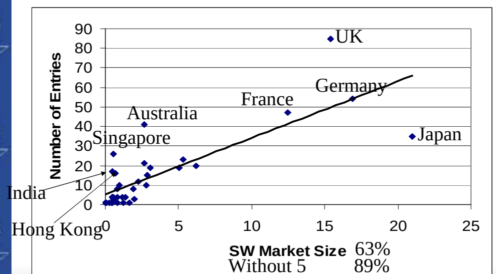
Market selection of US software SMEs

(Ojala & Tyrväinen, 2007)



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