Anthony Jones

DISCOVERING A GLOBAL GROWTH PATH FOR FINNISH SAAS COMPANIES

Master’s thesis

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ABSTRACT OF THE MASTER'S THESIS

Author: Anthony Jones
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Instructor: Arttu Vesterinen, M.Sc.

Abstract:

Effectual entrepreneurship research has played a big role in deepening the understanding of the entrepreneurial process. While effectuation theory has originally been focused on discovering entrepreneurial opportunities and the early creation of new venture, it may well have applications also in the phase where companies open new international markets.

This study first compares effectuation theory with other emerging entrepreneurship theories, in particular, entrepreneurial bricolage and lean startup. With a better understanding of the entrepreneurial process, effectuation theory is used to analyze decision-making of expert entrepreneurs, that have opened in one or more international markets. The data is gathered through semi-structured interviews of five B2B SaaS companies and two two-sided-market platform companies, and codified with causal and effectual reasoning and actions.

The results show that the entrepreneurs act effectually in the opening of the first few international markets, but start to use more and more causal reasoning and actions as the company matures. There are some differences in the B2B SaaS companies, and the two-sided-market platform companies, as the latter seem to mature faster. External investment seems to play a key part here. Surprisingly, not all aspects of the effectual behaviour model fitted the international expansion of the companies: using partners didn't seem to work. However, all companies did sales themselves, in a very lean fashion and created a business into a new country using the expendable resources they had.

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Effectuaalisen yrittäjyyden tutkimus on viimeaikoina syventänyt yrittäjyys-prosessin ymmärrystä. Vaikka tämä teoria on alunperin keskittynyt yrittäjyyysmahdollisuuksien tutkimukseen, sekä uuden yrityksen syntyyn ja aikaiseen kehitykseen, sillä saattaa hyvinkin olla sovelluskohteita myös yritysten laajentuessa kansainvälistä markkinoille.


Preface

The subject of this thesis was a result of my experiences in moving to London in 2015 to open a subsidiary there. If I had known the things I now know, through experience, and through interviewing the companies in this study, the year would have been much easier for me. However, nothing teaches you like hitting your head against a brick wall.

I would like to express my sincere gratitude to Prof Peter Kelly, who has guided my journey though the last steps of my studies and the first steps of my career. I would also like to thank my colleague and very good friend, Arttu Vesterinen for support and guidance throughout the process of finalizing my thesis. Mom and Dad, Mummi, and Ukki, a great thanks for all of you for believing in me. And finally, the biggest thanks goes to you, Niina, for always encouraging me, and for patiently listening to my frustration throughout the process. I love you.

Helsinki, 5th March, 2018

Anthony Jones
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1 Introduction

In traditional entrepreneurship theories, the process of entrepreneurship has been described in the following way: discovering an opportunity, evaluating its risk and reward, and building a business to capitalize on it (Shane & Venkataraman 2000). Furthermore, traditional sales and marketing literature focuses on Kotler’s 4 P’s: Product, Price, Promotion, and Place (Kotler, 1995). However, the problem with these theories is that they don’t seem to work in the real life as well as in theory. Furthermore, there has been a clear lack of the entrepreneurs’ voice in the research. Therefore, there seems to be no shortcut in finding out what really works, but to have expert entrepreneurs speak for themselves (Sarasvathy et al., 2008).

Thus, in the past 15-20 years, several new theories describing entrepreneurial behaviour have emerged, such as effectual entrepreneurship (Sarasvathy, 2001), entrepreneurial bricolage (Baker and Nelson 2005), and Lean Start-up (Ries, 2011). All of these have in common, that the entrepreneur creates the business through their actions under conditions of uncertainty. The most promising theory, effectual entrepreneurship suggests that the entrepreneur starts with the means they have – who they are, what they know, and who they know. This process is fundamentally different form the one traditional entrepreneurship suggests, as instead of starting with a clear goal, entrepreneurs iteratively creates the goal as they go.

Furthermore, effectuation literature contrasts the entrepreneurial process with the managerial process: the entrepreneurial process is based on the exploitation of contingencies, emphasizing action over prediction, while the managerial process is based on extrapolation of the past, planning, and execution of the plans (Sarasvathy, 2001).

Thus an interesting question follows: Do the entrepreneurs use the same logic (of effectuation) in opening new markets in new countries, or do they follow a more traditional approach?
This paper sets out to explore the entrepreneurial process in depth, concentrating on the theory of effectual entrepreneurship and comparing it with other emerging entrepreneurship theories. Also, traditional marketing and market-entry strategies are also reviewed, to bring context into the empirical research, in which seven companies are interviewed. The empirical research is conducted using semi-structured interviews to gain a deeper understanding of the behaviours of the interviewed companies. I interview serial entrepreneurs (experts) who are asked to talk through the first market entry and the steps they have taken.

From these interviews, I determine whether the companies reasoned entrepreneurially (effectually) or managerially (causally) during the process of opening new geographical markets abroad. Their actions and reasoning are analysed using the theory of effectual entrepreneurship and potential problems are identified and reflected through the lenses of effectuation and causation.

The companies interviewed are business-to-business software-as-a-service companies (B2B SaaS), but also two two-sided-market platform companies were interviewed to understand if there are any differences between these business models. As I am exploring early venture efforts to gain sales traction in a new geographical market, the first hypothesis is that a small sales force is used to do initial sales, but with the help of using online channels.

It would be logical, that the companies have a fairly fixed value proposition when starting their growth abroad, and thus they would use predictive strategies and possibly outside investment to seize these opportunities that they have spotted by analysing the markets available. However, my second hypothesis is that the process used to pursue an entrepreneurial opportunity abroad is more effectual than causal, although it most likely is not either/or in nature.

The paper proceeds as follows: The next section gives a literature review of research into entrepreneurial behaviour. Thereafter, a section on method describes the sample and variables used in the empirical study. After this, the results are
presented. This is followed by a discussion of the findings and suggestions for future research, and lastly by concluding remarks.

2 Theoretical background

The background of this study draws from recent studies of entrepreneurial behaviour, as selling is one of the key behaviours of an entrepreneur. During the last century, entrepreneurship research has identified the traits of successful entrepreneurs and the characteristics of their successful and fast-growing new ventures. However, many of the studies focus on American companies that have grown in their national market. Furthermore, there’s been a shift in focus during the late 1990s and early 2000s to a more process-oriented view of entrepreneurship. This change has directed attention towards understanding entrepreneurship as a continuous learning process. (Politis, 2008)

The new research that will be elaborated states two key differences in entrepreneurial behaviour. The one that is taught at business schools and has a vast history of studies to draw from will be called Causation, as dubbed by Sarasvathy (2001), and explains a managerial approach to growing a business. The more recently studied one will be called Effectuation (also dubbed by Sarasvathy), which explains the behaviour of an expert entrepreneur.

We will also cover a third behaviour called Bricolage, which partially overlaps with Effectuation. Furthermore, we will cover the background regarding sales related behaviours to bring depth to the analysis of the research conducted.
2.1 Models of Entrepreneurial Behaviour

Entrepreneurship research has experienced a renaissance over the last few years. As a result, many new theories of entrepreneurship have evolved, explaining the actions and decision-making processes of entrepreneurs. Up until recently, most of the old theories have been unable to fully explain the success of some companies/entrepreneurs, and the failure of others. Most of these new behavioural models are being contrasted with what research calls the “traditional model of entrepreneurial behaviour”. (Wiltbank et al., 2009).

In the following chapter, we will dive deeper into the recent studies explaining these theories.

2.1.1 The traditional entrepreneurship model

Literature refers to the entrepreneurial model, that has been taught throughout business schools (Sarasvathy, 2009), as traditional, as opposed to the new models that have recently been suggested by researchers such as Sarasvathy, Read, Wiltbank, Dew, and others. In the traditional model, an entrepreneur starts by finding a business opportunity. Usually spotting a market where supply is lower than demand. Fisher (2012) says that in the causation processes, the core is in identifying and exploiting opportunities in existing markets with lower levels of uncertainty. However, in the causal entrepreneurship model, the entrepreneur takes the opportunity as exogenously given. For this reason, causal entrepreneurs usually enter a more mature market instead of creating a new one. (Fisher, 2012; Wiltbank et al, 2009)

After spotting the demand for a product or service, the entrepreneur proceeds to evaluate the opportunity to decide if the opportunity is worth exploiting. Finally, a plan is made and actions are taken according to the business plan. (Wiltbank et al, 2009)
This approach has been dubbed as causal reasoning by Sarasvathy in her 2001 paper “What Makes Entrepreneurs Entrepreneurial?”. It is based on the logic, that “to the extent that we can predict the future, we can control it” (Sarasvathy, 2001). From a psychological perspective, it is easy to understand as human beings enjoy and strive for the feeling of control over outcomes (Wiltbank et al. 2009). The traditional entrepreneurship model, or causal reasoning, as we’ll call it henceforth, provides a systematic logic and rules to reach desired outcomes.

As mentioned, the starting point of causal reasoning is finding and deciding on a predetermined goal. This also requires that a predefined set of means (i.e. resources) to reach the goal will be calculated. The biggest task of the entrepreneur in this behavioral model is identifying the optimal alternative(s) to achieve the given goal. This approach is depicted in Exhibit 1. (Sarasvathy, 2001)

![Managerial Thinking -- Causal Reasoning](image)

Exhibit 1, Selecting between alternatives to reach the decided goal. (Sarasvathy, 2001)
All of the above actions can be summarised as predictive actions, which is a key characteristic of the causal entrepreneurship model (Sarasvathy, 2001; Wiltbank et al. 2009)

Predictive strategies include market research using formal tools such as surveys and choosing the target market with the highest potential return on marketing (Sarasvathy, 2001; Wiltbank et al. 2009). Furthermore, causal reasoning relies on detailed financial models, including calculations of risk and expected returns. All of these come together in the business plan, which is the cornerstone of the traditional entrepreneurship model. (Wiltbank et al. 2009)

Read et al. (2009) summarise the predictive process in 6 steps or tasks that are done after the opportunity has been found, one way or the other. They are the following and pictured in Exhibit 2 (not in the original order, but sorted chronologically):

1. Conduct extensive market research
2. Conduct detailed competitive analysis
3. Develop a business plan
4. Acquire the resources needed (funding) and stakeholders for implementing the plan
5. Adapt to the environment as it changes over time
6. Create and sustain a competitive advantage (Read et al, 2009)
Exhibit 2: The predictive process. (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009) who adapted it from Gartner 1985)

All of the actions focus on obtaining control over future outcomes through predicting the future (Wiltbank et al. 2009). We will look into these in more detail in the following paragraphs.

Market research is still widely appreciated among entrepreneurship education and among traditional business models and managers. In the causal approach, this is done by the entrepreneur or by an outsourced consultant or company that gathers and reviews information about market size and growth, and gathers data about the market. Furthermore, they can interview potential customers, too. (Fisher, 2012)

However, benefitting from market research is relying on the traditional definition of a market (an area or arena in which commercial dealings are conducted or a demand for a particular commodity or service (The Oxford Dictionary)) and then segmenting the market (Read et al., 2009). The whole process relies on the accuracy of the data gathered, and that the market stays close to immobile for the business plan to work. Furthermore, in the causal view of entrepreneurship, markets are rarely created. The goal of the entrepreneur is to grab as much of the existing market universe as possible. (Fisher, 2012).
The aim of the market research is to form the business plan so that executing it will position the company in a leading role within that predicted market. This includes identifying a high-potential location, analysing the competition in the area, and identifying particular target segments. Interestingly, research shows that managers (users of causal reasoning) are more likely to select more specific segments than expert entrepreneurs. After locking the target, the causal entrepreneur continues by developing marketing strategies to fit the decided targets. This predictive information guides the selection of goals for positioning, which in turn guides the accumulation of resources necessary to execute those goals. (Read et al., 2009; Wiltbank et al. 2009)

After and as part of the market research, the focus is on the competition. Causal reasoning depends upon competitive analyses (Sarasvathy, 2001), as the philosophy of traditional entrepreneurship suggests that to enter a target market, the value proposition needs to be different or better than the competition’s offering. Furthermore, the attitude towards outsiders, in general, is protective: “Protect what you have and maximize your share of the opportunity”. (Sarasvathy & Dew, 2005a)

As part of the competitor analysis, the analyser gathers information about competitors and analyses their offerings, gathers data, analyses the data and uses it as an input into key decisions which are outlined in the business plan. (Fisher, 2012)

The business plan is the bible of the traditional entrepreneur, and still very much alive and kicking. By Googling “business plan template” a humble 9 310 000 hits come up instantaneously. When starting a new venture or growing an existing one, it is almost trivial knowledge, that you need to write a business plan (Fisher, 2012).
The areas that need to be covered include the following:

- Executive summary
- The target market
- competitors
- human resources
- vendors/suppliers
- marketing plan
- operations
- financial projections

Writing the business plan does make sense, as it is “an instrument of risk management” (Jones & Penaluna, 2013). Furthermore, in a case where external funding is required, it provides the investors an overview of the opportunity and the plan that summarises how they will get the best return on their investment. (Jones & Penaluna, 2013; Sarasvathy & Dew, 2005a)

For the entrepreneur, the business plan is a roadmap to follow, and arguably, if there is a fixed goal, having a plan to go there improves the chances of getting there. Furthermore, the business plan is a marketing tool, a “mechanism to communicate the new value to the desired audience”. (Jones & Penaluna, 2013)

However, if there is no need for outside funding, there is no need for the business plan (Jones & Penaluna, 2013). Furthermore, as Steve Blank famously has said: “No Plan Survives First Contact With Customers” (Blank, 2010). Lastly, the positioning of a causal entrepreneur is focused driving their ventures toward market dominance. This relies on specific forecasts and increases their dependence on accurate predictions of a variety of unpredictable variables, such as preferred channels, competitive offerings, cost curves, customer adoption rates, and so on. (Wiltbank et al. 2009)
Sarasvathy et al. (2008) suggest there are two different types of traditional entrepreneurship models: the planning and the visionary behavioural models. They both rely heavily on predicting the future, but where the planning one focuses on trying harder to predict the future more accurately, the visionary persistently builds a clear vision of the valuable future. One focuses on the goal (visionary) and the other focuses on the means to reach the goal (planning). Furthermore, the visionary entrepreneurship model focuses heavily on controlling the future. (Sarasvathy et al., 2008)

To summarise, the view of the future is predictive. The logic assumes that the future is a continuation of the past, which means accurate predictions are both necessary and useful. Actions taken are derived from the goals set and the pursuit of new opportunities based on the (risk-adjusted) expected value of the outcome. The focus is on the upside potential, not the affordable loss. (Sarasvathy & Dew, 2005a)

Causal reasoning starts with the questions Who, Where, When? It focuses on outcomes that are given and decide on the means to realise the goal by
1. Starting with ends
2. Analyzing expected return
3. Doing competitive analysis purposes
4. Controlling the future
(Fisher, 2012)

The assumptions and limitations underlying the theory (boundary conditions)
• Static, linear environment.
• Predictable aspects of an uncertain future are discernible and measurable.
• Entrepreneurial opportunities are objective and identifiable a priori.
(Fisher, 2012).
The problem of causal logic is that having a fixed goal ties the venture into existing plans and overheads and expenses consume resources (Wiltbank et al. 2009). Furthermore, unexpected events can cause serious harm, although through prediction, planning, and focus the company may try to minimize the impact of unexpected events (Sarasvathy & Dew, 2005a). Causal reasoning doesn’t take into consideration that surprises are not deviations from the path in entrepreneurship, but are the norm (Sarasvathy, 2001).

However, if we assume that the future is (at least partially) unpredictable, the causal entrepreneur is faced with a few problems. The first one is dealing with Knightian uncertainty: it is impossible to calculate probabilities for future consequences. The second is the possible ambiguity of the goal: if preferences are neither given nor well ordered, it is hard to aim the actions taken. The third is general isotropy: it is not clear what elements of the environment to pay attention to and what to ignore. (Sarasvathy et al., 2008)

Furthermore, the planning approach suggests the meticulous implementation of infrastructure and expansion organized to meet the projected growth in demand in order to capture additional share of the market. The approach is optimised for a specific predicted future but risks expensive failure if the predictions turn out to be wrong. However, it is possible that the planning approach outperforms other approaches if the predictions are correct. (Sarasvathy et al., 2008)

Finally, there are areas of entrepreneurship where causal reasoning can be the logic to use. These include fast-growing markets (Wiltbank et al. 2009), especially if they are pre-existing (Fisher, 2012), and if the market can’t be reached without extensive outside capital (B2C or two-sided markets) (Wiltbank et al. 2009).
2.1.2 Effectual Entrepreneurship

In 2001, Sarasvathy wrote a ground-breaking paper “What Makes Entrepreneurs Entrepreneurial?”, that suggested a new entrepreneurial theory and dubbed it “Effectuation”. She also called the traditional entrepreneurial behavioural model “Causal” and positioned these two logics as opposites to make her point clearer. Furthermore, she explains effectuation as “a logic of entrepreneurial expertise, a dynamic and interactive process of creating new artefacts in the world. (Sarasvathy, 2008)” After the article was published many scholars have researched effectuation, Sarasvathy as the most productive among them. (Sarasvathy, 2001 and 2008; Fisher, 2012)

The need for this new theory became relevant after studying expert entrepreneurs and how they behaved under conditions of uncertainty. The old theories didn’t explain why entrepreneurs adopted a decision logic that was different to that explicated by a traditional model. (Fisher, 2012)

For the purposes of our study, I’ll summarize effectuation, including key behaviours that differentiate it from the causal entrepreneurship theory and predictive rationality.

The worldview of the effectual entrepreneur is that most things are uncertain. It is rooted in the belief that the future is neither found nor predicted, but rather made (Sarasvathy, 2001). Especially working under conditions of Knightian uncertainty ( unknowable unknown situations), traditional predictive ways of acting are inaccurate and unreliable (Wiltbank et al., 2009). Research shows that expert entrepreneurs are significantly more likely to use effectual logic in making decisions under uncertainty, whereas managers rely on predictive approaches prescribed in marketing textbooks (Read et al., 2009).

Where causal logic finds control over uncertain situations by predicting possible outcomes, effectual logic relies on focusing on the activities that are directly under their control. As Sarasvathy writes, the entrepreneur believes that “to the extent that
I can control the future, I do not need to predict it”. Controlling the future is easiest if the entrepreneur is actively creating it. This has been dubbed the “pilot in the plane - principle” by popularised effectuation literature (www.effectuation.org). (Sarasvathy, 2001)

Sarasvathy summarises the starting point of the effectual entrepreneur’s logic in the following questions they ask before acting: “Who am I?”; “What do I know?”; and “Whom do I know (to uncover opportunities)” (Sarasvathy, 2001)

Effectual entrepreneurs start with means as opposed to establishing end goals. When deciding on anything, the entrepreneur focuses on affordable loss instead of the expected return of the opportunity. The entrepreneur focuses on leveraging relationships instead conducting a competitive analysis regarding markets or other players in the market. And finally exploits contingencies instead of avoiding them by over analysing the situation. (Sarasvathy, 2008). I will elaborate on these in the following chapters.

**Starting with means**
Also called the “Bird in hand -principle”, means there isn’t a clear goal set in the beginning, but instead the focus is on what does the company or entrepreneur have. A good analogy is that effectual entrepreneurs are like explorers setting out on a voyage into uncharted waters - they know how to sail and have a boat, but don’t know the destination of the voyage, or how long it will take. This is depicted in Exhibit 3. (Sarasvathy, 2001)
The expert entrepreneur starts with the questions who I am, what I know, and whom I know. They might have a vague idea about the first opportunity they are going to exploit and a hypothesis of a problem they will try to solve, but they will iterate on it based on customer feedback (as the Lean Startup would suggest) and execute based on the three key questions. They imagine possibilities that originate from their means and set and reset their goal over time as their own means develop and additional means are provided by co-creators. They also ignore market needs in uncovering an opportunity, and rather create the need and focus on the resources they have. (Baker & Nelson, 2005; Sarasvathy, 2001)
Affordable loss
The affordable loss -principle means that instead of the expert entrepreneur calculating the means they would require to achieve a pre-set goal, they focus on the downside and calculate (or guesstimate) the resources they are willing to lose on the opportunity they are going to exploit. This limits risk and enables continuous learning from failure. They understand what they can afford to lose at each step, instead of seeking large all-or-nothing opportunities. This helps them choose subgoals and actions, where there is an upside even if the downside ends up happening. (Sarasvathy, 2001)

This approach means the entrepreneur commits only limited amounts of resources to the venture at a time. They ignore long-run returns and focus primarily on what they are willing to lose in making decisions about whether to pursue an opportunity. Moreover, they seek out ways of doing things in inexpensive ways, which is a great way to hedge against uncertainty. Furthermore, in many cases, they develop product or service using only personal resources and fund the growth of the company using customer money. (Sarasvathy, 2001; Fisher, 2012).

Leveraging relationships
Also known as the “crazy quilt” -principle. One of the ways expert entrepreneurs execute the affordable loss -principle is by sharing the risk. They do this by favouring co-creating partnerships instead of paying for services. They obtain pre-commitments from key partners early on in the venture, and favour revenue share and commission models instead of growing the ventures overhead. (Sarasvathy & Dew, 2005a; Fisher, 2012)

Expert entrepreneurs focus more on whom they can work with rather than compete with. Through this interaction and engagement with stakeholders, the entrepreneur discovers both new means and establishes new goals that allow the revaluation of means and possible courses of action. (Sarasvathy, 2001; Fisher, 2012)
Exploiting contingencies

Also known as the “lemonade” principle. Instead of spending time analysing the market and setting up mechanisms to hedge against unexpected events, expert entrepreneurs invite the surprise factor. Instead of making “what-if” scenarios to deal with worst-case scenarios, they view “bad” news as potential clues to change the course of action or even create new markets. (Sarasvathy & Dew, 2005a; Fisher, 2012)

Exploiting contingencies means the entrepreneurs embrace unexpected events and turning them into profitable opportunities. This means they get unanticipated outcomes as opposed to achieving a predefined goal. (Sarasvathy, 2001).

The process of using these different approaches has been depicted in Exhibit 4. The process is cyclical as new goals and new means arise. The image also has concrete comments from expert entrepreneurs that took part in Read’s (et al.) research. (Read et al., 2009)

Exhibit 4, The Effectual Process. (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009), who adapted it from Sarasvathy and Dew 2005a)
How does this work in real life?

Wiltbank (et al. 2009) argue that effectual logic is the total opposite of causal logic. This is clear in the way the entrepreneurs start with “who they are, what they know and whom they know, rather than with a predetermined vision or externally validated “opportunity”.” They also evaluate opportunities on the basis of what they are ready to lose, instead of the expected return of the said opportunity. Furthermore, instead of sticking to predetermined goals, they change them as they gather new information. Throughout the process, entrepreneurs and their stakeholders seek to go beyond predicting and adapting to the environments in which they operate — into transforming and re-shaping them, often in surprising new ways. This iterative process is at the core of effectual logic. It is about moulding and enhancing initiatives, formulating new goals and creating new opportunities. Lastly, instead of viewing outsiders as competitors, they view them as collaborators and partners. (Wiltbank, Read, Dew, & Sarasvathy, 2009)

However, Politis suggests that effectuation and causal logic don’t necessarily have to exclude each other, but the entrepreneur would use both to succeed. Effectuation is more dominant in the early stages of the venture and causation after the company has established the product-market-fit and start to scale. (Politis, 2008).

During the early stages, the new venture is faced with a lot of uncertainty. Effectuation is a very useful and successful logic, especially in these uncertain times. Indeed, the very process of effectuation can be summarised as identifying and exploiting opportunities in new markets with high levels of uncertainty. This has also proven to be a successful approach when a venture is an early entrant into a new industry. (Fisher, 2012).
We have viewed effectuation as a process. However, it can be also categorised into four distinct dimensions of actions that overlap the processes. These dimensions are (1) experimentation - trying different approaches in the marketplace before settling on a business concept; (2) affordable loss - predetermining how much one is willing to lose and experimenting within the bounds of that constraint; (3) flexibility - adapting to changing circumstances, unexpected events, and new knowledge; and (4) precommitments - establishing early relationships with customers, suppliers, and other strategic partners to reduce uncertainty and spread responsibility to other stakeholders. (Fisher, 2012).

The different approaches that the expert entrepreneur using effectuational behavioural patterns experiments with include having multiple variations of a product or service. Indeed, effectual logic is about moulding and enhancing initiatives, formulating new goals and creating new opportunities. There might be multiple prototypes that they test, and multiple combinations of product and service and the iteration never ends. Furthermore, the experimentation also includes experiments with different ways to sell and/or deliver a product or service. Testing different distribution channels and different revenue models and event changing the product or service substantially as the venture develops is possible. (Wiltbank et al., 2009; Fisher, 2012).

This experimentation is understandable, as the entrepreneur is dealing with unpredictable situations. Experimentation and iterative learning techniques are used to discover the future and control the outcomes. This is a good approach in the dynamic, nonlinear, and ecological environment, where the future is unknowable and not measurable. The opportunities that might be the best are subjective, socially constructed, and created through a process of iterative action. (Sarasvathy, 2001; Fisher, 2012).
This experimentation relies on affordable loss and flexibility. As unplanned opportunities rise, the expert entrepreneur rapidly changes the offering or the revenue model to fit the new reality. They also adapt what they are doing to the resources at hand. Furthermore, they don’t take actions that might restrict this flexibility and adaptability light heartedly, such as investments or partnership deals that create lock-in. (Fisher, 2012)

This flexibility is also manifested in the way the expert entrepreneur doesn’t stubbornly hold too closely to preconceived goals as a way to determine which stakeholders to pursue or which resource-owners to chase. Instead, they work with any and all interested people and work to expand the stakeholder network through a process of self-selection. In other words, those who commit something valuable to come on board help determine what the venture will do next. The predetermined venture goals do not drive this partner selection. This is because entrepreneurs using this effectual logic are working on things so that they have control over the future, obviating the need to predict the future (Wiltbank et al., 2009)

As mentioned, the partners they select will be tied in with precommitments, be they customers, suppliers, or other organizations. They negotiate these partnerships even before having a fully developed product or service, and thus reducing costs of finding product-market-fit. Furthermore, if they fail, they will fail early and/or at lower levels of investment than those created through processes of causation, as many of the partnership deals are based on a revenue share model. (Sarasvathy, 2001; Fisher, 2012).
2.1.3 Entrepreneurial Bricolage

Another relatively new entrepreneurial behaviour theory is entrepreneurial bricolage (Baker & Nelson, 2005). The term “bricolage” comes from French, and means “do-it-yourself”. It describes the construction or creation of business from a diverse range of things that happen to be available. Baker and Nelson describe it as “making do by applying combinations of resources at hand to new problems and opportunities”. (Fisher, 2012).

In entrepreneurship literature, bricolage has been used to explain market creation (Baker & Nelson, 2005), as the entrepreneur doesn’t focus on finding opportunities, but instead focuses on solving a problem with limited resources (Fisher, 2012). As a result, one of the characteristics of entrepreneurial bricolage is creating something from nothing. And doing this, as mentioned, with the resources at hand by combining existing resources in new ways. (Fisher, 2012) Furthermore, bricoleurs prefer taking action and active engagement with a problem, instead of over analysing it. This is done by actively including customers, suppliers and other social groups (not necessarily stakeholders, but also fans) to take part in their projects. (Baker & Nelson, 2005)

Entrepreneurial theories suggest the entrepreneur has three options when facing new challenges. The first option is to seek resources from outside the firm, the second option is to avoid them by remaining inert and/or downsizing, and finally, the third option is to bricolage by making do by applying combinations of the resources at hand to new problems and opportunities. (Fisher, 2012)
The entrepreneurs that do go with the third option, have five different domains bricolage can be used in:

(1) physical inputs — using second-hand materials or creating new (and out-of-the-box) uses for materials

(2) labour inputs — involving customers, suppliers, and hangers-on in the R&D or production of projects or services

(3) skills inputs — allowing and encouraging people to use their self-taught skills that might otherwise go unused

(4) customers/markets — providing products or services that would otherwise be unavailable, or even unimaginable

(5) institutional and regulatory environment — stepping over boundaries, refusing to have “standards” and regulations limit the activities (Fisher, 2012).

The entrepreneur can bricolage in one or more domains and change the domain over time. However, the success of them doesn’t depend on the domain chosen, but on focus. If bricolage is engaged in many domains simultaneously, this is called parallel bricolage. There are some advantages to this, but the problem is that the lack of focus stalls growth. In contrast, firms that engaged in selective bricolage create something from nothing in fewer domains and thus experience faster growth. (Baker & Nelson, 2005; Fisher, 2012)

The reason we can we expect entrepreneurial bricolage to exist is that resource environments are socially constructed, which allows for specific social and organizational mechanisms to facilitate the creation of something from nothing. Furthermore, the assumptions and boundary conditions underlying the theory are that entrepreneurs confront situations of significant resource constraint and that entrepreneurs have access to some resources on hand that can be used to “make do.” (Fisher, 2012).
Entrepreneurial bricolage is a behavioural logic that works when resources are scarce. The whole process is depicted in Exhibit 5. This behaviour can enable entrepreneurs to overcome resource constraints, but on the downside, they can also lock the company into a self-reinforcing cycle of activities that limit growth. (Fisher, 2012).


Although the effectuation and bricolage theories were created to explain different phenomena in entrepreneurship, the behaviours appear very similar in many respects: Both contrast with the ideas in the more traditional entrepreneurship model (the causal model) and both tap into the same foundational domains:

1. using existing resources as a source of entrepreneurial opportunity
2. using action as a mechanism for overcoming resource constraints
3. using community engagement as a catalyst for venture creation and growth
4. using resource constraints as a source of creativity

(Fisher, 2012)
Furthermore, both suggest that the resources under the control of the entrepreneur are a key source of entrepreneurial opportunity. The findings of Fishers studies (2012) highlight fundamental similarities between effectuation and bricolage, which are finding actionable opportunities, focusing on taking action, entrepreneurial communities, and resource constraints. (Fisher, 2012)

Fisher continues to hypothesize that entrepreneurs that have access to a broad base of people who are interested in what they are doing as they develop a new product or service have an advantage over those entrepreneurs operating in isolation. (Fisher, 2012)
2.1.4. Lean Start-up

Lean start-up is not a behavioural theory, but a tool that new ventures and start-ups have found useful. We will review this tool set here, as it brings a more concrete approach to effectual behaviour.

At the core of the Lean Start-up approach is speaking to customers in the opportunity prototyping phase. The entrepreneur has a hypothesis of the opportunity and the solution, but instead of doing market research, validates these hypotheses by discussing with possible customers. Furthermore, getting customer commitment by getting them to commit something is the ultimate valuation of the hypothesis. This deals with the problem of people validating the opportunity only because they like you and want to be nice. (Ries, 2011)

Ries highlights the necessity of this approach, especially when creating a new product or service under conditions of extreme uncertainty. The question the entrepreneur should be asking is not "Can this product be built?", but "Should this product be built?" and "Can we build a sustainable business around this set of products and services?". (Ries, 2011)

Furthermore, the build-measure-learn feedback loop is crucial to nail the solution. Once the initial opportunity is validated, and the problem that needs to be solved is clear, the entrepreneur/start-up will develop a minimum viable product (MVP) to begin the process of learning and iterating as quickly as possible. (Ries, 2011)

This learning is done in close collaboration with customers by using the investigative development method called the "Five Whys". This means asking simple questions (Why?) to study and solve problems along the way. (Ries, 2011)
The Lean Start-up methodology is closely related to the principles of Affordable Loss and Leveraging Relationships, and getting pre-commitment from customers, but instead of only stating what needs to be done, also states how by giving entrepreneurs a usable tool box. One example of these tools is the Lean Canvas (see Exhibit 6), which is an iterative tool to aid the thinking process of the entrepreneur. It has also been known to be used as a type of business plan, although not in the traditional sense, but as a communications tool written over and over again as the venture develops. The effectual business plan is not a plan, as such, but is written differently for different stakeholders co-creating value for everyone. (Ries, 2011; Jones & Penaluna, 2013)

<table>
<thead>
<tr>
<th>Problem</th>
<th>Solution</th>
<th>Unique Value Proposition</th>
<th>Unfair Advantage</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>List your top 1-3 problems.</td>
<td>Outline a possible solution for each problem.</td>
<td>Single, clear, compelling message that turns an unaware visitor into an interested prospect.</td>
<td>Something that can’t be easily copied or bought.</td>
<td>List your target customers and users.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Alternatives</th>
<th>Key Metrics</th>
<th>High-Level Concept</th>
<th>Channels</th>
<th>Early Adopters</th>
</tr>
</thead>
<tbody>
<tr>
<td>List how these problems are solved today.</td>
<td>List the key numbers that tell you how your business is doing.</td>
<td>List your X for Y analogy (e.g. YouTube = Rith for videoread)</td>
<td>List your path to customers.</td>
<td>List the characteristics of your ideal customers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Structure</th>
<th>Revenue Stream</th>
</tr>
</thead>
<tbody>
<tr>
<td>List your fixed and variable costs.</td>
<td>List your sources of revenue.</td>
</tr>
</tbody>
</table>

Exhibit 6: The Lean Canvas
2.2 The Entrepreneurs role in Sales

As the focus of this study is to understand the ways expert entrepreneurs break into new geographical markets, the role of selling is very interesting. In the next chapter, we will discuss the different approaches and methods covered in the literature.

2.2.1 Go-to-market

When entering an existing market or creating a new market, the entry strategy is an important factor to consider. Furthermore, it is important to understand the market being entered. As we focus on SaaS companies in this study, it is also to understand the customers in the target market.

The technology adoption life-cycle (see Exhibit 7) segments the individuals/companies in a market into five groups depending on their adaptability to new technology. This bell curve was originally created by Rogers (1962), but Moore (1991) introduced the chasm to it later. On the right, there are the early adopters of the product (the technology enthusiasts and visionaries), and on the left the pragmatist (early majority, late majority, and laggards). (Rogers, 2003; Moore, 1991)

![Technology Adoption Life Cycle](image)

Exhibit 7: The Technology Adoption Life Cycle (Moore, 1991)
Moore argues different groups, namely, visionaries and pragmatists, have very different expectations, and the entrepreneur should take this into consideration when planning market entry. Furthermore, the entrepreneur should focus on one group of customers at a time, using each group as a base for marketing to the next group. According to Moore, the most difficult step is making the transition between visionaries (early adopters) and pragmatists (early majority). (Moore, 1991)

There are many techniques to cross the chasm, ranging from choosing a target market, understanding the whole product concept, to positioning the product, building a marketing strategy, and choosing the most appropriate distribution channel and pricing. The goal is to create a “bandwagon effect” and build enough momentum so that the offering becomes an industry standard. (Moore, 1991)

Furthermore, he suggests entrepreneurs use a “bowling pin” or “domino” strategy to enter a market (see Exhibit 8). This means that the first customers are the first pin and the nest market segment should be selected so that the references of the earlier “pin” contribute positively to getting to this segment. This can be adopted to entering new geographic markets in a similar fashion. (Moore, 1991)

Exhibit 8: The Bowling Pin, or “Domino” Strategy of market entry. (Moore, 1991)
When approaching the target segment, a causal approach highlights the basic marketing methods: the four Ps (price, product, promotion, and placement). Furthermore, the entrepreneur would use various tools designed to predict demand better and analytically capture predetermined markets. This has meant thorough reliance on market research and competitive analysis of the target market. According to the predominant marketing literature, applying these to create and execute a marketing strategy will be crucial to achieving the highest possible returns and market share for existing and new ventures. (Read et al., 2009).

However, an effectual approach concentrates on the co-creation of both demand creation and market analysis through ongoing relationships between marketing stakeholders or even customers (Read et al., 2009). Indeed, effectual logic is particularly useful and effective in domains such as the introduction of new products in new markets. Consequently, this is the area where traditional marketing techniques are ineffective (Sarasvathy, 2001).

Instead of writing a marketing plan based on market research for taking the products/services to market. And then monitors marketing activities in accordance with a marketing plan, as the causal entrepreneur would (Fisher, 2012), the effectual entrepreneur, is likely to ignore or underweight any predictive information in making marketing decisions. They also report a higher preference for informal marketing methods (Politis, 2008) and rely on strategies that enable them to directly control and transform situations toward positive outcomes. (Read et al., 2009)

One of the areas expert entrepreneurs like to control is pricing. They are likely to test the market and go for as high a price as possible to maximize cash. On the contrary, those using causal reasoning, namely managers, are likely to set prices low, so that they can penetrate a given segment and drive adoption. Furthermore, expert entrepreneurs are more likely to vary the price for each customer, based on the highest level of value they have uncovered through interactions with them. (Read et al., 2009)
In other words, expert entrepreneurs will “just try to take it out and sell” their offering, in accordance with the Lean Start-up principles. After that, they start working on the production and distribution channels etc. They use selling as a means of conducting market research. It’s “Hard work, but I think much better than trying to do market research”, says one of the entrepreneurs Sarasvathy interviewed. (Sarasvathy, 2001)

By starting with selling, the expert entrepreneurs do not tie themselves to any theorized or preconceived “market”. This opens them up for surprises in regards to which market will be the best one, or if they need to create a new one. (Sarasvathy, 2001)

These customers are usually within their immediate vicinity geographically, socially, or professionally (Sarasvathy, 2001). They build these relationships directly, one step at a time, as part of the process of creating a market, firm, or product, having the customers as stakeholders in their venture (Read et al., 2009). Having the customers fund their new venture, it is on a firm ground from day one (Mullins, 2014).

There are several business models that support customer funding, Which Mullins (2014) names in the following way:

- Matchmaker models
- Pay-in-advance models
- Subscription models
- Scarcity models
- Service-to-product models

The matchmaker model means a platform, where the platform connects the buyer and seller, and the venture takes a small margin on the business, sells advertisements, or collects revenue from the seller. The pay-in-advance model is fairly simple and gives the venture the cash to be able to produce, ship, and develop the offering. Subscription models differ from pay-in-advance models in the way that you end up paying (usually monthly) even if you don’t use the service to the maximum extent. Scarcity models can keep costs down and prices high. Service-
to-product models leverage consultancy costs at the beginning of the venture as the products are being built. (Mullins, 2014)

2.2.2 Channels

Selling anything requires channels to sale through. We’ll discuss this topic, as it is interesting in relation to which channels were used when entering a new geographical market.

Although expert entrepreneurs favour partnerships, according to some literature, expert entrepreneurs have a tendency to favour selling themselves. This is due to them wanting to be sensitive to the customer and not have outsourced sales representatives filter the information. This might also be due to the fact that they want to move in accordance with the affordable loss principle, don’t rely on market research, and prefer control over the outcome of selling. (Sarasvathy, 2009; Wiltbank et al., 2009, Fisher, 2012)

In some business models, and for some offerings, using outsourced channels is a viable option. These might include wholesalers, distributors, telemarketing, internet marketing, retail, e-commerce, value-added resellers and more. However, the expert entrepreneur is likely to change the channel along the way and add more channels as the business grows and develops. Furthermore, they co-create with distribution partners to create new value and prefer revenue share models to other models. (Read et al., 2009; Fisher, 2012)

This control over the sales may positively affect the venture’s success by creating new market elements, which can result in market leadership positions as opposed to small opportunities in existing markets. However, by doing so, they might underinvest in great opportunities by focusing on current means, risk reduction, and cooperation. (Wiltbank et al., 2009)
2.3.1 Affordable Loss

Breaking into a new market using the affordable loss -principle focuses on getting to market quickly and cheaply. By doing the initial sales themselves, the expert entrepreneur can control the resources used for this endeavour, and also controls the risks. Furthermore, they stay closely connected to the customers, create new partnerships, and stay sensitive to contingencies. (Wiltbank et al., 2009)

Expanding to a new geographical market can be very expensive, and potentially, if unsuccessful, cause the total failure of the venture. Keeping the costs at an affordable level, usually funding growth through customer acquisition instead of venture capital money, the venture is able to reach *breakeven more quickly*. By using partners for resources and market insight, they have a higher rate of success in uncertain markets than ventures using a causal approach. (Wiltbank et al., 2009; Mullins, 2014)

Keeping the cost of customer acquisition as low as possible means a path of quickly realized small successes and small failures. This might mean that the effectual entrepreneur under-invests in attractive options, or moves too quickly down an unproductive path. However, it does give control over the occurrence of a failure. Even if the venture grows only as a function of survival, ventures that have control over sales experience fewer failures without experiencing fewer successes than companies that don’t. (Wiltbank et al., 2009)
3 Research design and methods

3.1. Method

The methods used in this study are described in this section.

3.1.1. Qualitative Research Approach

The approach taken is a qualitative one. This was chosen, because using the qualitative research method we are able to capture rich and complex information. The origin of this approach is in social sciences, as often, when people are involved, the aspects to study get very difficult to capture in a simple form. Therefore, as the focus of the study is in the entrepreneurs and their behaviour, the qualitative research approach is very useful (Patton, 1990).

The benefits of using a qualitative research method are that it makes the researcher dive into the complexity of the topic, instead of overly abstracting it. From the complexity, it is possible to get richer and more informative results. On the other hand, the results might be difficult to summarize or simplify. There are various methods for conducting qualitative research, but the most common technique used is interviewing. We also use this research method in this study.

From the various types of interviews, but in this study, the type chosen is a semi-structured interview. This leaves room for improvisation, although there was a list of pre-prepared questions (Appendix 1) (Myers & Newman, 2007). Another benefit of using semi-structured interviews for qualitative studies is the fact that they provide enough flexibility to discover unforeseen and unexpected types of information (Barriball & While, 1994). Furthermore, in qualitative research, all data is potentially useful and might be found important in hindsight.

The main goal of the empirical part of this research is to understand whether entrepreneurs use effectual logic in opening geographically new markets, or whether they prefer using “traditional” or causal reasoning instead. The best way to achieve this is by using an alternate template research design (Langley, 1999). This
approach contrasts different theoretical perspectives which is useful in explaining complex processes. Furthermore, it provides alternative explanations of the same phenomenon. When contrasting effectuation and causation, we can study the gaps in the behaviour of the entrepreneur in each behavioural logic, and reveal overlaps, too.

This study focuses on B2B SaaS software providers that have established a market outside of Finland recently. The interviews covered two companies that have a two-sided market (having users as part of the value proposition they offer to the customer), which brought an interesting angle to the research. The similarities of the expansion of these companies will be discussed in the analysis chapter. The interviewees were the people in charge of getting the first footholds abroad, or their managers (the founders, in some cases), which delivered hands on information of the steps taken. This enabled the comparing of the reasoning and actions taken to the effectuation framework.

3.1.2. Literature Review

The literature reviewed for this study discusses the theoretical background of entrepreneurial behaviour and includes the following:

- Academic articles around the topic of entrepreneurial models
- Academic articles around the topic of causation and effectuation
- Academic articles on the topics discussed on the background chapter
- Books around the topics discussed in the theoretical background

3.1.3 Sample

The convenience sample consists of several Finnish software companies that offer their software as a service (SaaS). Before conducting the interviews, I studied the start-up scene in Finland to find the perfect companies to interview. The criteria were that they need to provide a B2B service and that the person interviewed needs to have first-hand information about the internationalisation efforts.
I found several B2B SaaS companies that matched the criteria and reached out to the founders to reach the person who was responsible for the first internationalisation actions. This person was then interviewed. The success of the internationalisation efforts taken was also taken into consideration, as it was interesting to understand what works in the framework of this study. However, the plan was also to interview to companies that had failed in their internationalisation efforts, but the entrepreneurs refused to be interviewed. Given that these bankruptcies recently occurred and were an emotionally charged experience, the reluctance to speak was understandable.

Most of the entrepreneurs interviewed were part of the founding team, but in some cases, an early entrepreneur was in charge of the internationalisation. In these cases, they were interviewed. Some of the companies had bootstrapped and some had early financing. All of the companies had their headquarters in Helsinki, Finland. In total 7 people, one from each company were interviewed.

3.1.4 Interviews

A semi-structured interview structure was used because “they are well suited for the exploration of the perceptions and opinions of respondents regarding complex and sometimes sensitive issues and enable probing for more information and clarification of answers” (Barriball & While, 1994). The goal of the retrospective interviews was to find out whether the subjects relied on causation or effectuation or both in their decision-making during the internationalisation of the venture.

Before each interview, interviewees were sent a briefing about the study and topic, elaborating the aim of the interview. Furthermore, the questions were sent to the interviewee in advance, so that they could already think about the questions in advance. The interviews lasted from 30 minutes up to one hour. The structure and framework of the interviews were developed and verified with a professor having a good understanding of effectuation and causation to make sure we capture the reasoning the interviewee and the company were using during the process. The
structure and questions can be found in Appendix 1. All of the interviews were recorded and transcribed for data analysis and coding.

The interview commenced as follows:

1. Introductions
   - Introducing the interviewer and the focus and aim of the interview
   - Telling the interviewee about the confidentiality of the interview; individual answers are not linked to the company or the interviewee
   - Asking permission to audio record the interview

2. Conventional interview
   - The interviewee was asked about the background of the company and his involvement in it, and also about the current situation of the company.
     - Questions commenced according to the interview structure in Appendix 1
     - Discussion about the first actions taken in going abroad and the reasoning behind the decision to do so.
     - Further questions dug deeper into the reasoning behind each action taken, to validate the logic behind the decision.
     - Towards the end the interview evolved to discuss the possible next geographical markets the company had conquered either successfully or unsuccessfully and how the actions they took with each of them were similar or different from the first geographical market.
     - Also discussion about topics, which came up, and extra questions about relevant things, which came up during the discussions

3. Wrap-up
   - Open discussion and summing up the key points
3.2. Process

The study started with clarifying the research question through multiple iterative discussions with my guiding professor and peers. We started with my initial interest in growing ventures and how they break through to international markets, as that has been my responsibility in the company I’m with, and the Professor’s interest in the Effectuation Behavioural Logic. Finding common ground was easy and the focus of the research was clear.

After this, the focus was clear regarding the angle and scope of the literature research, which was conducted next.

The focus of all the interviews was on the penetration of the first market outside Finland. However, the penetration of following markets was also discussed, as in some cases the strategy changed due to lessons learned or outside investment.

The communication language in the interviews was Finnish. However, all the corresponding material, e.g. the question structure of the interviews and the quotes from the interviews have been translated into English for this paper.

As the scope this study is B2B SaaS companies, the selection criteria for the companies was quite straightforward: they need to be in a SaaS business that provides tools for businesses, and also have at least attempted international sales. However, a few platform companies were interviewed, too, as they have a B2B element to their sales, even if it isn’t SaaS as such. The different interviewees are collected in Table 1. The companies are called Company X to protect their anonymity, as the interviewees might not otherwise share their experiences, methods, and failures openly. The business is described to add context to the interview results.
After the initial companies were contacted and interviewed booked and held, some of the interviewees suggested other companies I should interview. Only the founder or the sales person in charge of opening the first international market was interviewed from each company.

All interviewed companies had had (and still have) successful businesses abroad, although some of them have experiences of drawing back from a country for various reasons that will be elaborated in the findings. Two companies that had attempted to go global, but failed, were reached for an interview, but as their business has very recently gone bankrupt, they declined the interviews. It would have been interesting to understand if attempting international sales contributed to the bankruptcy, or if the business just didn’t work for other reasons.
Qu and Dumay (2011) suggest a small sample size for qualitative interviews. They reason, that having large sample sizes might result in too much complexity and that the volume of data might become too heavy, but if the sample size is very small it might be difficult to generalize as you cannot get enough complexity. Therefore, this study with seven interviews is very likely to produce a good amount of data for analysis.

3.3. Data analysis & coding: effectual and causal actions

The aim of the analysis is to recognize similarities in the behaviours of the companies. Furthermore, differences and patterns are also interesting. Finally, the results are synthesized to form a theory of how to break into an international market from Finland, and does effectuation play a part in it or not.

As mentioned earlier, qualitative research produces a vast amount of rich and complex data. Therefore, analysing this data might be challenging. Due to the complexity of qualitative research and lack of definition of analysing strategies and techniques -and most of all, the uniqueness of each company, the data analysis strategy needs to be customized and applied (Yin, 2003).

To identify different behaviours in the actions taken by the companies, I used the behavioural categorisation of effectuation and causation listed by Fisher (2012) and adapted from Chandler et al. (2011), and Sarasvathy (2001).

The process of analysis for each is described next. After the interviews were done, they were transcribed. During this process, commonly mentioned themes were identified along with other observations that either support causal or effectual behaviour. These themes were then collected and elaborated in the excel spreadsheet (Table 2). The interview transcripts were analysed individually using this framework.
Behaviours of causation and effectuation by Fisher (2012)  
(adapted from Chandler et al., 2011; Sarasvathy, (2001))

<table>
<thead>
<tr>
<th>Effectuation</th>
<th>Causation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experimentation</strong></td>
<td>Gathers information about customer needs to identify a gap</td>
</tr>
<tr>
<td>Develops multiple variations of a product or service to arrive at a commercial offering:</td>
<td>Gathers information about customer needs to identify a gap</td>
</tr>
<tr>
<td>Creation of multiple different product prototypes</td>
<td>Gathers information about customer needs to identify a gap</td>
</tr>
<tr>
<td>Delivering different services in the process of finding an offering</td>
<td>Analyses technological trends</td>
</tr>
<tr>
<td>Experiments with different ways to sell and/or deliver a product or service:</td>
<td>Identifies and assesses long-run opportunities in developing the firm:</td>
</tr>
<tr>
<td>Use of different distribution channels</td>
<td>Maps out (writes up and discusses) scenarios for the firm’s future</td>
</tr>
<tr>
<td>Use of different revenue models</td>
<td>Creates and compares financial projections for firm growth</td>
</tr>
<tr>
<td>Changes the product or service substantially as the venture develops</td>
<td>Conducts net present value analysis or probability analysis to choose between various alternatives</td>
</tr>
<tr>
<td>Affordable loss</td>
<td>Develops a business plan:</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Commits only limited amounts of resources to the venture at a time:</td>
<td>Produces a written business plan document</td>
</tr>
<tr>
<td>Seeks out ways of doing things in inexpensive ways</td>
<td>Presents a business plan to external audience</td>
</tr>
<tr>
<td>Limits the resources committed to the venture into what could be lost:</td>
<td>Organizes and implements control processes:</td>
</tr>
<tr>
<td>Develops product or service using only personal resources</td>
<td>Establishes an internal reporting structure (management accounts and monthly reporting)</td>
</tr>
<tr>
<td>Flexibility</td>
<td></td>
</tr>
<tr>
<td>Responds to unplanned opportunities as they arise:</td>
<td>Designs and implements a clear organizational structure</td>
</tr>
<tr>
<td>Rapidly changes the offering or revenue model of the venture as new opportunities arise</td>
<td>Gathers and reviews information about market size and growth:</td>
</tr>
<tr>
<td>Adapts what they are doing to the resources on hand:</td>
<td>Gathers data about the market</td>
</tr>
<tr>
<td>Focuses on what is readily available when deciding on a course of action</td>
<td>Interviews potential customers</td>
</tr>
<tr>
<td>Avoids courses of action that restrict flexibility and adaptability:</td>
<td>Gathers information about competitors and analyses their offerings:</td>
</tr>
<tr>
<td>Consciously rejects courses of action that will lock them in (relationships or investments)</td>
<td>Gathers data about competitors</td>
</tr>
<tr>
<td>Pre-commitments</td>
<td></td>
</tr>
<tr>
<td>Enters into agreements with customers, suppliers, and other organizations:</td>
<td>Analyses data about competitors</td>
</tr>
<tr>
<td>Negotiates with other parties prior to having a fully developed product or service</td>
<td>Uses data about competitors as an input into key decisions</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Expresses a vision and/or goals for the venture:</td>
</tr>
<tr>
<td></td>
<td>Articulates a vision or goal</td>
</tr>
<tr>
<td></td>
<td>Holds strategic sessions in which goals are discussed</td>
</tr>
<tr>
<td></td>
<td>Develops a project plan to develop the product and/or services:</td>
</tr>
<tr>
<td></td>
<td>Produces a project plan</td>
</tr>
<tr>
<td></td>
<td>Monitors product and market development in relation to a project plan</td>
</tr>
<tr>
<td></td>
<td>Writes up a marketing plan for taking the products/services to market:</td>
</tr>
<tr>
<td></td>
<td>Produces a marketing plan</td>
</tr>
<tr>
<td></td>
<td>Implements and monitors marketing activities in accordance with a marketing plan</td>
</tr>
</tbody>
</table>

Each time the interviewee mentioned something that fell under one of these, the quote was marked and a mark was added to the spreadsheet. This was done to understand how much of each type of logic was used, or if both were used as much. After this, the types of actions and areas of action were analysed to understand if certain types of action were common in a certain phase of internationalisation.
3.3.1 Matching data to behaviour associated with theory

After the coding of the data was done, each code describing different actions was reviewed on per case bases and marked with ✔ ✔ if there was a strong evidence of the action. This would be the case if the action played a significant role in the future of the company or was mentioned several times during the interview.

Furthermore, if there was evidence of the action, but it wasn’t clear if it played a significant role in the course of the company, such instances were marked with ✔. If there was no behaviour suggested by the action, such instances were marked with X, and if it was unclear, such instances were marked with a ?.

3.3.2 Data analysis & coding: effectual & causal principles

To measure the use of effectual (or causation) reasoning the following logics were analysed and identified. The following principles developed by Sarasvathy were used: starts with means / starts with a goal, focus on affordable loss / focus on expected return, leverages relationships / conducts competitor and market research, exploits contingencies / mitigating risk of unexpected events.

After the coding, each company was rated on these dimensions, 1 if there was some evidence of the way of thinking, and 2 if there was a strong evidence of the way of thinking. If interviewee mentioned that now they would think differently, such “learnings” did not affect the scoring, because the goal was to capture the thinking at the time of the ventures. It needs to be noted that there is an apparent risk of recall bias. However, since both questions inquiring causal and effectual thinking were asked, subjects were given the opportunity to emphasize either one or both of their responses.

The effectuation / causation principles followed the same guidelines developed for the action-based codes. The main guidelines are summarized below:
Starts with means / starts with goal:
If the interviewee mentioned they started by asking themselves “who of us could penetrate that market?”, or did it themselves, this was considered effectual. If the interviewee mentioned them hiring people and setting goals, this would be causal.

Focus on affordable loss / focus on expected return:
If the interviewee mentioned that they focused on the budget they had for initial country entry, this would be starting with means. If the interviewee mentioned that they calculated an ROI on the market entry and set specific sales goals, this would be goal orientation.

Leverages relationships / conducts competitor and market research:
This principle describes the different types of actions taken to enter the market. It is notable that one doesn’t cancel the other out.

Exploits contingencies / mitigating risk of unexpected events:
Exploiting contingencies was perceived as the company’s willingness and ability to change direction in the light of new information or roadblocks. The opposite is avoiding the unknowable and preferring the more predictable or ‘manageable’ opportunities.

3.4 Validity and Reliability Considerations
The validity and reliability of every study needs to be assessed to understand the context of the research and the results. In this research, the interview structure and
coding methods were discussed with a practicing professor well familiar with the theory of effectuation.

### 3.4.1 Interviews

There are some reliability and validity considerations relating to the interviews conducted. The interviews were semi-structured, which led to some level of probing to get deeper responses and to get to the underlying thoughts of the interviewee. However, there cannot be complete certainty that every participant indeed answered the questions thoroughly and did not leave out important parts. Also, there is a chance that the probing itself caused the thoughts in the interviewee.

Each interviewee was treated similarly and everyone was given the same chances to answer each question. However, there are obviously variances between the depth of the responses, thus results need to be treated as indicative of the true behaviour rather than absolute truths.

Furthermore, all the interviews were held in Finnish and later translated into English. This might cause some distortions in meanings or tones of the quotes. There is also always the possibility that people leave out things unsaid, which they believe might be confidential. It might not be possible to get all the insights for this reason.

Myers & Newman (2006) discuss “elite bias” (only interviewing people of high status) and “ambiguity of language”. The former is true in this interview setting; only people from the top management of the companies were interviewed. The latter is not as much about the meaning of conventional words, but sales specific related language and terms might have been misunderstood by the interviewees.

### 3.4.2 Cognitive biases
There is also an apparent risk of a recall bias as the historical interviews rely on the subjects’ retrospection. To mitigate this risk, the questions were formulated in such a way that they did not indicate any “right” answers. Also, both questions focusing on the effectual action as well as causal action were asked, giving the freedom for the interviewees to emphasize whichever they liked. Nevertheless, the recall bias may affect the accuracy of the results, but given the pioneering nature of the work, it is a risk worth taking. The reliability was improved by reviewing all the quotes for the second time and making sure they were coded correctly and consistently.

Also, the selected sample has a success bias because only the ventures that were successful in penetrating international markets were included. This is, however, in line with the study of Fisher (2012), as he also focused on the start-ups that were survivals.

Finally, the results and the interpretations are highly subjective. Thus many quotes are used to help the reader make the judgments for himself.

4 Results
In total seven (7) companies were interviewed that had successfully established sales abroad. Two of them were 2-sided market platform businesses, and were interviewed for comparison to the B2B SaaS companies. One of the B2B SaaS companies had a platform element to it, that helped them scale internationally (Company 5). Each interview took approximately 30 minutes. A summary of the companies’ business models and details about their expansion can be found in table 3.

<table>
<thead>
<tr>
<th>Company</th>
<th>Business Model</th>
<th>Outside funding*</th>
<th>Years in business before opening first international market</th>
<th>Used external sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>Platform</td>
<td>No</td>
<td>0</td>
<td>Yes</td>
</tr>
<tr>
<td>Company 2</td>
<td>B2B SaaS</td>
<td>No</td>
<td>2</td>
<td>No</td>
</tr>
<tr>
<td>Company 3</td>
<td>B2B SaaS</td>
<td>No</td>
<td>0</td>
<td>No</td>
</tr>
<tr>
<td>Company 4</td>
<td>B2B SaaS</td>
<td>Yes</td>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>Company 5</td>
<td>B2B SaaS</td>
<td>Yes</td>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>Company 6</td>
<td>B2B SaaS</td>
<td>No</td>
<td>1</td>
<td>No</td>
</tr>
<tr>
<td>Company 7</td>
<td>Platform</td>
<td>Yes</td>
<td>0,5</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 3: Interviewed companies and their business model, and aspects that affected their internationalisation efforts.

Three of the companies had outside funding to open the first market abroad, but four of them bootstrapped their business. Four of the companies used or tested
using an external sales force or partnership model to open international sales, but not all of them had success in doing so. All of the companies used TEKES funding and opened the first market within two years of being in business. In all cases, one of the founders was heavily involved in selling and opening the first international market, but not necessarily in opening the following international markets.

4.1. Effectuation vs. Causation in decision making

Analysing the interview data revealed interesting behaviour models in decision making. The extent of Causal and Effectual behaviour was somewhat predictable and validated our hypothesis about expert entrepreneurs behaving in a more Effectual fashion, but exceptions did arise. The results of causal actions can be found in table 4, and the results of effectual actions in table 5.

The notable thing about the causal actions is that the 2-Sided Market Platform Businesses (Companies 1 and 7) preferred causal actions more than the B2B SaaS companies in general. However, Company 6 shows a significant amount of causal actions, too. We’ll analyse if the causal actions had an impact in the business opening an international market or not in the analysis section of this study.

Almost all companies used a business plan of some sort. This might have something to do with the fact that either external investors or TEKES had required them to be done.
<table>
<thead>
<tr>
<th><strong>Causation</strong></th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
<th>Company 4</th>
<th>Company 5</th>
<th>Company 6</th>
<th>Company 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gathers information about customer needs to identify a gap</td>
<td>✔</td>
<td>✔</td>
<td>?</td>
<td>✔</td>
<td>?</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Analyzes technological trends</td>
<td>✔ ✔</td>
<td></td>
<td>✔</td>
<td>✔ ✔</td>
<td></td>
<td></td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Maps out (writes up and discusses) scenarios for the firm’s future</td>
<td>✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Creates and compares financial projections for firm growth</td>
<td>✔ ✔</td>
<td>✔</td>
<td></td>
<td></td>
<td></td>
<td>✔ ✔</td>
<td></td>
</tr>
<tr>
<td>Conducts net present value analysis or probability analysis to choose between various alternatives</td>
<td>✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Produces a written business plan document</td>
<td></td>
<td>✔</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Presents a business plan to external audience</td>
<td>✔</td>
<td></td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Establishes an internal reporting structure (management accounts and monthly reporting)</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
<td></td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Designs and implements a clear organizational structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Task</td>
<td>✔ ✔ ✔</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>-------</td>
<td>-----</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Gathers data about the market size and growth:</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Gathers data about competitors</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Analyzes data about competitors</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Uses data about competitors as an input into key decisions</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Articulates a vision or goal</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Holds strategic sessions in which goals are discussed</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Develops a project plan to develop the product and/or services:</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Monitors product and market development in relation to a project plan</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Produces a marketing plan</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Implements and monitors marketing activities in accordance with a marketing plan</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
<tr>
<td>Uses external sales force</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td></td>
</tr>
</tbody>
</table>

Table 4: The results of Causal actions.
<table>
<thead>
<tr>
<th>Effectuation</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
<th>Company 4</th>
<th>Company 5</th>
<th>Company 6</th>
<th>Company 7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Experimentation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creation of multiple different product prototypes</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>?</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>Delivering different services in the process of finding an offering</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Use of different distribution channels</td>
<td>✔ ✔</td>
<td>?</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Use of different revenue models</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Changes the product or service substantially as the venture develops</td>
<td>✔ ✔</td>
<td>✔</td>
<td>✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td><strong>Affordable loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeks out ways of doing things in inexpensive ways</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td>Develops product or service using only personal resources</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does sales themselves</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rapidly changes the offering or revenue</td>
<td>✔ ✔</td>
<td>?</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
<td>✔ ✔</td>
</tr>
</tbody>
</table>
model of the venture as new opportunities arise

Focuses on what is readily available when deciding on a course of action

Consciously rejects courses of action that will lock them in (relationships or investments)

Pre-commitments

Negotiates with other parties prior to having a fully developed product or service

Leverages contingencies

Uses personal network

Table 5: The results of effectual actions.

The notable thing is that all companies except for Company 7 show a significant amount of effectual actions taken. Furthermore, even though the companies did causal actions, in all cases but one (Company 7, again), the number of effectual actions taken is higher than the amount of causal actions taken. All companies did initial sales themselves and leveraged their personal network to open the first international market.
4.2 Effectual and Causal Reasoning by Market Opener

All of the companies that I interviewed showed both effectual and causal reasoning in their decisions and actions when opening the first international market. In the following chapter, we elaborate the reasoning and the decisions that followed. The evaluation of these is done in the analysis chapter, as the actions done when entering the first market differ from the following market, and “are not necessarily best practice”, as the interviewee from Company 2 pointed out.

4.2.1 Causal actions

Starting with goals:
Almost all of the companies interviewed mentioned that their goal was to do business abroad and to grow and conquer markets outside Finland. However, the goals were not very specific but general. As Company 5 elaborated: “We chose the target markets to be Europe, Asia, and North America. We started with Sweden because it is close and we had a lot of users, and its 1,5 times the size of Finland.”
In some cases, the goal was set to go to a specific market, like in the case of Company 3: “We had a goal of going to the US very early, as it was the only place where there was real competition.”

What is notable, is that the two-sided-market-platform businesses, Companies 1 and 7, both said their business was a copy of an existing business, but the market they entered was new.

Planning:
Similarly, the planning the companies interviewed did was in many cases very vague. Four companies out of the seven interviewed mentioned that the plan was to go to the Swedish market “because it was easy”. Company 3 mentioned that they planned the second and third market outside Finland based on some actual facts: “We decided that the second country should be outside the Nordics. We compared Holland and Germany and decided on Holland based on benchmarking we did. The third market was the US as we needed to get into the market early.” Similarly,
Company 5 decide to go to Germany and Italy among the first few based on the data they gathered from the markets there.

Gathers and reviews information about market size and growth:
All companies interviewed, but one, gathered information of the market in one way or another. Company 2 said their market analysis of the first country abroad (Sweden) was a simple one: they are bigger than Finland, we speak the language, and they are close, which means that the flights are cheap.

Companies 1, 4, 5, and 7 said they did actual market research analysis. Some because the investors required it, or in the case of Company 5, the TEKES funding required it. Company 4 had an outside party do a market analysis, but they also mentioned it didn’t help them; “It wasn’t useful as we were creating a new market”. Company 7 said they didn’t do any heavy analysing, but did “analyse if the business will work. [We] checked legal etc. stuff”. Company 1 they read anything and everything online in the beginning: “We had a philosophy of read, read, read. It’s surprising how much information you can acquire by just reading.”

Even though Company 7 mentioned they analysed the market, they also mentioned that it’s impossible to know how the business will be in a specific country by doing the analysis: “There are so many different variables and new stuff all the time, that it’s impossible to predict anything.”

This correlates with the analysis approach the rest of the companies had. Companies 2, 3, 4, and 6 all used a test based research approach and mentioned that conventional market research was too slow. “We believed in learning by doing. If you make 100 calls each day, you automatically start to gravitate to the vertices that are easier to sell. Hitting your head against the wall gets pretty annoying after a while”, Company 7. Similarly, Company 3 validated the market by meeting 100 potential customers. “Our market analysis was to sell to 10 new customers in the market. We didn’t count referrals or the ones that came through contacts. If you get 10, you’ll get 100 customers. If you get 100, you’ll get 1000 [customers].”
Furthermore, Company 2 believed they will learn everything about the market and competitors by discussing with potential customers.

Companies 3 and 4 also used marketing to test the buying signals of a new geographical market, before starting actual sales. “We didn’t do market research to the following countries (they did with the first), but used marketing campaigns and analysed the pickup”, Company 4.

**Calculates the returns of various opportunities:**
What was surprising, is that only Company 6 did any calculations about the first international market entry, and even they were very sales focused and the calculations proved to be wrong and of limited utility in the end. However, Company 1 mentioned they did some calculations to use for fundraising, as the investors required them. The only time the interviewee companies mentioned actively calculating returns of various opportunities was when Company 7 elaborated some of their later market entry strategies into some of the markets. This was because they had bought existing companies to get a physical presence in a country. It is notable, that by this time they operated in more than 10 countries and had significant funding and revenue.

4.2.2 Effectual actions

**Develops multiple variations of a product or service to arrive at a commercial offering:**
Several of the companies interviewed tested different products and business models before arriving at the one they are doing now. However, the testing was done in all cases before expanding to new markets. Some country-specific tailoring was done in almost all companies, but this was more to do with localisation (translations and legal compliance) than with the value proposition or business model.

However, Company 6 mentioned that as “the original business idea was totally different, we had a lot of chaos and mess at the beginning of growing globally. As an example, there where 70% discounts given, and that’s really hard to fix later on.”
Companies 1 and 2 also changed their value proposition before approaching the first international market. Company 1 had a totally different business before finding one that worked. Actually, they found the working value proposition on their third attempt. On the other hand, Company 2 started off with a consultancy business with a messy excel sheet as a tool. This excel was then gradually modified into the software they do business with today.

Regarding the localisation, Companies 2, 3, 4, 5, and 7 said they did translations of their software into the local language. Company 2 even translated their webpage. “We wanted to show (the Swedish market) that we are serious about doing business there, so we did everything in Swedish for them.”

**Affordable loss:**
The affordable loss principle was very visible in all the companies at the very start of opening the first international market. After some of the companies got funding or started to be so big, that they had a steady and profitable business, the actions turned into more causal ones.

In all cases, one of the founding team was doing initial sales, based in Finland and flying to the country to meet the customers and close the deals. “I got a few deals from abroad with huge struggle and messing about, and then I hired a Swede to sell to Sweden (from Finland)”, said the founder and CEO of Company 6. “Then I hired a Brit to sell to Britain and a Spaniard to sell to Spain”, he continued. “It took two to three years of grinding to get it (international sales) off the ground, involving huge volumes of cold calling, LinkedIn-mails, and flying over to meet the customers", he finished.

Similarly, the founder and CEO of Company 1 said he was the first and only sales person in the very beginning. “After hiring the first sales rep, I still was very involved in especially any bigger deal", he continued. With Companies 2, 3, and 6, the starting phase was very similar.
Sweden was chosen as the initial country abroad to conquer by Companies 2, 3, 5, and 6. Company 7 went initially to Russia and Company 4 tried Lithuania and then the UK. Both companies chose these countries because of a coincidental connection they had there, and all the companies chose a close country for similar reasons. “We chose Sweden because it’s close, which means the flights are cheap”, the founder of Company 2 that did the initial selling in Sweden elaborated.

Furthermore, Company 2 continued, “We had the leanest sales force possible (two founders), and made sure we don’t grow our overhead. The idea was to do the first test very simply”, she continued. “We basically opened Sweden by only using our by putting our back into it”, she finished. Similarly, Company 3 mentioned that “we validated the test (doing business in Sweden) during the first employee’s test period to minimize risk”.

**Flexibility & leveraging contingencies:**

As already mentioned, Companies 4 and 7 opened their first markets abroad by leveraging contingencies. Company 4 first got a reseller in the Baltics through an early customer, and similarly, they got their first subsidiary through an early reseller in the UK, that ended up getting them the first funding round, and then setting the first subsidiary up for them. One of the founders of Company 6 had worked in Moscow, Russia, for several years before they founded the business, so they tested the business there. “I knew people I trusted in Moscow, which was crucial. We tested it small, and the third guy that we tested found the right channels and got it to work”, he elaborated.

Similarly, Companies 4, 6, and 7, mentioned contacts playing a crucial part in opening the new market. “We used everything possible to open the new market: friends of friends, referrals from customers, and so on. We got some very important beachheads opened through them”, Company 6 said. “Without personal contacts, it would not have worked”, Company 7 elaborated. Only Companies 2 and 5 said they didn’t leverage contacts in the very beginning, but in the case of Company 2, they
did for the recruiting. “We had this guy, that had a Swedish girlfriend and we needed somebody to move to Sweden, so he did”, Company 2 recalled.

Using contacts didn’t work in all the cases automatically: “We got our 2nd customer from Australia through contacts. It was a different service then. We learned a lot of lessons learned about what not to do, as this is not necessarily the right way,” Company 4 recalled.

Companies 1 and 6 also emphasised the importance of exhibitions and the chance contacts made there. “In the beginning, when there were only a few exhibitions, they really worked for us”, Company 1 recalls. “We had a time where we went to 400 exhibitions a year and got some positive results from them, too. It was a crazy time for the business.” Company 6 mentioned.

After the initial market abroad was set up, the ways to open the next ones differed more. “You could say our go-to-market strategy (after Sweden) was to see which country the wife of one of the employees is from and then send them over to that country to set it up,” Company 2 laughed. Furthermore, many companies credited luck in the actions they had taken. Company 2 opened France, only because they accidentally found the perfect person to be the country manager there. Similarly, Company 4 opened Sweden, because they wanted a certain person to work for them, and he was a Swede and wanted to live in Stockholm.

Luck also played a role in the first customers Company 2 got in Sweden: “We happened to call a company that was just looking for a solution that we offered, so the timing was exactly right. Furthermore, the next customer came through a prospect that happened to have a crush on me, and he referred me to his friend”, Company 2 recalled.

**Partnerships:**
The theory suggests that expert entrepreneurs (that behave effectually) create stakeholder relationships directly, one step at a time, as part of the process of creating a market, firm, or product. A result of this effort is that experts will generate
rich, first-hand knowledge related to the effort and will quickly have a sense of whether the business has real promise.

However, this study shows that customers are the best stakeholder when expanding abroad. Channel partners, however, the deal is built, don’t work unless the venture can add significant value to the channel partner.

For example, Company 4 tried selling through partners in a very early stage and got many partners committed to a revenue share model in EMEA (Europe, Middle East, and Africa). However, “as the consultants are looking at a 100% budget of the customer, they don’t have any incentive to give us 30% if they get it all without selling us. So they had no incentive in the end.” Furthermore, the lesson they learned was, that “you need to be able to first sell the product yourself before you can rely on having a reseller sell it”, they continued.

Similarly, Company 5 recalled that “using resellers is one thing that didn’t work at all”. They did get users through them, but no conversions into paying customers. They continued, that “after the sales model was more formal, scalable, and repeatable, there it was possible to use resellers”. For both Company 4 and 5, the business is seat based SaaS, which means that giving any percentage of the seat price is not enough to motivate the reseller.

Both companies finished with emphasising that partnership models work only during the later stage of the company. “We didn’t understand how much help and support is required before the reseller model starts to work”, Company 5 elaborated.

Companies 1 and 3 haven’t used any partnership models to grow their business. “We want to have focus”, said Company 3. Similarly, Company 1 said that they “want to own the customer relationship”.

The only company that had successfully used any partnership models, was Company 2. Still, calling it a partnership might be exaggerating, as they “used a cold calling company to book meeting in the very beginning, as they can by chance
contact a customer at the exact perfect timing”. They stopped using partners after the business started to grow.

After the business had grown significantly and matured Companies 4 and 6 started to create a partnership model. The key is that “we are the stronger partner in the deal and they can open doors by name dropping us”, Company 4 elaborated.

Starting with means:
Most companies had an approach where they started with a similar philosophy to “Who we are?, What do we know?, and “Who do we know?”.

Company 2 voiced this most strongly, as they “started with nothing” when they opened the first international market. Company 6 had a similar situation, even if they didn’t voice it in a similar way. Both companies 2 and 3 were totally customer funded, even if they did use TEKES NIY funding instrument. These companies all started with a founder-led sales and huge amounts of blood, sweat, and tears. “We only used outbound sales until now, as getting inbound funnels to work, you need to do a lot of up-front investments”, Company 6 elaborated.

To elaborate, all the companies used the Finnish government's funding agency, Business Finland (previously TEKES), both their R&D loans and the NIY (New Innovative Companies) instrument that specifically forces the company to do sales abroad. https://en.wikipedia.org/wiki/Business_Finland

Furthermore, Companies 1, 2, and 7 mentioned they actively used the network they had to grow the business. “I knew a few guys that knew a few guys. This is how we got our first investment”, said Company 1. Furthermore, Company 7 mentioned that because of the founders earlier connections “we got a solid cash flow in 6 months”. Also, Company 2 mentioned that references helped them in the beginning.

Networks were also actively used in recruiting sales professionals to help
international growth. “We had a peer group, through which we’ve got some of our senior hires”, Company 3 mentioned. In one case, even if the recruit didn’t come through the network, it did play a key part in choosing the country that was focused on: “We opened sales positions to sell to all countries (head of sales for the UK), and once we got good hires, that's the country we focused on.

However, Company 7 was the only one that didn’t start with only their means. “We needed to get a lot of users, so we used outside investment to buy users.”
5 Interpretations and Findings

In this chapter we interpret and the findings of the research. There are several areas, where the hypothesis of the behavioural models was proven correct, but also some interesting areas where they were not. We also compare the B2B SaaS Companies and the two-sided-market platform companies and find out what really works and what does not in opening the first international market from Finland.

5.1 Differences between B2B SaaS and two-sided-market Platform Businesses

There were some clear differences between the B2B SaaS Companies and the two-sided-market platform companies. The first and most obvious one relates to the different business models. As the two-sided-market businesses operate on a platform, which needs both sides, the seller and the buyer, or the advertiser, and the user that is advertised to, the product they sell is not only the software but also one side of the market. This means that they need to acquire both sides simultaneously.

In the case of Company 1, they had users but used effectual sales methods to acquire advertiser. Namely, selling “like hell”, overpromising, and using every relationship they could to get them. In the case of Company 7, they operate on a revenue share, where they used a conventional method to get the suppliers of the offering onto the marketplace, and investor money to buy the users (through advertisements).

In contrast, the B2B SaaS companies only needed to get the customers to buy, which allowed them to operate in a leaner fashion. This shows in the timing of acquiring external capital through investments to the business: the B2B SaaS companies only did so in a later phase of their life. Usually to go after a big international market, like the US, as in the case of Company 2, 4, and 6.
Furthermore, the B2B SaaS companies could operate more flexibly if and when they came across positive or negative surprises. The messiness of initial go-to-market strategies, and the focus on pure sales to validate the initial hypothesis of “this will work abroad, too”, are clear proof of this.

5.2 Outside funding and how it affected the companies

All of the interviewed companies raised TEKES funding to grow the business: both R&D loans and through the NIY instrument (which forces internationalisation). However, when we speak of companies that have bootstrapped, we mean the companies that didn’t have any other funding, from Angels, Seed Funds, or Venture Capitalists.

Outside funding obviously played a part in how the companies located in opening new markets internationally: the affordable loss grows, as they have more money to spend. However, some of the companies bootstrapped their business (although some have recently raised funding of the equivalent of a B or C round to find scaling). Furthermore, the funding didn’t always have the intended positive impact, as we will see.

Companies 2 and 6 were the ones that mentioned that they bootstrapped for the longest. Company 2 only raised funding in a very late stage, but company 6 raised some investment after the first proof of concept. “It’s expensive to build a product and this is hard to do with only cash-flow”, Company 6 elaborated. Company 2 used the investment only for scaling the business: “We needed to go to the US market, which is a big investment. We also wanted to make it or break it fast. The problem with a slow and careful start is that the validation of the test takes longer”, Company 2 explained.

Retrospectively, Company 2 reflects that they might have grown faster if they would have taken outside investment in sooner. “If it would have changed something, it would be that we would have started faster to do faster ramp-ups”.
Companies 4, 5, and 7 mentioned that having outside investment played a big part in their internationalisation. “Without the investments, we would not have been able to grow at 300 to 400 % annually”, Company 4 explained. Not only do investor provide capital to internationalise, but they might push it, too: “The big market is global, so the investors expect us to globalise. They gave us resources, but even more importantly, they gave us their network”, Company 5 elaborated. As would be expected, having outside investment enables the company to “move faster and take bigger risks, as the risk is distributed”, Company 7 said.

The downsides of getting outside investment were concrete in the cases of Companies 4 and 6. In both companies having more money lead them to grow their overhead and make quick decisions that they regretted later on. We will discuss these issues in the following chapter. Furthermore, Company 1 mentioned, that when they were looking for investment (in the early 2000ds) there was not much money in Finland, and the US VCs would have invested, but them being a Finnish company was a deal breaker. Hopefully, this has changed in 15 years.

5.3 What can go wrong

All companies, but Company 2, have faced significant setbacks along the way. All of them have succeeded by failing fast and learning from the experiences, however painful they have been.

Company 6 experienced significant growth pains that having outside funding can bring: “We were growing so fast that we were recruiting by just getting people in from the street. We grew from 20 people to 75 in 2 years, which brought all kinds of terrible things with it”, the founder reflected with a smile on his face. “At 80 people we realised, that the house of cards is about to fall if we don’t do something to improve internal communications and clarifying roles and responsibilities, and KPIs”, he continued. “In the beginning a good spirit and loads of work were sufficient, but if you don’t bring order to the chaos, the company will fail”, he finished.
Two companies had troubles with entering the US market. Company 1 was about to get an investment from the US, and one of the founders had just moved over when they turned the company down at the last minute (because they were from Finland and they didn't invest in Finland as a principle). “All hell broke loose”, as the founder reflected, and the whole family had to move back and change their plans. Company 4 had some of their biggest customers in the US, so they got funding to establish themselves there. “We were in a real hurry to set everything up. Basically, I had 8 days to get an office, hire sales reps and do everything else”, the founder recalled. “We did a lot of hasty decisions, and in the end, our inside sales team was closing 90% more revenue than our local office, so we had to close it down and come back”, he elaborated. Similarly, Company 7 opened offices in Singapore and India, among others, but “We went to India too early, and the Singaporean market was too mature for us.”

Companies 4, and 5 had setbacks with resellers: both tried to go global through resellers unsuccessfully. “The idea was to scale through them, but we didn’t understand the amount of support ramping up the process requires”, Company 5 explained.

Company 6 tried almost every trick in the book: “We triad inbound marketing, regular marketing, white papers, gathering emails, had a full-time blogger. We had minute successes, but all was done hanging in a loose noose”.

Other minor surprises happened along the way, especially for Companies 3, 4, and 6: “For us, one of the biggest surprises was that the more South you go, the more flexible the payment terms seem to be”, Company 6 says. “We still have a huge amount of money that we haven’t seen owed to us”, they concluded. “In New York, New York, we were surprised that people don’t want to meet face-to-face, even if their office is just next door from ours. Maybe the rents are so high that they don’t have space for a meeting room”, Company 4 said. Company 3 was surprised about the country-specific differences on sales: “It’s surprising how hard it is to get through
gatekeepers and book a meeting in some countries”, Company 3 recalls. Furthermore, they were surprised how hard the competition on sales employee candidates is in the US.

The last thing that can go wrong is related to sales management. “I didn’t really understand sales management at all then. We looked at numbers but we didn’t really lead sales. Now we invest in sales training, including theory and different sales processes, and decide more analytically than back in the day when everything was about energy”, Company 6 concluded.

5.4 What works in opening a new market

5.4.1 When to open the first international market?

When opening the first international market, all the companies where in a similar situation: the product had been tested in the Finnish market, and some customers had bought it locally. However, the initial first attempt to go abroad happened between 1 month and 2 years from the initiation of the new company. Many of the interviewees also emphasised that “the way we did the first market is probably not the right way, or best practise”, as all the companies changed the approach as they learned new things and the company matured. “You need a crazy and chaotic phase in the beginning, but you also need to create structure from the chaos over time as the business grows”, elaborated Company 6.

5.4.2 How to open the first international market?

A common aspect that seems to work in going abroad, is to do massive amounts of work: “We put our back into it”, said Company 2; “it was brute sales”, commented Company 1; “it was a crazy 2-3 years of working around the clock”, said Company 6. They all did a significant amount of cold calling (80-120 calls each day), sometimes using inbound channels to support this, and flew over to the country to
close the deals. Some flew more than others and the amount was related to the deal size and the affordable loss. “We didn’t travel that much, as Skype works really well. If the deal size is over a certain amount we’d fly over, and now our country manager flies over about once a quarter to meet the customers”, Company 5 elaborated.

In the beginning, all companies used direct sales to open the market. To get to the right customers, many used all the means necessary: both Companies 2 and 6 mentioned buying lead lists. “We just sorted by town and business area and started calling and emailing. In the beginning, we used a shotgun model, but the focus got better over time”, Company 2 explained. Companies 4 and 6 mentioned the difficulty of getting through gatekeepers to book the actual meeting: “We just used brute force to get through [them]”, Company 4 said, whereas Company 6 was more candid: “The best way to book a meeting, was to call the front desk, and if you are polite enough they will give you the direct phone number of the person you want to speak to.” The gatekeepers may vary between countries (the UK is hard), but in the case of Sweden, Company 2 said that it is “just the same as Finland [regarding selling]. The differences between companies are bigger than the difference between countries”, in their opinion.

Once some initial sales have been done, it is good to sell to the same target segment as the Bowling Pin model would suggest: “Once we got a few good customers, the word of mouth factor was great and made selling easier”, Company 4 elaborated. Similarly, Company 6 explained how they used exhibitions to get a few important beachhead customers: “We went to about 40 exhibitions in a year. We didn’t get many customers through them, but the ones we got were very important in the beginning.”

Digital channels were also used, in the cases of companies 3, 5, and 7. All of them used inbound marketing to engage the potential customer, but especially in the case of Company 5, the software was designed to help them globalise: “As it is a platform, with a big free-to-use level, we got automatic globalisation through it. However, we still needed direct sales to convert the users into paying customers”, they elaborated.
5.4.3 Localisation and language

All the companies also localised the offering to suit the target country. In most cases, this was mostly to do with the language and legal aspects of the software. However, it was not only the software that was localised: “We hired local sales people that knew the culture, and lived in Finland, to do inside sales. We always sell by locals to locals”, Company 4 explains. Similarly, companies 2, 4, 6, and 7, said that having cultural knowledge and a native speaker of the target countries language made a huge difference in them being able to break into the new geographical market. “If we would have tried in English, it would not have worked”, commented Company 2 about their entry to the Swedish market. “We did everything in the local language: sales and marketing, support, and web pages”, they elaborate. However, in addition to using a local hired sales force, Company 7 also said that “we also used Finnish inside sales person simultaneously”.

5.4.4 What then? Establishing local offices

Only after initial validation of the market has been done by inside sales, a local sales office was established. “Once we had initial sales [in the new country], the founder and a few others moved over”, Company 3 explains. In some cases, the validation was to get a few customers, in some that the customer base should allow the new subsidiary to break even. Company 2 did so after the local sales representative lived in the country for some time, Company 6 only after a certain revenue target was reached, and Company 7 did so immediately.

Similarly, Company 4 established a subsidiary before initial sales were done in the target country. “It worked as a separate start-up, in the beginning, working from the couch of the local guy, but looking back, we should have done [entered the market] differently”, they reflected. “The right order to grow the business is inside sales, partners, local offices. We learned by doing this wrong. Only once the sales process
had been productised, can one think about using partners to sell for you”, Company 4 continued. Similarly, Company 2 mentioned, that after the sales process is productised, you can consider hiring local sales representatives.

5.4.5 Importance of company culture in subsidiaries

In opening new subsidiaries, implementing the company culture was also an important point that companies 2, 3, 4, and 7 mentioned. "Some parts of the company culture can be localised, but we made sure that some we don’t compromise on. Like the sales models we use.” Company 3 explains. Similarly, Companies 2, 4, and 7 always had somebody from either the founding team or the first market abroad to help in the setup of the next country. Furthermore, the new recruits soften would be sent over to Finland for a training period before starting sales in the new country.

5.4.6 compensations and hiring

Regarding hiring, the general consensus is that local sales hires should sell to the local customers, because of language and cultural issues. However, there are differences in the locale of the office of these recruits: some do inside sales from Finland, and some sell from the local subsidiary. However, in this chapter we discuss where the employees are found and how are they compensated, as there are both similarities and differences among the companies.

Some companies operated on a base + commission model for sales. However, many also used a fixed salary. “In the very beginning, the sales representatives are more missionaries that coin-operated individuals. This is why we didn’t give any commissions on sales”, Company 1 explained. However, they did give stock options and said that “the sales guys are the most expensive employees in the company”.
On the other hand, Companies 3 and 6 used a commission model. In the case of Company 3, it was a no-limit 20% on the first years SaaS revenue, and in the case of Company 6, most of the salary was based on the commission. Having a very brutal commission model results in a high turnover in staff, as it is not for everyone. “The upside we promised, is that the recruit that opened the market can move there once the MRR (monthly recurring revenue) is substantial enough, and three of the early recruits now have done so”, Company 6 elaborated.

Regarding recruitment, all channels were used. Company 1 remembers that “the first sales guy was the least sleazy sales guy I met in an exhibition”, Company 3 mentioned using their network and Company 5 elaborated that the investors were involved in bringing good recruits on. Also, head hunters were used, especially in the case of Company 3 when hiring the sales representatives for the US market. “We got a hit rate of 0.001%, from scouted to recruited, so there is a lot of work, which means it’s good to outsource the effort”, they elaborate.

5.4.7 How to open the next countries?

In a later stage, once the initial market was opened, the ramp up methods changed to some extent with almost all of the companies: both the way to ramp up new countries and the reasons to establish these changed.

Regarding the ways used, they became more formalised: Company 7 had a checklist to go through with every next country, and also established a ramp-up team of experienced pioneer sales representatives, that coached the new ones. Similarly, Companies 2, 3, and 5 had a ramp-up team that travelled to the new locations to help with getting it off the ground. “The same group that ramped up Sweden went to ramp up Holland, but this time we simultaneously recruited local sales”, Company 3 elaborated. “We always have had a Finnish country manager, but local sales guys”, Company 2 clarified.
Furthermore, the ramp-up period got shorter once the first international market was up and running: “The next two countries were opened similarly (to Sweden), but then we started to increase the speed as the business was more stable. This allowed to test and validate the new market faster”, Company 2 explained. This shows how they act as affordable loss grows and the risk profile of the company changes over time.

On the other hand, Company 5 mentioned that they rely on inside sales, and only open a new country once a service organisation is required. This is a common trend, as the B2B SaaS companies grew internationally, they simultaneously started to do more enterprise level sales. “When we started to get enterprise deals, 10, 20, 30 times the normal deal in revenue, establishing a local office made sense”, Company 3 explained. Similarly, Company 4 mentioned, that they open the new market with inside sales, and “only going to go back (open a local presence) when we need a customer success manager there”.

5.5 What drives international growth

The critical success factors in opening the new market are the individuals doing the initial sales: “What matters is, that the sales rep has enough balls to grind through all the shit”, Company 6 bluntly stated. “Many didn’t and either quit or we had to let them go during the process. There was a high turnover in the very beginning”, they elaborated. Similarly, Companies 2 and 3 underline hard work as the key success factor: “It was partially luck, but mostly active good salesmanship”, Company 3 summarised.

But why try to break through to international markets if it is hard? Company 6 admits that there were many times that they could have slowed down and had a good job that pays their salaries. Most companies said that there are so many more opportunities abroad for a B2B SaaS company, that there isn’t any sense not to go.
Furthermore, the TEKES NIY funding instrument drives companies out of their comfort zone to expand abroad.

Furthermore, the attitude needs to be right. Company 1 recalls the initial moments in the very beginning: “I thought that I will hate myself if I don’t try this.” Similarly, Company 3 emphasises the right mind-set: “You need to have the will to go abroad, as it is not going to be easy”. Company 6 is a good example of this: “We agreed in the very beginning with the founders, that we’ll go ‘all in’ with this one (company).” Company 1 concludes: “When you know you’re about to die, you do things a bit differently.”
6 Discussion

The research has clear implications and recommendations for both Finnish companies that are entering a new market and further research of both the linkage of effectuation and sales and the research of market-entry strategies. Also, there are some clear limitations to this research. I'll discuss these in the following chapters.

6.1 Conclusion

In this study, I reviewed the theory of effectual entrepreneurship and compared it with other popular entrepreneurship theories. I viewed them all in the light of selling and opening new geographical markets. Furthermore, I examined other tools and methods entrepreneurs use and tried to find linkages between them and the literature. The finding is that newest methods and theories, like Lean Start-up, have a clear connection with the effectual behavioural theory, although this hasn’t been thoroughly studied.

In the empirical part, I interviewed 5 B2B SaaS companies, and 2 two-sided-market platform companies for comparison, to find out which entrepreneurship theory they subconsciously used; which behavioural theory do their actions fit in if any.

The conclusion is that all of the companies mostly used effectual decision making and effectual reasoning to make these decisions. Especially, the rules of Affordable Loss, and Starting with Means were clearly visible in all interviewed companies. However, the bigger the companies grew, and older and more established they got, the more causal their behaviour became. As an example, they started to analyse opportunities and markets more, and base their decisions on calculations about the potential upside of an opportunity, as well as the calculations about affordable loss. This makes sense, as the companies grew from start-ups into more structured
corporations. Furthermore, the effect of outside funding seemed to speed up this process in all the cases.

The hypothesis of having a fairly fixed value proposition before opening the first international market was proven, as was the one of having a small initial sales force to open the first market abroad. Two of the interviewed companies had tried to go abroad with a different value proposition in the very beginning, but they had to come back and regroup before experiencing success in international sales. In all cases, one or more of the founding team was heavily involved in initial sales when opening the first country outside of Finland, and in many cases continued to be involved in the opening of following countries.

What was surprising, is that all the companies said partnership models don’t work in the beginning, but only at a later stage of the company. This is directly opposed to the effectuation theory, which highlights spreading the risk by sharing revenue with partners instead of carrying all of the risks internally. However, it would seem that the partners for B2B SaaS companies would in many cases be consultants, and incentivising these partners with a revenue share model is not viable, as they usually have their own core business and many software solutions in their portfolio. Only once the B2B SaaS company is the enabler, and the stronger partner in the partnership, the interviewed companies found it a viable channel for them. However, if the partners are customers, that are willing to buy the software even when it doesn’t have all the features they would need, success is more probable. These “R&D customers” become local spokespeople and create new sales opportunities for the company.

According to this study, it would seem, that for a Finnish B2B SaaS company, the best first market abroad is Sweden, even though success was experienced also by opening to the UK and Russia. However, it would seem that having a market that has a “similar business culture, and cheap flights from Finland”, as Company 2, 4, and 6, especially mentioned, would be a winning formula.
Lastly, as the effectuation literature would suggest, the companies interviewed in this study found that the best approach to opening a new geographical market is to just start selling there (Sarasvathy, 2001; Companies 2, 3, and, 6). The market research is done by discussing with prospects and customers, and thus the company finds out what works and what doesn’t. Finally, the validation of the opportunity in the new country is done by having paying customers, not market research graphs and numbers, as Ries (2011) and Companies 3 and 6 mention. In all the B2B SaaS companies, the business was heavily customer funded in the early stage, although some small investment instruments were used. The companies succeeded in this by using a subscription model (which is a part of the definition of SaaS) and by having the customers pay in advance (Mullins, 2014), so they are always cash-flow positive.

6.2 Recommendations

This study indicates, that the effectual behavioural model is very effective in opening new geographical markets. Instead of focusing on calculating opportunities and trying to get investors on board to fund internationalisation, B2B SaaS companies should focus on selling, with the affordable loss principle in mind. In the beginning, scarcity is a good thing, and the companies that got investment for internationalising in the very early stages used the money and failed. Having the customers primarily fund the business guides the company to focus on the things that are important for the customers.

One crucial thing regarding affordable loss principle, is that direct sales and local offices should be established in one country in the beginning. Once the first international market has successfully been ramped up, there doesn’t seem to be any issues with ramping up several new ones simultaneously.

Furthermore, it is important for the companies to start with the means they have: They should ask themselves who are we, what do we know, and whom do we know.
If they have a Swedish speaker in the founding team, it is natural to start selling to Sweden. In the very beginning, leveraging all possible contingencies is also very important. Many of the interviewed companies attributed to luck as part of the success they experienced, but it would also seem that the more they were selling the luckier they got.

The winning sales formula in opening new geographical markets would seem to be the following: start with inside sales and direct sales, once the target market has been validated, open a local office (not necessarily a legal entity, but a local presence), and only after the sales process has been productised, start handing the baton to sales representatives, that are new to the company. These can be local recruits or partners.

Finally, it is important to recruit good and capable sales people that are willing to put in the hard work. Opening the first international market is never going to be easy, and will require vast amounts of grinding and “sisu”, from the individuals and the whole company. It should be a team effort where the whole company is committed to “going all in" in growing the business up to its potential.

6.3 Limitations
The limitations of this study were that only B2B SaaS companies were studied. Other businesses and other business models have different means of opening international markets, as we saw with the two-sided-market companies. The amount of upfront investment required may vary significantly, as the usefulness of direct sales channels.

Furthermore, two failed start-ups were also contacted, as it would have been very helpful to compare the actions they took to understand what works and what does not. However, both companies have gone through bankruptcy fairly recently and the entrepreneurs presumably blame themselves for the failure. Neither returned my requests for an interview.
6.4 Implications for further research

This study suggests that effectuation plays a big role in companies opening new geographical markets. However, there is a paucity of studies on the relationship of effectuation and sales. While my results are based on Finnish B2B SaaS companies, more research is needed to understand if the same applies for companies from other countries, and for other types of software companies, too.

Furthermore, this study only focused on successful companies. It would be necessary to also study companies that have tried to open a new geographical market but failed. The relations between the actions they have taken and the successful companies would shed light on what affects success in opening a new market, and most importantly, what causes failure.
7 References


8 Appendices

Appendix 1: research questions

The point of the interview is to find out:

· what efforts have been made to get global deals / scale up in a specific country

· what has worked and what didn’t work

· the relationship of causation and effectuation in what worked and what didn’t

Background questions

What was the company’s revenue when you decided to sell outside Finland?
How many employees did you have?

Preparation:
How did you decide what market you would go to?
   Did you do market research?
   Did you analyze the market trends before going to the market?
   Did you look at the competition? If so, did it influence your decisions?
   Did you predict ROI when assessing whether to pursue the business?

How did you decide who would be the responsible sales person? Hire local, move, remote?
**Implementation**

What was your go-to-market strategy?
   How did you decide on the strategy?
   How did you implement it?

Describe the first actions you took.
   How did they work?
   Did you experiment with it first / have it as a side project or go full scale straight away?
   How much did you invest in the new market in the first year?

What stakeholders (channels) did you have involved in going to market?

   **Did you form partnerships to penetrate the new market?**
   How were they compensated?
   At what point did you approach the stakeholders for the first time?
   Did you get any pre-commitments from them before launching the service?
   Was the service already developed by then?

Did your hypothesis of what would happen hold?
   What hiccups did you encounter?
   How did you get around them?

What surprised you when you went to the new market?
   Did it present a threat or opportunity?
   Was there any surprising events that helped you succeed?

(Contingencies)
   Did you stick to your plan or iterate on it?
How did you find the product market fit that worked?

Did you use your personal network to advance your business?
   What personal connections did you find particularly useful?
   Customer’s networks?

Describe how you got the initial customers in the market?
   How long did it take to get the first deals?

Did you expect that the same customer acquisition channel would work abroad as what you have used in Finland?
   Did it work? If not, did you ask why?

How have you financed your expansion?
   Outside?
   Tekes?

Did you experiment with different markets before settling on this one?

Did you have to localize your service?
   How did you create the first iteration of the service?
   How ready was your product?
   Did this effect

Did your offering / value prop change once you started in the new market?
   What did you think the initial opportunity was?
   How did you iterate to finalise the offering?
Did you establish an office? (hire a person)
   At what point?
   How long did you use other channels?
   How did you find the first hires?
Partnerhips? Reward?
Will it continue? How did you find them?