

Internationalization in the Mobile Gaming Industry

Multiple Case Study of Finnish Mobile Gaming Firms Entering the Japanese Market

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Abstract

This thesis studies internationalization of Finnish mobile gaming companies in the context of market entry to Japan. The study aims to discover why Finnish mobile games developers attempt to enter the Japanese markets via partnering or direct investment, when they have access to direct distribution in Japan via application stores even if all their operations are located in Finland. Another primary research objective is to investigate what type of entry mode strategies these firms employ. A secondary research goal is to find out how these firms gain intelligence of the Japanese market prior to market entry in order to prepare.

The study is founded upon a review of international business literature focused on internationalization theories and market entry modes. Research on born global companies and international new ventures is studied to gain an understanding of the type of organizations this thesis is focused on, and the main branches of internationalization theory – stages model, OLI paradigm, and network theory – are discussed from the perspective of born globals. A secondary angle is included by reviewing studies on managerial cognition and decision-making, and possible influence of those factors on born global firms' internationalization.

The empirical portion of this thesis was conducted as a multiple case study, with empirical data collected via interviews of the case company's managers and other employees, who are or have been involved in the firms' business development regarding Japan. An interpretivist approach is assumed in order to represent the case companies' experiences as their own perspectives, and thus facilitate deeper understanding and avoid inappropriate generalizations. The purpose is to offer the reader insight into how each of the case companies approaches the subject, and subsequently find similarities and differences between their approaches.

The findings of this thesis explain that before committing to a market entry, firms must conduct a comprehensive scenario analysis where they evaluate their own capabilities, potential risks involved in entering the Japanese market, and achievable rewards. To be able to complete this in a meaningful manner, market intelligence must be collected via the firm's networks or third party providers such as App Annie. Understanding the firm's current situation allows the setting on realistic business goals for Japan, and selecting a local partner can be based on these goals.

Main discoveries from this research are that the primary motivator for the case companies is revenue potential. Other motivators include increased firm valuation and enhanced organizational capabilities. The case companies recommend entering the market with a partner, not independently. In order to learn about the market, the firms utilize their networks extensively.

Keywords mobile games, mobile gaming, mobile gaming firms, internationalization, market entry, entry mode, Japan, Finland, SMEs

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Tiivistelmä

Tämä maisterintutkinnon tutkielma tutkii suomalaisten mobiilipeliyritysten kansainvälistymistä Japaniin laajentumisen näkökulmasta. Tutkimus pyrkii selvittämään miksi suomalaiset peliyritykset yrittävät laajentaa toimintojaan Japaniin partnereiden tai suorien investointien kautta, kun heillä olisi suora pääsy Japanin markkinalle sovelluskauppojen kautta vaikka he pitäisivät kaikki toimintansa Suomessa. Toinen päätavoite on selvittää millaisia strategioita yritykset käyttävät Japaniin mennessään. Toissijainen tavoite on tutkia kuinka nämä yritykset hankkivat etukäteen tietoa Japanin markkinasta sinne laajentumiseen valmistautuakseen.

Tutkimus rakentuu kansainvälisen liiketoiminnan kirjallisuuden pohjalle; kirjallisuuskatsauksen fokuksena ovat nykyaikaiset kansainvälistymisteoriat sekä aikaisempi tutkimus toimintamuodon valinnasta. Born global ja international new venture -tyyppisiä yrityksiä käsittelevää tutkimusta analysoidaan myös jotta lukijalle saadaan tarjottua ymmärrys minkä kaltaisista yrityksistä tässä tutkimuksessa on kyse, ja kansainvälistymisteorian päähaarat – portaittainen malli, OLI-paradigma, ja verkostoitumisteoria – käydään läpi born global -yritysten näkökulmasta. Lisäksi sivutaan johdon päätöksentekoon ja kognitioon liittyvää kirjallisuutta, sekä näiden aiheiden mahdollista vaikutusta born global -yritysten kansainvälistymiseen.

Tutkimuksen empiirinen osuus toteutettiin monitapaustutkimuksena, jossa data kerättiin haastatteleamalla tapausyritysten Japanin liiketoimintaan vaikuttavaa tai siitä päättävää johtoa ja henkilöstöä. Tutkimus lähestyy aihetta interpretivistisestä näkökulmasta, jotta yritysten omaa näkökulma saataisi tuotua mahdollisimman hyvin esille, ja siten sitä pystyttäisi ymmärtämään mahdollisimman tarkasti sekä välttämään aiheettomat yleistykset. Tämän lähestymistavan tarkoitus on selventää lukijalle, miten yritykset käsittävät aiheen, ja sitä kautta löytää yhteneväisyyksiä sekä eriävyyksiä tuloksista.

Tutkimuksen tulokset kertovat, että ennen markkinan lähestymistä yritysten täytyy suorittaa perinpohjainen skenaarioanalyysi, jossa he arvioivat omaa kyvykkyyttään, sekä potentiaalisia riskejä ja saavutuksia joita Japanin markkinaan liittyy. Jotta tämä voidaan toteuttaa, tietoa markkinasta täytyy kerätä yrityksen verkostoilta tai kolmansilta osapuolilta, kuten App Annie -palvelusta. Yrityksen aseman analysointi sallii realististen liiketoimintatavoitteiden asettamisen Japanin markkinalle, jotka toimivat pohjana paikallisen parterni valitsemiselle.

Tutkimuksen tulos on, että yritysten ensisijainen motivaatio Japaniin lähdölle on suuri potentiaalinen lisäliikevaihto. Muita insentivejä ovat yrityksen kasvava arvotus sekä organisaation kyvykkyyden kehitys. Yritykset suosittelvat markkinalle menoa partnerin kautta, ei omatoimisesti. Markkinasta oppiakseen tutkimusyrietykset hyödyntävät laajasti verkostojaan.

Avainsanat mobiilipelit, mobiilipelaaminen, mobiilipeliyritykset, kansainvälistyminen, operaatiomuoto, Japani, Suomi, pk-yritykset

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LIST OF DEFINITIONS

Table 1: List of definitions

Abbreviation	Definition
App	Application. A software product downloadable to mobile devices.
App store	Application store, such as Google Play or Apple App Store, where mobile applications are distributed. They are the primary distribution channel for mobile game developers.
ARPU	Average revenue per user
FDI	Foreign direct investment (see section 1.1)
Free-to-play / Freemium / F2P	A pricing model where the app itself is free to download, but contains items within the app that can be purchased in exchange for “hard” currency.
Gacha	A gambling game mechanic, where the player has a certain probability to receive a specific item of value. Originates from toy vending machines, in which the customer gets to pull a lever in exchange for a fee, and the machine returns a random toy from a limited set of toys.
Hard currency	Real-life currency, as opposed to “soft” currency.
IB	International business (see section 1.1)
IED	International entrepreneurial dynamics (see section 2.2)
IEO	International entrepreneurial orientation (see section 2.2)
IM	Instant messaging
IMO	International marketing orientation (see section 2.2)
INV	International new venture (see section 2.1)
KPI	Key performance indicator
LoF	Liabilities of foreignness (see section 2.2)

1. INTRODUCTION

1.1. Mobile gaming industry

Video gaming has become a business of almost a hundred billion dollars globally, rivalling and in 2015 even surpassing the more traditional Box Office and music industries. Close to a third of that revenue – estimated \$25 to \$30 billion – in 2015 was generated by mobile gaming, with the key markets of USA, China, and Japan driving the growth of the industry. China and Japan alone produced 42 percent of the 2015 mobile gaming revenue, with the USA amounting to another 20 percent of the total (Chapple, 2016).

It seems that video games have indeed become a mainstream medium of entertainment, and similarly mobile gaming has become an everyday pastime for people all around the world. Games such as Angry Birds and Candy Crush have become icons that even people who do not play video games themselves often recognize (Hannah, 2016), and mobile games have started to appear in other media as well, such as in TV series. For example, in an episode of the popular Netflix series House of Cards, the protagonist is seen playing the game Monument Valley on his iPad (Tach, 2015).

The mobile gaming industry has been growing at a remarkable pace also in terms of revenue. According to statistics from Newzoo, global mobile gaming revenue will reach \$36.7 billion in 2016, China being the largest market with revenue of \$10 billion, and globally there are approximately 2.3 billion smartphone users – that is, potential customers for mobile gaming companies (Newzoo, 2016). Japan is the third largest market globally, having been surpassed by China in April 2016 (Wawro, 2016).

Looking at the aforementioned revenues, it is no wonder that mobile gaming is a very lucrative and also intensely competitive business environment, with hundreds of games published every day on the different platforms. Countless individual companies vie for the top positions on the application stores' ("app stores") "Top Grossing" charts, which are charts that rank games based on the gross revenue they generate. The largest companies, such as the industry leaders Finnish Supercell and Japanese GungHo, generate revenues of hundreds of millions or even billions annually (Cowley, 2016a; Jordan, 2014). Additionally, these companies tend to be very profitable – for example, in 2015 Supercell made a profit of 40%, \$921 million, with a total revenue of \$2.3 billion (Jordan, 2016).

What is notable about the mobile gaming business is that it is a young industry, meaning that changes are commonplace. It has existed in its current state for just under a decade, starting with the launch of the original iPhone in 2007 (Feijoo, et al., 2012). It has become very big very fast, and the number of people playing games on their smartphones and other mobile devices has increased dramatically globally since 2007. Interestingly though, in the more mature mobile device markets such as the USA and Japan, the growth has slowed down during the last few years, and the industry seems to have veered more towards a “service angle”: the focus has switched to understanding how consumers use their devices, rather than on selling as many devices as possible as has been the case in “developing” smart device markets where smartphone coverage is still growing. This has pushed also application developers into learning more about their users and analyzing consumer behavior in much more detail in order to develop as attractive apps as possible (Newzoo, 2016).

When I refer to “mobile gaming” in this study, I am referring to digital games developed for mobile devices such as smartphones and tablets, the platforms being Apple’s iOS and Google’s Android operating systems. Handheld consoles such as PlayStation Vita and Nintendo 3DS are not included nor the larger gaming consoles or PC as a gaming platform. This is due to the fact that none of the companies studied in this research are developing games for the latter; they all focus on the iOS and Android platforms. With “mobile games industry” I am referring to the developers, publishers, distributors, and other operators involved with the development and distribution of iOS and Android games.

The mobile gaming industry consists of game developers, publishers, telephone operators, app store operators, advertising networks, handset manufacturers, operating system (OS) developers, and consumers. The role of each of these main stakeholders is defined in Table 2 on the next page.

Table 2: Main stakeholders of mobile gaming industry

Stakeholder and position in value chain	Role
1. OS developers	Provide the software for developers to create games on.
2. Handset manufacturers	Provide the hardware for developers to create games on.
3. Mobile operators	Distribute handsets; control mobile data usage
4. Game developers	Create and develop content.
5. Publishers	Facilitate launch of content; provide developers access to new markets
6. App stores	Distribute games globally
7. Advertising networks	Facilitate in-game advertising; source of revenue
8. Consumers	End-users of mobile games; main source of revenue

The industry-level value chain starts with OS developers and handset manufacturers, who provide the setup; in other words, the hardware and software that games are developed on. Apple and Google are the market leaders in operating systems with iOS and Android being their respective systems. iOS is only present on Apple’s proprietary iPhone handsets, whereas Android devices are manufactured by multiple firms. Mobile operators sell handsets to consumers, but more notably they sell the mobile subscriptions for consumers, and thus also control the mobile data usage. As many contemporary games utilize the data connection in various different mechanics, major changes to consumers’ data connections and bandwidth availability may possibly influence games developers and how they implement game mechanics requiring a data connection.

Many game developers employ publishers, who help the developers gain visibility and more game downloads in new markets, in exchange for a share of revenue. Games themselves are distributed by app stores, the largest of which are Apple’s App Store and Google Play. Other app stores exist and some countries have their own stores, but Google Play and Apple’s App Store are by far the largest globally.

In addition to the aforementioned stakeholders, advertising network companies also influence the industry. These networks allow developers to display in-game advertising in their games and thus generate additional revenue. Lastly, at the end of the value chain are

the consumers, meaning the players who download and play games, and spend money by purchasing premium games or paying for in-app purchases (IAPs) or subscriptions.

According to the annual industry report by NeoGames (2016) – a hub of the Finnish games industry – the Finnish gaming industry is well established and quite large, especially when compared to internationally. Revenue amounted to €2.4 billion (\$2.6 billion) in 2015, growing faster than the global average at 33 percent from 2014, and being a notable contributor to the Finnish economy. It is also estimated that the games development industry is among the third largest in Europe in terms of revenue. It is currently lead by mobile gaming, with Supercell contributing a large portion of the total revenue. At the end of 2015, there were approximately 290 game development companies in Finland, employing circa 2700 people.

1.2. Research setting and problem

“No mobile games market in the world compares to Japan.” (Martos, 2016) This statement describes quite well the origins of this study and the thinking that lead to the selected topic. Japan is unique as a mobile games market, the consumers’ tastes seem to be different from other key markets, and entrance for foreign firms has been difficult. Nevertheless, foreign companies continue attempting to penetrate the market and many Finnish firms have also tried their chances one way or another. Taking into account the statement above, the fundamental question in this study is to discover what motivates these Finnish companies to commit to the risk and investment that is likely to be required for market entry, and how do these firms consider the entry attempt should be conducted. This research is founded primarily upon international business (IB) and internationalization literature, as well as studies on managerial cognition and decision-making. Some gaps are present in the literature, which I will discuss in the following paragraphs.

The mobile games market of Japan has been chosen as the focus of this research for certain reasons: As we have already notice, it is particularly interesting for mobile gaming companies due to many reasons, not the least of which are the very large player base and its importance as a market in terms of revenue potential. However, the Japanese market is largely dominated by local firms, and as mentioned, entry for foreign companies has been considered difficult (Okamoto, 2016; App Annie & Dentsu, 2016). A possible reason for

this might be that traditionally Japanese players have preferred different types of games than, for example, American players (Carlson & Corliss, 2011). Therefore, it appears that non-Japanese companies striving for successful market entry in Japan need to possess a good understanding of the market before they can hope to successfully penetrate.

Contemporary mobile gaming companies can usually be classified as “born global” companies due to the consolidated nature of the mobile application marketplaces, and consequently gaming companies’ direct and immediate access to worldwide distribution for their games. Despite this, at times mobile gaming companies engage in collaborations or foreign direct investment (FDI) in other countries outside their home, or alternatively choose to focus only on their home market’s application marketplace and not even distributing their products outside of the home market. The latter appears to be especially common in the Japanese market. Understanding why and how companies make these commitments is the underlying theme of this study.

Having either own premises or partner activity especially in key markets such as the USA, China, and Japan, appears to have become strategically important for mobile gaming companies, although it could be assumed they are not after the traditional benefits offered by internationalizing, such as securing local factors of production or exploiting economies of scale, since such elements carry less importance in the mobile gaming industry. It is likely that the focus in gaming companies’ internationalization is attaining more information on select key markets. Understanding this eagerness to start operations abroad and why gaming companies consider it important to be physically present in key markets is the first half of the research problem. The second component of the research problem is how Finnish gaming companies approach the market entry: how they learn about the Japanese games market and how such learnings affect their decision-making and strategy in approaching the market.

Academic literature on the Japanese mobile gaming market is not very extensive, and there are only few recent studies on the subject. Due to the rapid development of the mobile application markets and the need for adaptation it imposes on application developers (Roma & Ragaglia, 2016), the insights offered by older literature are relatively limited. However, to understand the peculiarities of the Japanese mobile games market compared to, for

example, its North American counterparts, it is worth discussing the factors that have influenced the Japanese market's development.

The Japanese games market has traditionally been dominated by certain large players such as Nintendo and Sony. These two companies have controlled the portable gaming market for a long time with their proprietary devices, such as Nintendo's GameBoy and more recently Nintendo 3DS and Sony's PlayStation Vita (Chan, 2008). Both companies have also played a major role in establishing the Japanese, and even the worldwide, games industry as a reputable business (Aoyama & Izushi, 2003). These companies have ensured that Japan has a strongly rooted culture of video gaming, although both firms' presence still appears to be more focused on console gaming – both portable and TV consoles – rather than mobile games.

Additionally, Japanese gamers have favored games with brands that they can recognize, and brands and physical presence have been highly important in terms of financial success (Chan, 2008). Thus, many publishers have entered the mobile games marketplace by porting their back-catalogue of successful and recognized arcade games to mobile platforms. Such games have often been quite successful, due to the fact their game mechanics favor quick “three-minute play” style, which is also prevalent in a vast majority of mobile games (Ibid, 2008).

However, there is very little academic research explaining the Japanese mobile gaming market's functions and especially how foreign companies enter the market: what is required for successful market entry; what kind of entry modes are suitable for gaming firms; what adjustments, if any, are needed for marketing or product strategy; how can foreign companies improve their chances of success via market research preceding the market entry – these are all questions that are not adequately answered by existing literature in the context of mobile gaming. Japan has been studied in IB to some extent, but there are no studies investigating foreign gaming firms' market entry to Japan. Thus there is a clear need investigate this setting.

Within the field of international business, the traditionally recognized objectives of internationalization can be very broadly summarized as the search for access to new markets and key supplies, and reducing factor costs such as labor costs. During the late 20th and early

21st century this perception developed towards a transnational model, where the key motivation for internationalization is the search for new knowledge (Bartlett & Ghoshal, 2002). The aforementioned pursuit of information may be a key reason for gaming companies internationalizing to Japan instead of being content with just publishing their products there, but there appears to be little literature focused on the specific motivations of gaming companies to establish operations outside their home country. I aim to contribute to the topic by broadening the understanding on how mobile gaming companies decide to invest to entering a new, challenging market.

Born-global companies have been extensively studied since Knight and Cavusgil's 2004 article that laid the foundations. However, as Cavusgil and Knight mention in their 2015 retrospective of the 2004 article by Knight and Cavusgil, much of the research from the past decade rely on a single theoretical framework such as the Eclectic paradigm or Uppsala model (discussed in more detail in Chapter 2). There also seems to be a need for further research on organizational learning within born-global companies (Cavusgil & Knight, 2015).

As noted previously, mobile gaming is a relatively recent phenomenon in international business, having appeared in the late 1990's and started growing notably in 2008 with the introduction of Apple's iPhone 3G. Despite the exponential growth of the business since then, there still seems to exist a general lack of consensus as to what is the optimal business model in mobile games. (Feijoo, et al., 2012) Whether the most successful model also varies by markets cannot be determined from existing literature either. Furthermore, companies are traditionally seen to transform from local to global over time as they accumulate international experience (Johanson & Vahlne, 1977; Bartlett & Ghoshal, 2002). However, due to the way how mobile gaming industry's value chain has been structured, all developers have immediate access to global markets and the development from local to global does not seem to apply as such. Thus I attempt to shed some light on these topics too by understanding what are the factors that facilitate mobile gaming firms' success in the Japanese market and what kind of changes to strategy are needed.

Overall, the appeal of markets with large customer bases such as Japan is clear due to the revenue potential they offer, but other benefits gaming companies can achieve by expanding

internationally remain relatively ambiguous. This study aims to contribute to the lack of research by focusing on Finnish gaming companies and their methods and motives for approaching the Japanese market.

1.3. Research questions and objectives of the study

The general objective of the study is to learn the motivations why Finnish mobile gaming companies expand their operations to Japan, when they have access to the market even without doing so, and also to discover how they approach the market entry process. The path to achieving this goal is two-fold: First, the aim is to understand what facilitates the companies' decisions to engage in internationalization by branching out to the Japanese market, and how do they gather information to support such a decision. Second, this study seeks to discover if and how such learnings affect the companies' strategy when entering the market, and how they adapt internally and externally (for example marketing, product development, and internal operations) based on their learnings.

The research questions are set out as below:

1. Why are Finnish mobile gaming companies internationalizing by expanding their operations to the Japanese market?
2. What kind of market entry methods are the companies employing when entering the Japanese market and why?
 - a. How do the companies learn of the Japanese market in advance and gain insight that facilitates their decision to attempt market entry?

With this research I aim to provide insight on the topic to the reader in two manners: first, from the academic perspective, the objective is to understand if and how contemporary internationalization theories apply to mobile gaming companies, and second, from the managerial perspective, the goal is to provide managers working in the industry a cohesive view into different market entry strategies into the Japanese mobile gaming market.

2. LITERATURE REVIEW

Over the next pages I will first discuss the organizational types that are known as born-globals and international new ventures, and review studies on their internationalization as well as relevant traditional internationalization theories, after which I will examine research on market entry mode selection. Furthermore, I will study literature on managerial decision-making and its impact on firms' internationalization processes, after which I will conclude the literature review by presenting a theoretical framework that forms the basis for subsequent data analysis.

Internationalization as a field of research and its theories have developed remarkably during the recent three decades. Seminal works of authors such as Bartlett and Ghoshal (2002) on transnational companies and Knight and Cavusgil (2004) on born-global firms have been built upon and developed to better reflect the international business ("IB") environment wherein companies currently operate. New types of companies such as e-businesses have appeared, and internationalization theories have required updating in order to appropriately describe such enterprises (Zander, et al., 2015).

The relatively quick development of internationalization theories can largely be attributed to the rapid evolution of contemporary firms that has been facilitated by the exponential development of modern technology, such as ICT (Alcácer, et al., 2016). According to Alcácer, et. al, we are considered to be living a third industrial revolution – the information age – where “growth is exponential and not linear, ... change pervades social and institutional structures and not just technology and production methods, and ... the impact of new technologies and ways of doing business is systemic, across countries, firms, and industries” (2016, p. 500). The development of technology has led to new ways of organizational decentralization, knowledge creation, diffusion, complexity, inter-organizational collaboration, and wider geographical dispersion of business networks, to name just a few factors (Ibid).

What we immediately see from the works of authors who have commented on IB as a research field, such as the aforementioned notions by Alcácer, et al. (2016) and similar findings by Zander, et al. (2015), is that over the course of the decades since Johanson and Vahlne published their highly considered work on internationalization (1977), international

business has become increasingly complex. This is largely due to the myriad of different modern-day organizational structures, their interplay through various international networks, as well as societal and institutional changes that have followed technological innovations. Consequently, there is a need for updated literature with varying focuses to cover fields of business which do not quite seem to fit the traditional models, such as gaming companies – the subjects of this study. As Zander et al. note in their commentary, the conversation in IB research has shifted from focusing primarily on established, large MNEs toward a wider consideration of different organizations operating under widely varying circumstances (2015).

One specific variety of enterprises that has emerged globally only in the recent years is mobile gaming companies, having become international around 2002 and only truly gained speed after 2007 (Feijoo, et al., 2012). However, the internationalization processes of such companies seem to be largely unexplored in current IB literature. How and why mobile gaming firms expand internationally is an intriguing topic, and to construct a foundation for the analysis of the collected empirical data, I will consult existing literature on internationalization and assess its applicability to mobile gaming firms.

2.1. Born-globals and international new ventures

Due to the way mobile games distribution is provided globally by a small number of application store operators, mainly Apple and Google, any mobile games developer that publishes a game via the application stores can enjoy international presence for their product essentially right from the moment of publishing. Therefore, I will start by looking into what defines a born-global company and an international new venture – both of which are terms used to describe firms that internationalize early in their lifespan. I will also consider how these definitions might apply to mobile gaming firms.

Current research on born-globals has largely been developed upon the work of Knight and Cavusgil, who in their 2004 article note that born-globals “leverage innovativeness, knowledge, and capabilities to achieve considerable foreign market success early in their evolution” (p. 124). They continue by stating that organizational capabilities, which are the key to a firm’s international success, are a development of an organization’s ability to foster innovation, and thus generate new knowledge, which in turn can be developed into

capabilities. The authors also discuss that it is this innovativeness which allows the companies to make successful entries to new markets by adjusting the firms' operations so that they serve the local market optimally.

Knight and Cavusgil (2004) define born globals as firms whose management possesses a global focus and who commit resources to international activities right from the founding of the enterprise. They are founded with international goals emphasized and develop their organizational capabilities towards achieving those goals (Ibid). Cavusgil and Knight argue that "A distinguishing feature of the born global firm is that its origins and fundamental orientation are strongly international" (2015, p. 4). This is how they differ from more traditionally internationalizing companies – that is, firms that gradually expand to other countries after operating domestically for longer periods of time.

A noteworthy attribute associated with born globals is that they often appear to possess a strong marketing orientation. They leverage their technological abilities, innovations and knowledge-based resources in order to sell unique products via individual distributors in worldwide markets (Knight & Cavusgil, 2004). The importance of knowledge as a tool for developing organizational capabilities, and consequently improving firm performance, appears to be emphasized in born global companies. I will discuss the topic of marketing orientation in more detail later in section 2.2.

Similarly, for mobile gaming firms the facilitation of innovation and knowledge-creation, especially regarding games' business models, seems to be of importance. As suggested by Feijoo, et al., developing solid business models is one of the main challenges of the industry (2012). This requirement has become even more pronounced as mobile games have become increasingly reliant on the freemium business model, with in-app purchases accounting to 79% of Apple's App Store revenue already in January 2014 (Hsiao & Chen, 2016, pp. 18-19).

Exploring the literature on born-globals, it quickly becomes apparent that "born-global" is not quite the perfect term to describe internationalized mobile game companies – largely because its definition varies somewhat. Coviello notes that the term born-global is usually used in literature to refer to young firms internationalizing early via export sales (2015), whereas Knight and Cavusgil define born-globals as "business organizations that, from or

near their founding, seek superior international business performance from the application of knowledge-based resources to the sale of outputs in multiple countries” (2004, p. 124). The term is slightly too broad in its scope and indeed does not entirely seem to fit mobile gaming companies, as their products are completely digital and there is no exporting activity involved.

Internationalized mobile gaming firms could be perhaps better classified as international new ventures (INVs). According to Coviello, INVs are organizations that “coordinate multiple value chain activities across borders” (2015, p. 21), with these value chains including activities ranging from exporting and off-shoring to joint ventures and foreign subsidiaries. Dismissing the breadth of this definition for now, this point of value chain coordination is interesting in this context, since mobile gaming firms’ core value chains – the games and revenue generated by them – are funneled through a limited number of application stores, and thus their coordination is relatively centralized. However, the companies are usually involved in other value chains too, such as advertising networks. Thus, the description of INVs given by Coviello (Ibid) is usable in the present context.

Oviatt and McDougall offer a slightly more comprehensive definition of the term: “international new venture [is] a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (1994, p. 49). They continue by describing that INVs are founded with international origins, instead of gradually becoming international like many traditional MNEs. The authors emphasize that the focus is on the age when a firm internationalizes, instead of the size at that point. Thus this depiction would suit mobile gaming companies, who usually aim to release their products in multiple countries right from the outset.

Elaborating on the above topic, four different types of INVs are presented by Oviatt and McDougall, classified according to the number of countries they are operating in and the number of activities they are coordinating abroad. These types are shown below in Figure 1, which is cited from Oviatt and McDougall’s study (1994, p. 59). Based on their categorization, mobile gaming firms could be classified, for example, as “global start-ups” (box number iv) whose business involves multiple countries and who also coordinate value chain activities in several countries. However, such classification is quite arbitrary without

a closer study of the specific company in question, and any broader generalization of mobile gaming firms by organizational structure is difficult.

It is worth considering here that having a game distributed on multiple countries does not necessarily require coordination of value chain activities in all of those countries, since it is the publishing platform (for example Google Play), not the gaming company, that has the direct interaction with the different countries. Thus, a mobile gaming firm could just as well be allocated to box ii of Oviatt and McDougall’s framework as a “multinational trader”.

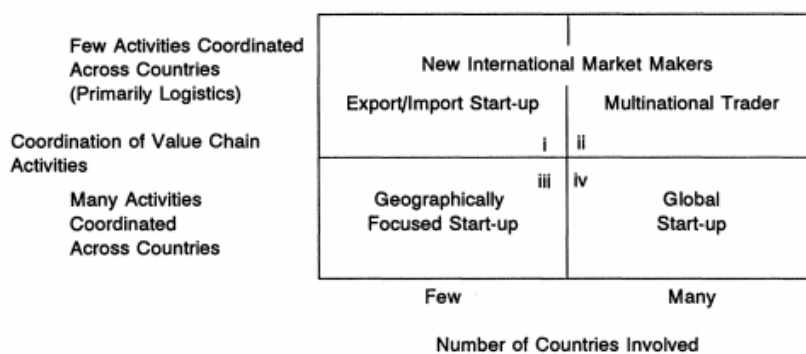


Figure 1: Types of International New Ventures. Adopted from Oviatt & McDougall, 1994, p. 59.

Additionally, Coviello (2015) states that using both born-globals and INVs interchangeably is not accurate, as the two organizational forms differ: The former engage very early on in their existence in exporting activity to global markets, whereas the latter consists of multiple forms of organizational types that internationalize in varying ways (see Figure 1 above). ”Born-global” appears to be a term used more broadly to describe companies whose aim is to engage in global or multinational business right from their founding, whereas ”INV” is used as an umbrella term for more specific classifications of different organizations, as shown above. This same notion is provided by Cavusgil and Knight, who emphasize that born globals are often ”young, resource-poor firms” (2015, p. 4). Nevertheless, the key finding here is that the similarities mobile gaming firms share with born-globals and INVs justify using literature on these types of organizations as the basis for inquiring into these companies’ internationalization processes. In other words, born-globals and INVs are the closest matching organizational models that can be found in current internationalization literature.

Considering that innovation and knowledge creation are key drivers of organizational capabilities, the question then arises of how to foster those. Knight and Cavusgil summarize that innovation originates from internal research and development efforts and imitation of innovations of other firms, that knowledge is the most important resource, and “the integration of individuals’ specialized knowledge is the essence of organizational capabilities” (2004, p. 126). According to the article, born-globals are often entrepreneurially oriented in terms of organizational culture and led by managers with a global vision. To facilitate the aforementioned qualities, “born globals acquire a substantial, fundamental base of international experience and knowledge that traditional MNEs typically have taken longer to acquire” (2004, p. 137).

Knight and Cavusgil also state that early and rapid internationalization is facilitated by the lack of established infrastructure and deeply ingrained managerial methods (2004). They describe early internationalizers as opportunistic, proactive, and quick to act on changes in their environment. Similar attributes are described by Mathews and Zander in their presentation of “international entrepreneurial dynamics” (IED): a model that attempts to describe contemporary internationalizing companies more accurately than, for example, the OLI (ownership, location, and internalization) framework, which they consider outdated (2007). I will discuss the concept of IED in more detail in section 2.3.

2.2. Internationalization of born-globals

Established theories explaining the international expansion of firms revolve mainly around three types of theories, which can be classified as the stages model, network theory, and the eclectic paradigm (also known as the OLI framework). The stages-group consists of theories such as the Uppsala model presented by Johanson and Vahlne (1977), where companies expand abroad in specific steps that follow the firms’ growth. According to the model, the internationalization process begins with non-equity entry modes, mainly exporting, and over time develops into a more capital-intensive modes of operation such as foreign direct investment in the form of joint ventures or wholly-owned subsidiaries (Malhotra, et al., 2003; Oviatt & McDougall, 1994; Oviatt & McDougall, 2005; Coviello & Munro, 1997). Although there is a wealth of empirical supporting these theories, the stages model has been criticised for being limited to only a specific “time-dependent processes and deterministic evolutionary paths (Malhotra, et al., 2003, p. 7)”, that ignores certain strategic elements –

for example, contractual and collaborative entry modes – and is not applicable in all industries, such as high-technology and service sectors (Ibid).

The eclectic paradigm, or OLI framework, is another notable, multitheoretical approach that provides insight into the process of internationalization of firms (Malhotra, et al., 2003; Mathews & Zander, 2007). It explains that successful internationalization attempts contain the three components of ownership (O), location (L), and internalization (I) advantages. These advantages are weighed by four decision criteria of risk, return, control, and resources. The possession of different OLI advantages and perceived tradeoffs between the decision criteria then affect firms' decisions to internationalize and also influence their choice of entry mode (Malhotra, et al., 2003). However, a limitation of the OLI framework is that it is not concerned with the origins of the firm and its competitive advantages (Mathews & Zander, 2007), and that the three explanatory factors, O, L, and I, might overlap and thus lead to redundancies (Malhotra, et al., 2003). Additionally, according to Mathews and Zander, it does not recognize that a firm's internationalization might be a way of "anticipating and building its competitive position - in a way that would not be possible in the firm's domestic market, which may be too small, or too undeveloped, to serve such a purpose" (2007, p. 392).

The network theory arose from concerns regarding the limitations of the stages model and the recognition of increased importance of network relationships in firms' international endeavors. It focuses on a network of inter-organizational and interpersonal relationships (Malhotra, et al., 2003). It is not hindered by the limitations of path-dependency present in the stages model, as it is centered around the dynamics of the internationalization process (Malhotra, et al., 2003), and it is also better applicable when studying the internationalization of smaller organizations and SMEs as it recognizes the potential of networks as sources of competitive advantage (Mathews & Zander, 2007). Its limitation is considered to be its relatively "ad hoc", non-predictive nature (Malhotra, et al., 2003).

Reviewing the aforementioned approaches to internationalization reveals that there is no single over-arching theory that would comprehensively encompass firms' international expansion processes. The concept seems to be too dynamic and context-dependent to unify it all under one approach. Therefore, it is worthwhile to understand all three traditional

approaches and that they all provide a slightly different angle, or focus, to the topic. In the context of this study, it would seem that the stages model is perhaps the most distant match in its explanation of internationalization, with the network approach being the closest suit to the business context studied. Whether this is indeed the case remains to be clarified by the empirical findings.

As a comparison to the traditional paths to internationalization, the IED framework mentioned in section 2.1 deserves closer inspection. It is built upon three components that lead to internationalization: 1) discovering new business opportunities and internationalization entry points by employing entrepreneurial skills, networks, and knowledge; 2) deploying resources via pathways that develop through those entry points; and 3) adapting the resource deployment according to the firm's relation to its competitive landscape (Mathews & Zander, 2007).

To elaborate, the IED framework views companies' internationalization as a set of pathways that develop through the application of entrepreneurial opportunism and knowledge, not a set of strictly defined stages that follow each other. This description is quite different from more traditional IB concepts such as the Uppsala model, which divides a firm's internationalization process into separate, subsequent steps (Buckley & Ghauri, 1999; Johanson & Vahlne, 1977). As Mathews and Zander summarize it, internationalization is "the process of discovering, integrating and adapting new business ideas into the structures and networks of the global economy" (2007, p. 398), indicating that in contemporary IB the process is much more complex than, for example, the international expansion model described by Johanson and Vahlne (1977), which was largely developed upon research of exporting-based companies.

The IED framework is closely connected to the concepts of "international entrepreneurial orientation" (IEO), which refers to "an innovation focused managerial mindset that appears to lead born-globals to pursue a collection of strategies aimed at maximizing international performance" (Knight & Cavusgil, 2004, p. 136) and "international marketing orientation" (IMO), which pertains to a managerial mindset that emphasizes value creation to international customers via key marketing components (Ibid). It is the ability to adjust and adapt the firm's offering and product development, among other qualities, in a complex

multi-country context, and is again based on a vast collection of knowledge that the organization has amassed. Knight and Cavusgil state that these two concepts encompass “the most important organizational culture attributes” (2004, p. 129) in born-global firms, and Cavusgil and Knight’s subsequent revision of the article (2015) also notes that the concepts, especially IEO, have become widely accepted factors influencing especially young companies’ internationalization.

International entrepreneurial orientation is discussed also by Gabrielsson, et al. in their 2014 article, who concur with the notion that the said orientation usually manifests as “innovative, proactive and risk-seeking behavior abroad” (p. 447). Their study of four Finnish technology international new ventures revealed that all four firms relied heavily on innovativeness in product development as well as commercialization and growth management. However, they also discovered that as the firms grow, the requirement for more formal management and infrastructure becomes increasingly necessary. This would indicate that there may be a point in born-global companies’ growth process where too rapid or uncontrolled innovation may actually lead to inefficient operational performance. Whether this is the case among mobile gaming firms is unknown, since often such firms tend to remain quite small in terms of organizational structure and number of employees.

Gabrielsson, et al. also describe international marketing orientation, describing it as the “proclivity of the firm to seek superior value for its foreign customers (Gabrielsson, et al., 2014, p. 448)”. Elaborating on the above, this refers to the company’s ability to coordinate its own limited resources according to market needs, as well as adapt to individual customers and business environments in a multi-territory setting. The study discovered that importance of international market orientation was high during the early growth phases of the companies, but decreased as the firms grew and matured. However, it remains ambiguous why exactly this is, although it is noted that it was at least partly due to reduced responsiveness from the customer side. Again, it is unclear whether this applies to mobile gaming firms and to what extent.

Knight and Cavusgil have conveniently summarized the relation of IEM and IMO and firm performance, as presented below in Figure 2.

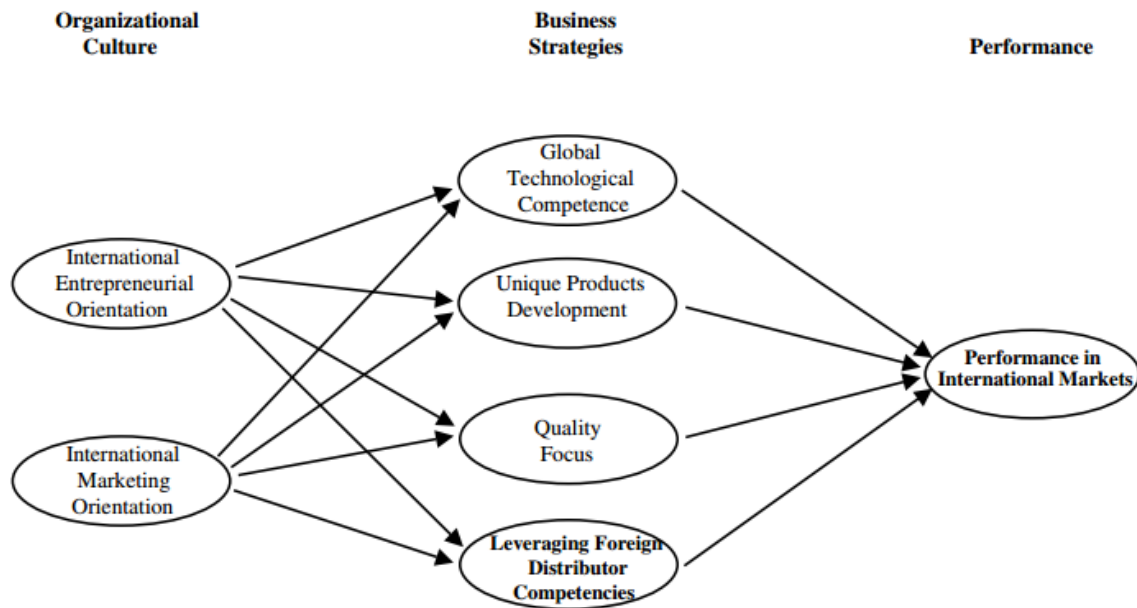


Figure 2: Conceptual framework of IEM and IMO. Adopted from Knight & Cavusgil, 2004, p.129

What we can see from Figure 2 is that IEM and IMO are fundamental elements of born globals' organizational culture, originating from the firms' managers. Similarly, they are a major source for the development of born globals' organizational capabilities and key drivers of performance (Knight & Cavusgil, 2004; Cavusgil & Knight, 2015).

The underlying theme connecting the IED framework to the IEM and IMO concepts discussed above, and which also pertains to mobile gaming firms due to their quite entrepreneurial nature, is that firms internationalize because the environment facilitates and almost requires that – it is a process of integration to the global economy (Mathews & Zander, 2007). It is a dynamic and continuous process where firms act on business opportunities by employing their accumulated knowledge and external networks in order to develop their organizational capabilities – by attaining further knowledge and expanding existing networks or creating new ones.

As Finnish mobile gaming companies seem to be mainly small to medium sized enterprises (Neogames Finland, 2016), these aforementioned findings on IEO and IMO imply that emphasis should be put on investigating the case companies' international entrepreneurial orientation while conducting the empirical research. The marketing orientation of Finnish mobile gaming firms should be explored too, as it does not seem to be common for mobile games developers to customize their products according to specific markets – however, this

is likely to be developer-dependent and in other aspects mobile games companies might be more international market oriented.

In addition to IEO and IMO, the importance of different types of external networks is another key notion for this research that appears in contemporary internationalization literature (Alcácer, et al., 2016; Brouthers, et al., 2016), as has already been noted. Cavusgil and Knight (2015) also note that early internationalization efforts benefit greatly from access to such social capital, and companies lacking resources or experience can successfully internationalize by utilizing broad business network relationships that allow access to financing, key contacts, and market access, among other things.

The role of external networks in internationalization has been discussed extensively also in international entrepreneurship literature, where networks are similarly seen as having a major impact on a firm's internationalization (Oviatt & McDougall, 2005; Coviello & Munro, 1997). Oviatt and McDougall explain that once entrepreneurs recognize or act upon business opportunities, "the entrepreneur uses established network links that cross national borders to explore where and how quickly the opportunity can be exploited in foreign locations" (2005, p. 544). Here again it can be seen that the networks facilitate knowledge accumulation for the internationalizing firm. Knowledge, in turn, of both the market conditions as well as the firm's product or service offering acts as a factor moderating the speed of exploiting the internationalization opportunities (Oviatt & McDougall, 2005).

The importance of network relationships can be clearly seen in the mobile gaming industry. Organizations such as the International Game Developers Association (IGDA) and NeoGames exist to bring together developers from same regions. (The International Game Developers Association, 2014). The existence of these two organizations is a good example of the industry's reliance on knowledge, networks, and innovation as key drivers of organizational capabilities.

Furthermore, networks down the value chain are of vital importance to mobile gaming firms: having a substantial enough end-user network, or player base, is important in order to ensure any kind of adequate revenue (Roma & Ragaglia, 2016). On a similar note, Brouthers, et al. (2016) have studied "iBusiness" companies, relating to firms such as eBay – or the application stores where mobile games are distributed – that do business by providing an

electronic platform or service for other parties to then do further business on. They found that when internationalizing, these iBusiness firms' main challenge and focus is to overcome the "user-network outsidership", and they expend resources mostly on attaining a sufficiently sized user base for their service.

The aforementioned challenge of iBusiness firms is part of liabilities of outsidership (LoO), and the same challenge can be seen to apply to mobile gaming companies as well, because their revenue is often connected to the size of their user base as mentioned above. Continuing on, Brouters, et al. explain: "Liabilities of outsidership combines concepts from both internationalization process and network theories to suggest that when a firm enters a new foreign market it might be an outsider because it has few relations with other firms and potential collaborators in the foreign market". (2016, p. 514)

While mobile games companies might not necessarily require relations to other local firms or collaborators in order to access the market when entering a new one such as Japan, thanks to their distribution being handled by an established application store, it could be postulated that they might still depend on such networks to understand the market's consumer behavior, for example. Also, Brouters, et al. (2016) note that while transferring the product to a new market is usually inexpensive and relatively straightforward, iBusiness companies cannot transfer their existing user base, and that results in a major risk: "Because an ibusiness firm only generates value when a critical mass of users adopts its platform, it has to figure out how to build a new user base in the new foreign location. This can only be achieved if the ibusiness firm succeeds in getting potential users to adopt" (2016, p. 518). As mobile games distribution is provided by the game companies' partners, this poses an interesting question of the importance of networks as a mean for attaining the "critical mass" in the user base.

It is also probable that internationalizing mobile games firms also encounter liabilities of foreignness (LoF) upon market entry, at least in the earliest phases. Although Brouters, et al. (2016) found that iBusiness companies are less encumbered by LoF due to the completely digital nature of their product, which allows them to avoid much of the investment risk that physical product based firms encounter, they must still overcome issues such as legitimacy. This may originate from multiple sources for iBusiness firms, such as discrimination due to foreignness – the local consumers preferring similar products offered

by local enterprises over those of foreign ones – and differences in technological standards, which may require changes in their product and thus carry additional investment risk. Especially the notion on discrimination is interesting, since the Japanese mobile gaming market is quite heavily dominated by local companies.

Yu and Kim have studied LoF in the Asian business context, noting that a prominent challenge for non-Asian multinational companies arises from the Asian business systems that are very much centered around the strong networks of inter- and intra-firm relationships. The authors describe two essential strategic elements that facilitate an international company's competitiveness: firm-specific and location-specific advantages. As the terms suggest, the former refers to the firm's intrinsic capabilities and knowledge that improve its competitiveness, and the latter to advantages gained by locating certain operations to particular countries. According to Yu and Kim, both of these advantages are hindered by LoF present in the Asian business context.

Yu and Kim (2013) break down LoF into two cost components: costs of multinationality (costs of transferring existing firm-specific advantages to the new host country) and costs of foreignness (costs incurred from accessing local resources and developing location-specific advantages in the new host country). The authors discovered that in the Asian business environment foreign firms benefited less than their local counterparts from the same amount of location- and firm-specific advantages, and that the cost of multinationality is more persistent, meaning that companies generally struggle in transferring their firm-specific competitive advantages to Asian countries. They argue that this is a major reason why many foreign companies struggle in Asian markets, and suggest that instead of attempting to overcome LoF by transferring their firm-specific advantages to the new country as they are, companies could rather develop new firm-specific advantages fitting to the new market. Although the study of Yu and Kim was conducted on the asset management industry and thus the generalizability of the findings is limited, their conclusions are interesting as they emphasize the issue of LoF in the Asian business setting in general, rather than focusing on the specifics of the selected industry.

Based on the above findings from literature, it could be surmised that mobile gaming firms' priority objective for internationalization should be the acquisition of new, market-specific

knowledge, which should consequently be employed in further development of organizational capabilities. To be able to obtain such knowledge, the firms must be able to build, access, and/or enter appropriate networks, both up and down their value chain. While doing so, they must be able to overcome liabilities of outsidership and foreignness that might arise from the local conditions of the markets the companies have decided to enter.

2.3. Strategies for market entry

Having discussed above the main advantages that mobile gaming firms are likely to be pursuing by internationalizing, as well as the main challenges they are probably encountering while doing so, I will next investigate different entry mode strategies that are described by contemporary literature. Because a comprehensive analysis of all of entry mode research would be too extensive for the purposes of this study, I will be focusing on literature that is most relevant to the subject of this research – that is, the type of entry modes described by contemporary literature and literary findings on SMEs' entry mode selection.

The choice of entry mode is one of the most important but also difficult decisions an internationalizing firm must make (Morschett, et al., 2010). Important, because it can potentially have a notable effect on both the firm's performance in terms both financial (transaction costs) and non-financial (value enhancement), and difficult, because it may be very costly or difficult to switch the entry mode once committed to one (Brouthers, 2013).

In contemporaneous IB literature firms' entry mode decisions are investigated commonly by utilizing two perspectives: the transaction cost and institutional theories. The former explains that entry mode is selected by assessing the costs and benefits associated with sharing equity versus retaining full control, and that different entry modes carry different requirements in terms of investments, risk, and control (Nielsen & Nielsen, 2011). Institutional theory on the other hand is based on the notion that uncertainty resulting from the external environment, for example the new host country's institutions, business environment, and cultural variables, influences the choice of entry mode (Ibid). The institutional theory is essentially building on the transaction theory by including cultural, institutional, and other similar more qualitative variables to the transaction theory's more quantitative approach. Thus we can see that neither theory should be considered only by itself when studying firms' entry mode selection processes.

Entry modes are generally classified into equity modes (wholly-owned subsidiaries and joint ventures) and non-equity entry modes (exporting, licensing, and other contractual arrangements) (Maekelburger, et al., 2012). Literature generally tends to focus on the equity modes – or more precisely, the wholly-owned and shared control modes – which usually involve a higher amount of control and involvement from the internationalizing firm (Morschett, et al., 2010; Brouthers, 2013). It is also generally noted that such modes that retain higher control are riskier, because they are less flexible and often involve more investments that cannot be reversed (Nielsen & Nielsen, 2011).

Traditionally there has also been a trend to concentrate mostly on larger MNEs, although more recently SMEs' entry mode strategies have also been brought to the spotlight by authors such as Laufs and Schwens (2014) and Maekelburger, et al (2012). Additionally, similar limitations in existing knowledge are mentioned by Hennart and Slangen, who explain that although there have been a number of meaningful and novel theoretical contributions to entry mode research within the last decade, there is still a need for further empirical research to complement and further develop the field (2015). Summarizing the key focus areas for further studies, they suggest the following questions: “(1) What determines the evolution of operations resulting from suboptimal mode choices? (2) What causes firms to replicate past mode choices? (3) How is the entry decision process structured?” (2015, p. 120). From these, especially the third question is of interest and in the focus of this study and I will discuss this in more detail in section 2.4.

There appears to be another limitation in existing empirical research on entry mode strategies: As mentioned earlier, traditional theory has considered internationalization as a process divided in identifiable stages and often beginning in markets resembling the company's home market (Johanson & Vahlne, 1977), but as we have already discovered from more recent literature, this does not seem to be entirely the case with companies that utilize networks of external relationships as competitive advantage (Mathews & Zander, 2007). This type of limitation of scope can be seen in studies on the choice of entry mode, as literature on the subject has traditionally tended to focus on the transaction cost explanations (Brouthers, 2013). According to Brouthers, “Transaction cost variables are concerned with the costs of integrating an operation within the firm as compared with the costs of using an external party to act for the firm in a foreign market” (2013, p. 2).

Transaction costs are thus essentially additional costs that are incurred by transferring operations to and monitoring them in another country, and would be avoided if a firm did not expand to the new country. However, as noted earlier, the transaction theory in itself is likely not an adequately comprehensive model to explain all the variables influencing entry mode choices.

When considering SMEs, the choice of entry mode is of paramount importance due to certain challenges they face (Laufs & Schwens, 2014). This is largely due to their constrained resources, and as such SMEs usually cannot afford to commit to an inefficient entry mode due to the associated transaction costs becoming too burdensome. Research also shows that SMEs are subject to liabilities of smallness: they might lack experience or knowledge of operating in international markets, which causes internal uncertainty and might consequently lead to opportunistic behavior in the new country on behalf of the local business partners. Empirical evidence has also shown this to lead to SMEs often opting for less capital-intensive entry modes to avoid risking too costly investments, which might even endanger the survival of the firm itself (Maekelburger, et al., 2012).

Furthermore, SMEs opportunities or freedom for choosing an entry mode are limited by their sensitivity to external influences. They can usually be heavily affected by technological, political, institutional, or other similar changes in the market environment. It is due to these reasons that SMEs often opt for entry modes requiring smaller investments (Maekelburger, et al., 2012; Laufs & Schwens, 2014). For example, Knight and Cavusgil noted in their study of born-globals that exporting was favored as an entry mode among their sample companies exactly due to its low capital and investment requirements (2004).

Additionally, Laufs and Schwens describe an attribute shared by many SMEs which may also influence their entry mode strategies: the ownership structure (2014). SMEs are often family-owned, which is a factor that can dictate their internationalization process, as the authors explain: “it is likely that their strategic orientation, particularly with respect to internationalization, is inseparable from the owners’/founders’ personal objectives, which often reflect their personal needs, values, beliefs, and philosophies” (p. 1111).

To mitigate the aforementioned risks, SMEs can employ two types of safeguards: knowledge and institutional safeguards. These are described in detail by Maekelburger, et al:

Knowledge safeguards refer to the SME's internal capability to reduce uncertainties and include means such as information on the host country's business environment collected from their external networks, host country connections, or even imitation of best practices of other firms operating in the country. Institutional safeguards include property rights protection, such as comprehensive intellectual property protection legislation, and cultural proximity, referring to how close the host country is from a sociocultural perspective and how similar its business environment's operating methods are (Maekelburger, et al., 2012).

It is worth noting that such safeguards are primarily means for reducing uncertainties, and not necessarily always available in every international expansion. For example, a Finnish gaming company expanding to China would have to consider China's intellectual property laws and their differences to the Finnish counterparts. Likewise, Finnish mobile gaming companies expanding to Japan might not have immediate access to Japanese mobile games firms' best practices, nor could they expect a close cultural proximity. In such a situation the Finnish firm would have to evaluate whether it is willing to face these risks in order to attain the benefits it has assessed to be achievable by expanding to Japan. In light of this discussion, it would seem that for the average Finnish mobile gaming company, a non-equity entry mode would be the most fitting due to the lower financial risk associated with such modes, whereas capital-heavy strategies such as establishing a wholly-owned subsidiary should be avoided, again due to the much higher investment required and risk acknowledged.

As has already been noted earlier, there seem to exist very few, if any, studies focusing particularly on mobile gaming companies and their international expansion. Due to this, and the aforementioned limitations on existing research, this study's aim of discovering the selected entry modes of the chosen case companies is well-founded.

Thus far I have discussed internationalization from the perspective of organizational structures (born-globals and INVs), key concepts influencing firms' propensity and probability to engage in international expansion (network theory, IED, IEO and IMO) possible benefits gained from internationalization, as well as challenges posed by the process. Additionally, I have reviewed research on entry mode selection as it pertains to SMEs in particular. A common denominator in most of the reviewed research and theories is that they assume a "rational analytic" decision maker (Morschett, et al., 2010).

Although most of the literature covered in this study consider that it is reasonable to assume that managers are aware of the fundamentals of entry mode selection and the costs and potential advantages associated with it, there exists recent literature that aims to discover whether this is in fact the case, or whether at times decisions on internationalization are made with less than adequate knowledge (Ji & Dimitratos, 2013). The next section will focus on this specific topic and its impact on internationalization of Finnish mobile gaming firms.

2.4. Managerial decision-making and its influence on entry mode

To gain a better understanding of how companies reach the decisions to expand abroad, I will next review studies on managerial cognition and decision-making. The purpose is to discover what is the role individual managers' decisions play in companies' internationalization processes and especially entry mode choice, how do managers make those decisions, and how can organizations capture learnings from the new markets and utilize them in refining their organizational capabilities.

There is a consensus in existing research that managerial cognition has a major impact on firms' strategy and performance (Apfelthaler, et al., 2011; Brouthers, 2013; Maitland & Sammartino, 2015b). However, while this is widely recognized, it is also noted that the understanding on the topic needs to be further developed, which is why further empirical research on the subject is welcome and needed (Maitland & Sammartino, 2015b). Furthermore, Maitland and Sammartino (Ibid) explain that research conducted during the previous five decades has given widely varying results, and it is not yet understood well enough what exactly it is in managerial decision-making that has the greatest impact on firm performance, and how it is enacted. Interestingly, managerial cognition as a field of research seems to be in a relatively similar position as internationalization of the firm, in that in both disciplines there is still a definite need for more in-depth research into what exactly affects firm performance and how.

To better understand managerial cognition and its effect on firm strategy and performance, a fundamental concept to note is bounded rationality. Boundedly rational decision-making is a core assumption in currently reigning internationalization models – an assumption that “acknowledges constraints on individuals' ability to perceive, process, store and retrieve information” (Maitland & Sammartino, 2015b, p. 736). In essence, it refers to the limitations

on a person's rationality and ability to make decisions caused by the (limited) availability of knowledge, past experiences, environment, time constraints, and other similar reasons (Johnson & Hoopes, 2003; Kunc & Morecroft, 2010; Maitland & Sammartino, 2015b).

Bounded rationality is of importance to internationalization studies because it emphasizes the notion that managers' decision-making is based on limited information and constrained cognitive processes. As Maitland and Sammartino explain, most existing internationalization theories are based on the assumption that this is indeed the case, but they do not differentiate how exactly bounded rationality affects the internationalization and performance of firms (2015b). In other words, it is recognized that managerial decision-making is based on bounded rationality and that individual decision-makers have a notable impact on firms' performance, but the specific ways how these constrained cognitive processes impact firms' capabilities and actions have not yet been comprehensively discussed. Thus, it seems that there is a gap between managerial cognition and internationalization theories.

Maitland and Sammartino also note that it is not currently well known what type of processes boundedly rational managers use to make sense of the uncertainties associated with international expansion, when they have to operate with limited information: "Existing models and empirical studies are missing consideration of how these cognitive constraints ... impact: (1) the sense making processes involved in assessing where and how to expand a firm's activities and; (2) the knowledge source (what to look for, how to analyze it and its implications)" (2015b, p. 754). To paraphrase, the ways how individuals discover and process internationalization opportunities and related knowledge, and subsequently utilize it in their firm's internationalization process, has not been studied to such an extent that we would have a clear understanding of the subject.

These notions are of key importance to this study, since the aim is to discover why and how Finnish mobile gaming firms decide to internationalize to Japan and how they prepare for it, and thus a prerequisite is understanding how these decisions are made in the selected companies. The value of studying managerial cognition for this study is also emphasized by Japan being the focus country, as the cultural, psychic and institutional distances between Finland and Japan can be considered to be higher than, for example, between Finland and

USA or another Western market. Maitland and Sammartino have noted that the greater these distances, the more reluctant firms usually are to enter the market, or the greater the difficulties in transferring firm-specific advantages to the new market (2015b). This relates to the concept of LoF discussed earlier in section 2.2 – the higher the LoF associated with a new market, the higher the reluctance to enter that specific country. Interestingly, many Finnish mobile gaming companies do not seem to exhibit such reluctance, as can be seen from the number of firms that have entered the Japanese and/or other Asian markets. Discovering the reasons for this are, as mentioned, among the key objectives of this study.

As an attempt to summarize the types of questions managers must consider and make sense of when making internationalization decisions, Maitland and Sammartino devised a model of seven knowledge domains, as represented below in Figure 3, which has been adopted directly from the authors:

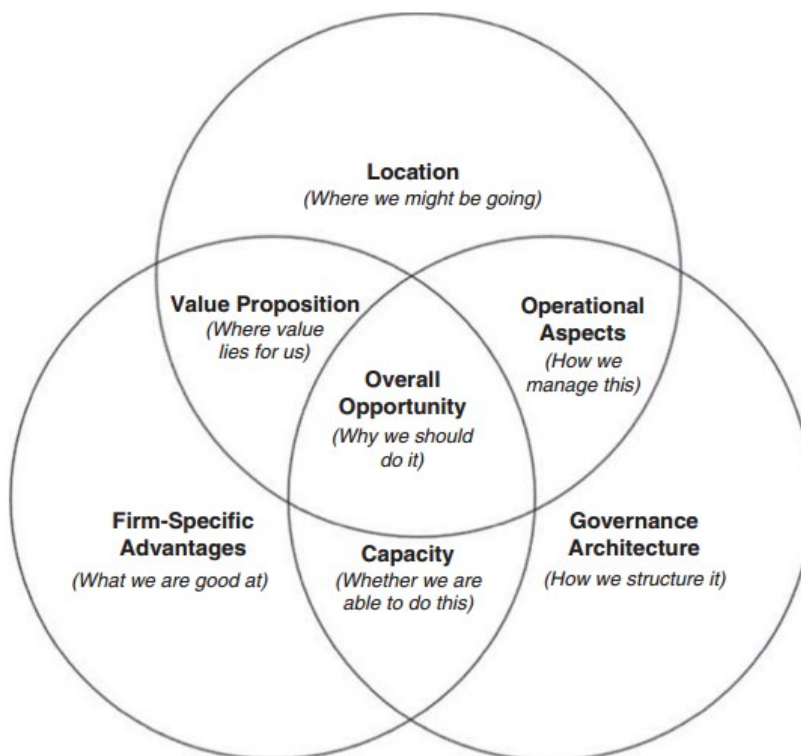


Figure 3: Knowledge domains. Adopted from Maitland & Sammartino 2015b, p. 737.

Figure 3 can be roughly divided to three “foundation domains”: 1) Location, which includes elements that describe the host country’s external environment, such as institutions, local market conditions, and access to local resources; 2) firm-specific advantages, meaning the internationalizing firm’s organizational capabilities; and 3) governance architecture, which

describes elements arising from the organization of the internationalizing venture – for example, challenges caused by managing the host country operation from afar.

Comparing Figure 3 to internationalization questions discussed in section 2.1, such as entry mode choice and overcoming LoO and LoF, we can see that Figure 3 offers a convenient guideline for preparing for international expansion: First, the choice of entry mode falls under the “Governance Architecture” and “Location” foundation domains. To choose the optimal entry mode, a firm must know where it is going to and what kind of an environment there exists, as well as how they are going to organize their international operations in that country. Second, challenges presented by and questions arising from LoO and LoF largely fall under “Firm-Specific Advantages”, although they do overlap the other foundation domains too.

The authors utilize this Venn diagram further for emphasizing the interdependencies between the issues that managers are faced with, which helps to distinguish how different aspects of the internationalization process may influence each other. As noted above, many of the challenges in internationalization are interlinked and thus need to be considered from multiple angles. Thus, for the purposes of this study, Figure 3 by Maitland and Sammartino offers a useful platform for dissecting and then analyzing the questions that individual decision-makers are faced with, as well as the cognitive processes of managers. Additionally, it serves as a basis for developing the interview questions for the collection of empirical data.

Having established that individual decision-makers play a key role in internationalization, as well as discovering an outline of the types of questions that managers must face during the internationalization process, it is now worth noting that individual decision-makers’ “global mindset” is of much importance for their firms’ performance, not only their accumulated international experience. Global mindset is described by Gupta & Govindarajan as a disposition of “openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity” (2002, p. 117, cited in Andersson & Evers, 2015, p. 266).

Apfelthaler, et al. (2011) found that possessing a global mindset is of even higher value than earlier international experience in determining a firm’s international success. This notion was echoed also by Oviatt & McDougall (1994), who observed that the performance and

success of INVs seemed to be heavily affected by having a global vision right from the outset. Similarly, Maitland and Sammartino (2015b, p. 754) describe the importance of global mindset by concluding that “for major strategic decisions, key decision-makers’ mental models may always play a critical role in appraising firm-level capability and knowledge deficits, outsider status, and an appropriate international expansion choice”.

The aforementioned notion is interesting, because it generates a certain “chicken vs. egg” type of a situation: possessing a global mindset is considered more important than any specific type of international experience, but in order to develop a global mindset, managers must attain a certain degree of international experience (Apfelthaler, et al., 2011; Nielsen & Nielsen, 2011). This can obviously be circumvented by hiring managers with appropriate qualifications, but for SMEs this might not always be an option, due to the resource constraints they are commonly facing (Laufs & Schwens, 2014).

Apfelthaler, et al. (2011) elaborate on the point above, saying individual managers’ openness and willingness to change, diversity, and international settings is of significance to both the individual and the organization. Thus it appears that the exact type of international experience managers have is less relevant, and the important factors for fostering individual learning, developing organizational capabilities, and eventually being able to make better decisions during the internationalization process, is managers’ exposition to enough international experience and being open to individual learning, which facilitates the development of a global managerial mindset.

Research on individuals’ heuristics and experience in decision making and uncertainty offers similar insight: in an internationalization process, possessing a broad rather than a deep set of international experience from a wide variety of tasks was found to be more beneficial in making strategic decisions in a high-uncertainty environment (Maitland & Sammartino, 2015a). Similarly, deep domain-specific expertise can potentially “handcuff” individuals by hindering their ability to adapt to dynamic environments that require adjustment of previously gained knowledge (Ibid). These findings also support the previous paragraph’s notion that to improve the probability of success in firms’ internationalization, managers with international experience from varied tasks and sources would be preferable to experts with a deeper but narrower skill set.

It appears that possessing and refining the global mindset is a key component in internationalizing – as well as developing competitive advantages – especially in smaller organizations where the role of the CEO or other of individual managers is promoted. When studying the internationalization of small firms, Kyvik, et al. (2013) discovered that CEOs are considered drivers of change and learning, and that their personal vision and mental model often guides the internationalization path the firm takes. Similar findings are provided by Apfelthaler, et al., (2011) who explain that in SMEs the managers' personal attributes have a major influence on the firms' strategy, partially because the managers tend to be more personally involved in the firms' strategic decision making, and also because the number of such decision-makers is usually lower in SMEs than large firms. Thus the managers' personal mindsets eventually reflect upon the internationalization process and performance of their firms.

The studies of both Apfelthaler, et al. (2011) and Kyvik, et al. (2013) suggest that global mindset can make the difference between success and failure, and that it can be developed and refined, both on individual and firm level, and should be considered a source of competitive advantage. Organizations should allow their key decision makers to approach internationalization with a level of openness and experimentation to allow the accumulation of international experience (Apfelthaler, et al., 2011). Furthermore, they should have processes and tools in place that allow them to capture the accumulated learnings and then utilize this knowledge to further develop their organizational capabilities (Ibid).

As we have recognized, the development of managers' global mindset is essential to the success of their firms' internationalization efforts, and to facilitate it, external sources of internationalization knowledge should also be considered. In this respect, Kyvik, et al. note that small firms can take advantage of their external networks by increasing collaboration and cooperation between similar firms and thus share knowledge (2013). Third-party governmental or non-governmental programs and institutions can also offer firms a source of international experience and capability development (Andersson & Evers, 2015; Kyvik, et al., 2013). Although such channels are often seen by companies as too general in their context to provide meaningful learnings, they can still assist resource-constrained SMEs in developing their global mindset (Andersson & Evers, 2015). An example of such sources is the Finnish Funding Agency for Innovation, TEKES, which funds many types of

organizations, from start-ups to research organizations and public services (Tekes – the Finnish Funding Agency for Innovation, 2016).

From the body of research studied, we can see that when a company internationalizes, boundedly rational decision-makers must conceptualize large amounts of information and make sense of situations filled with uncertainties. They must find answers to questions related to location and governance issues as well as to transferring their existing firm-specific advantages to the host country. In case of SMEs this scenario is often also filled with operational, strategic, and other limitations set by resource constraints. In order to be successful, managers need international experience to develop a global mindset, and organizations need structures that allow the capturing of such experience and further refining it into improved organizational capabilities.

2.5. Summary of literary findings

Having studied the preceding body of literature on internationalization, we have learned that international business has become increasingly complex over the previous decades and continues to do so (Alcácer, et al., 2016; Zander, et al., 2015). New types of organizations have appeared, such as born globals and international new ventures, and their internationalization process follows quite a different route compared to large, established MNEs, which have previously been the focus of international business research (Bartlett & Ghoshal, 2002; Knight & Cavusgil, 2004; Oviatt & McDougall, 1994). These new developments have created a need for new approaches to internationalization studies and shown that traditionally recognized theories such as the Uppsala model or OLI framework are not always applicable. These have been complemented for example by the network theory and IED framework, which place more emphasis on the individuals within the organizations as well as internal and external networks as facilitators of companies' international expansion (Malhotra, et al., 2003; Mathews & Zander, 2007; Coviello & Munro, 1997).

To provide a basis for understanding the reasons for and common approaches to internationalization that have been observed in firms, I discussed the main theories that form the foundation of contemporaneous international business research. These are the aforementioned stages model, OLI framework, and network theory, and they all complement

each other in providing insight into why and how firms expand to new countries and markets. I have presented these findings below in Table 3:

Table 3: Summary of three main branches of internationalization theories

	Stages model	OLI framework	Network theory
Factors facilitating internationalization	Firm growth exceeding domestic market size; market opportunities arising in markets close to domestic.	Possessing ownership, location, and/or internalization advantages facilitating market expansion.	Strategic opportunities originating from the firms' business and social network relationships.
Decision criteria	Trade-off between potentially achievable growth and investment risk	Trade-off between risk and return, control and resources	Firm's resource constraints, type of network opportunity
Entry modes	Usually follows incremental steps: 1. indirect or direct exporting; 2. contractual agreements; 3. FDI (joint ventures or wholly-owned subsidiaries)	Depends on the type of advantages present. OLI (all present) FDI; OI: contractual agreements and collaboration; O: exporting.	Depends on type of opportunity and the originating relationship; mainly collaborative low-equity modes; might employ multiple simultaneously.
Source of competitiveness	Firm-specific advantages	O, L, and/or I advantages	Development and exploitation of networks.

What I noticed was that the stages model seems to fit the international expansion processes of larger, more established MNEs, and it has indeed been developed upon studies of such companies. The OLI framework is a development upon the stages model, but does not seem to account for network relationships appropriately – which is what the network theory is based upon. The importance of networks has been noticed especially in SMEs, which are often resource-constrained and instead of FDI must find alternative means to cross national borders and enter new markets (Oviatt & McDougall, 1994; Coviello & Munro, 1997; Maekelburger, et al., 2012).

Rather than commit to a single theoretical model and analyze the subject companies of this study in light of that theory, I consider it worthwhile to recognize all the discussed approaches. This is due to the lack of literature on gaming companies' internationalization – the empirical findings should not be considered only from one specific angle, since there is no existing research to describe mobile games firms' internationalization processes. I will

consider these three theories when discussing the empirical findings in order to discover their applicability.

In addition to the main theoretical branches, I reviewed research on born globals and international ventures, which are both categorizations of early internationalizing companies. Although the terms are not entirely interchangeable, they have much in common (Coviello, 2015). Based on the body of literature studied (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Coviello, 2015; Cavusgil & Knight, 2015), I have identified the defining features of born global companies and international new ventures, which are summarized below in Table 4.

Table 4: Attributes of born globals and INVs

	Born globals	International new ventures
Involvement in internationalization	Global focus and resources committed to internationalization starting from firm foundation.	Internationalize early, varying number of activities and countries involved.
Common organizational attributes	Younger, resource-constrained firms. Entrepreneurially oriented, lack established infrastructure or managerial methods. Opportunistic, proactive, dynamic.	Depends on the number of countries and activities involved in: Export/Import start-ups; Geographically focused start-ups; Multinational traders; Global start-ups.
Main sources of competitiveness	Innovation, knowledge.	Use of resources and sale of outputs in multiple countries.
Preferred entry modes	Exporting, licensing (non-equity modes).	Varies depending on number of countries and activities involved.

Table 4 shows us that where born globals are largely focused on attaining competitiveness through innovation and knowledge accumulation, the source INVs' competitive advantage can differ according to the number of countries and value-chain activities they are involved in. However, the growth and development paths of both born globals and INVs are closely linked to their entrepreneurial qualities.

To better understand the influence of entrepreneurial behavior on born globals and INVs, I presented the concepts of IED, IEO, and IMO. These are all related to each other and overlap to some extent, and describe the internationalization process of early-internationalizing firms

(Knight & Cavusgil, 2004; Gabrielsson, et al., 2014; Zander, et al., 2015). The main elements of these concepts are summarized below in Table 5.

Table 5: Drivers of internationalization for born globals and INVs

	IED	IEO	IMO
Definition	“Discovering, integrating and adapting new business ideas into the structures and networks of the global economy” (Mathews & Zander, 2007, p. 398).	A mindset originating from a firm’s entrepreneurially skilled individuals that leads to innovative, proactive, and risk-seeking internationalization (Gabrielsson, et al., 2014).	Ability to coordinate its own limited resources according to market needs, as well as adapt to individual customers and business environments in a multi-territory setting (Gabrielsson, et al., 2014).
Prominent attributes	Opportunism, proactiveness.	Innovativeness, commercialization.	Customer awareness, localization.
Strategies driving performance in international markets	Recognizing international strategic windows of opportunity and acting upon them by employing entrepreneurial skills, networks, and knowledge.	Global technological competence, unique products development, quality focus, leveraging foreign distributor competence.	

Whereas IED focuses more on explaining the process of recognizing internationalization opportunities and engaging in market entry, IEO and IMO are more concerned about the behavior of firms during internationalization and managing the process. What ties the concepts together is the recognition that born globals and INVs engage in internationalization because their business environment essentially requires that. In the global economy, these types of organizations build their businesses upon internationalization, and the IED, IEO, and IMO concepts attempt to provide understanding to the different aspects of that process.

I then proceeded to discuss paths to market entry, and different challenges such as LoF and LoO that are encountered when entering new markets. The internationalizing firm must also weigh the involved risk versus potential reward, as described by the transaction cost and

institutional theories. Through this analysis, the firm should decide on a suitable entry mode and pay attention to discovering and then employing different safeguards before and during the market entry. The process and its major phases and influencing factors are presented in Figure 4 below:

Internationalization of born globals and INVs		
1. Actors		
Born globals	INVs	
2. Facilitators of internationalization		
IED	IEO	IMO
3. Risks to consider		
Transaction theory	Institutional theory	
Cost risk vs. reward	New country's business environment risk	
Sharing equity vs. retaining control	Cultural variables	
4. Entry mode choice		
Equity	Non-equity	
5. Barriers to internationalization		
Liabilities of foreignness	Liabilities of outsidership	Resource constraints
6. Means to overcome barriers		
Knowledge safeguards	Institutional safeguards	External networks

Figure 4: Internationalization of born globals and INVs

Lastly, I discussed managerial decision making and its influence on the process. The findings from literature explain that during the internationalization process boundedly rational decision makers must consider questions regarding location, firm-specific advantages, and governance architecture (see Figure 3), in order to make sense of a host of uncertainties associated with the market entry and entry mode decisions. These uncertainties are

reinforced by cultural distance and other cultural and environmental factors in the host country, which differ from the firm's home country. Possessing a global mindset – being open to diversity and change in the international setting – is a key attribute for managers in making sense of the uncertainties. Additionally, firms utilize their external and internal networks for this purpose, the information sourced from those networks further assisting managers to reduce the involved uncertainties. As a result of engaging in the internationalization process, these managers foster organizational learning and facilitate capabilities development.

Having now discussed the relevant literature, I have presented an academic background upon which to reflect the empirical findings. Over the next pages, I will continue by explaining the methodology used in this research.

3. METHODOLOGY

In this chapter I will describe the research approach chosen for this study, including the philosophy underlining the research, the selected method for studying the chosen topic, data collection and analysis methods, as well as the reasoning for the said factors. Furthermore, I will discuss ethical matters related to the study and the steps I took to ensure appropriate research conduct was being followed. Lastly, I will elaborate on the quality of the collected data and limitations applicable to it.

3.1. Research approach

As we have already noted earlier, there exist very little literature on the internationalization process of mobile gaming firms, and this study attempts to open that path and pave way for further research. Fitting to that purpose, I have chosen qualitative research methods in the form of multiple case studies for conducting this study, since the research questions are focused on “why” and “how” and this research is based on discovery and is exploratory by nature. Park and Park explain that qualitative research emphasizes “exploration, understanding, contextualization, introspection, and theory construction” (2016, pp. 4-5), with my chosen approach being exploration through three case studies, and empirical data collected via open-ended interviews of the selected case companies.

In terms of research philosophy, I have adopted an interpretivist epistemological position, since it appears to be a good fit to the research problem and objectives as I will next explain. Saunders, et al. write that “Business and management research is concerned with the social world in which we live” (2007, p. 105) and thus humans as individuals play a major role when conducting this type of research. Interpretivism focuses conducting research on people rather than objects, and emphasizes that understanding the people in the social setting is what creates meaning. Since the social setting is a construct resulting from its “actors”, or the people involved in it, it is in constant change and thus establishing strict “laws” defining its functions is not feasible, or even relevant (Saunders, et al., 2007; Eriksson & Kovalainen, 2008).

The interpretivist approach recognizes that business situations are complex and unique, consisting of a specific set of individuals and variables, and thus the generalizability of results from this type of research is questionable (Saunders, et al., 2007; Eriksson &

Kovalainen, 2008). However, generalizability in itself is not a goal for this study. Instead, the aim is to understand the behavior and motivations of the case companies and discover the impact these factors have on the firms' internationalization – in the context of expanding to Japan, to be specific. This is done by adopting an empathetic stance and attempting to understand the research subjects' worlds from their perspective. This, according to Saunders, et al., is a crucial aspect of interpretivism (2007).

From an ontological perspective this study is subjectivist, again emphasizing that the phenomena in the studied social setting are a result of the perceptions and subsequent actions of people involved in the setting (Saunders, et al., 2007; Eriksson & Kovalainen, 2008). Since firms' internationalization is a continuous process and unique to each company and their context, it would be difficult to break it down into isolated components that could be reflected against the existing theory, for example. Rather than that, I have opted to use the case study method from a subjectivist perspective in order to understand each case company's situation as a unique scenario, and then compare the cases to each other to find similarities and differences that help answer the research questions.

Multiple-case study is a fitting research strategy for my selected topic, as it fits the research problem and the unit of analysis, which is the firm. Aczel (2015) describes the case study as an empirical investigation of a phenomenon within its real-life context, the research design consisting of relatively few units of analysis in a setting involving multiple variables. As I investigate a specific setting including a context with a myriad of variables (Finnish mobile gaming companies' approach to entering Japan) and a limited number of units to be analyzed (the selected companies), the use of the case study approach is well supported. The case study method is complemented also by the interpretive paradigm research approach – that is, an interpretivist-subjectivist view of the world – which according to Saunders, et al. (2007) is concerned about understanding and explaining what is going on, rather than achieving change “in the order of things” (p. 113).

A similar case study approach was utilized by Maitland and Sammartino (2015b), who in their study of managerial cognition conducted case studies based on interviews and attempted to understand the behavior of the case companies. The benefit of the approach was that it allowed them to “explore the nature and complexity of specific phenomena ... rather

than the frequency of event sets typical in much IB empirical work” (p. 740). Similarly, in my research the complex process that is the internationalization of a firm is explored in the clearly bounded, albeit highly dynamic context, that is the process of market entry to Japan. Further reassuring the suitability of the multiple case study approach is the research by Gabrielsson, et al. (2014), who also studied a topic lacking preceding academic research and focusing on questions of ”how” and ”why”. They chose this particular approach as it facilitates developing more in-depth understanding of the phenomenon under scrutiny. Additionally, the authors describe that multiple cases provide richer results than a single case study. Obtaining a more comprehensive view on the subject was indeed my main reason for selecting multiple case studies instead of one, as well as for choosing companies of different compositions as case companies, as will be discussed later.

Eisenhardt notes that case studies can be used for several purposes: “to provide description, test theory, or generate theory” (1989, p. 535). This study focuses on testing theory, by analyzing the selected cases in light of existing internationalization literature, with the aim of discovering to what extent the theory is applicable to the case companies and whether there appears a need for refinement. Regarding the role of theory in case studies, Eriksson and Kovalainen state that theory testing and development are key objectives of case study research, and that in business studies the main interest is placed on “investigating, elaborating and explaining a phenomenon, not the cases themselves” (2008, p. 123). For this study, I am attempting to explain the internationalization process of the case companies and use those findings to test the existing theory, and subsequently find out potential areas of development in the theory that can be built upon in future research.

Fitting to the utilization of case study as research method, the unit of analysis is the case company, meaning that I will analyze each of the three firms separately and then compare and contrast them with each other in a cross-case analysis. The purpose of this is to discover the similarities and differences between the three firms’ approach to the Japanese mobile gaming market. Data analysis will be discussed in more detail in section 3.4. I also consider a company to be the most appropriate unit of analysis for my research, as it is the international expansion of the selected three firms, as well as their approach to foreign market penetration, that is being studied. Although my data is mainly collected by

interviewing individuals, as described below in section 3.3, the research aims to provide knowledge on company-level actions, instead of those of individuals.

I will also analyze the empirical data collected from the case companies in relation to the findings from the literature reviewed, with the purpose of discovering whether existing internationalization theories can be applied to mobile gaming companies “as-is” and to what extent. Due to the lack of previous internationalization research on this specific industry this remains ambiguous and requires some investigation. Thus the chosen research approach is suitable, as it facilitates conceptualization based on the empirical data and subsequently comparison of the empirical evidence to similarities and differences found from existing literature (Eisenhardt, 1989). In other words, it supports the application of existing theories to the case studies’ context and discovery of potential needs for the said theories’ refinement.

I selected the case companies based on their fit to the research context and theoretical usefulness, by following a process of purposive sampling (Silverman, 2010a): each company had to either have experience of approaching the Japanese market or operating in Japan in one form or another, or they have to be in the process of planning a potential market entry. This type of focused “theoretical sampling” is also suggested by Eisenhardt (1989). To discover potential case companies and select the appropriate ones, I reviewed mobile gaming media, such as the website PocketGamer.biz, seeking out Finnish firms that had news coverage related to Japan. I also contacted a consultant from Business Oulu – an organization that supports the development of businesses in and around the city of Oulu in Finland – who is focused on helping Finnish firms enter and do business in Japan, and received a list of Finnish gaming firms who have expressed interest in the Japanese market. I opted for this method since it ensured that the companies’ experience was current and thus the empirical findings would be contemporary and better applicable to managerial practices.

In order to ensure that the data I collect would in fact be usable for answering my research questions, I organized the potential companies into two lists: the first group, who were the priority candidates, were firms who already have first-hand experience of the Japan market, and second, companies that are currently planning or researching opportunities in Japan. Regarding the latter group, I allocated companies into it based on information I received from Business Oulu and gathered from industry media.

My employer Rovio Entertainment was the first selection to be included in the research, as it was also the original source of the research problem and inspiration for the topic. As this research is carried out independently and not commissioned by my employer, I only needed to contact the interviewees and ask for their approval to be interviewed. For the other case companies, I approached via email the ones I had listed as suitable, as that was in most cases the only means of contact I had to them, and focused on those companies who have direct experience of the market. Out of the contacted ones, four agreed, three declined, and from four others I received no response. Due to the fact that enough suitable companies agreed to participate, I did not pursue the other potential companies any further, and decided to proceed with the study as described below.

3.2. Case companies

The final case companies ended up being Rovio Entertainment (“Rovio”) from Espoo, Koukoi Games (“Koukoi”) from Oulu, and Dazzle Rocks from Helsinki. Below I have provided a brief description of the company and its history. Their internationalization experiences are discussed in Chapter 4.

Rovio Entertainment

Rovio is among the best known Finnish mobile gaming firms, having released the game Angry Birds in 2009, which they have then developed into a brand covering multiple mobile games, theme parks, consumer products, and a 2016 feature film made in collaboration with Sony Pictures Entertainment. Rovio was founded in 2003, employs approximately 400 people, and had made 51 games before the massively successful Angry Birds (Rovio Entertainment Ltd., 2016). Angry Birds has been known as the most downloaded mobile game of all time, and since 2009 Rovio has made multiple spin-off games with the Angry Birds characters, as well as a sequel “Angry Birds 2”. Currently their portfolio of published live games includes also other, new intellectual properties in addition to the Angry Birds franchise (Rovio Entertainment Ltd., 2016).

Over the last few years Rovio has experienced a downturn financially, going through major layoffs in 2014 and 2015. According to their CEO at the time, Pekka Rantala, “Rovio’s growth and eagerness to explore new business opportunities over the past few years have been exceptional. As a result, we did too many things” (Judge, 2015). Rovio has since

focused on being leaner and focusing more on its core businesses of games, media, and consumer products (Ibid). The firm used to have a local office in Tokyo, Japan, but it has since been closed.

I wanted to include Rovio in this research due to its visibility in the Finnish game industry and the unique successes, as well as challenges, the company has encountered. Angry Birds is a phenomenon of its own magnitude, even when considering the global mobile games market, but the major reorganization operations the company has recently gone through are also something unique to Rovio in the Finnish mobile gaming industry. Also, Rovio's game Angry Birds Fight was a major inspiration for the research topic, as I felt that the game seemed to have been specifically with the Japanese market in mind, and made me wonder whether mobile games actually develop from local to global, instead of the other way around as IB literature often describes (and as was discussed in Section 2).

Koukoi Games

Koukoi is a new mobile gaming start-up from the city of Oulu, Finland, consisting of a team of 13 employees (Koukoi Games Ltd., 2016). The firm was founded by ex Nokia and Rovio employees and is headed by the former Mekiwi CEO, Mr. Antti Kananen. They have released one game thus far, called Crashing Season, which was launched in May 2016. According to Mr. Kananen, they will initially focus on mobile development, although the possibility of releasing PC and console titles at a later phase is not excluded either (Suckley, 2015a).

Koukoi has been actively approaching the Asian markets, partnering with local publishers in China and Japan (Finnfacts, 2016a; Finnfacts, 2016b). In October 2015 the firm raised \$1 million from its first funding round, with the funds aimed towards supporting their global growth and especially building presence in Asian markets (Suckley, 2015b). A year later in October 2016, the company again managed to raise \$1 million to support development of games based on licensed IP (Cowley, 2016b). According to Koukoi's website, their philosophy is to emphasize quality in all facets of the firm's operations, from its products to strategic planning and financial management (Koukoi Games Ltd., 2016). I selected Koukoi Games as a case company because I considered them to be able to provide this study with

the perspective of a young but determined firm operated by experienced games professionals, and thus a nice contrast to the much larger Rovio Entertainment.

Dazzle Rocks

Dazzle Rocks is a young mobile games developer that is currently working on its first release. The team is composed of ex-Rovio employees and headed by CEO Stella Wang, who is also one of the founders. The firm was founded in November 2014, with a vision of bringing together the Western and Eastern markets and targeting female audiences. Their first game is to be based around an interesting story and easily relatable monster-creatures (Lappalainen, 2015). According to their website, their principles are story-driven games that have global appeal, and ingrained social features (Dazzle Rocks, 2016).

Dazzle Rocks was my selection for the third case company due to their focus on the Asian markets. They have recognized that creating games that are successful in Asia is difficult for Western developers, and they want to bridge the gap between the two hemispheres by utilizing their experience in games development and Asian cultures (Lappalainen, 2015). Dazzle Rocks was an exception among the case companies in that only one person was interviewed, the CEO Ms. Stella Wang. This is because their business development is largely managed by Wang and she also has the most extensive cultural experience of Asia, as she is native to Taiwan. Also, time constraints for the completion of this study limited the interviews to hers only.

3.3. Data collection

The empirical data was collected by conducting semi-structured interviews to a number of representatives from each case company, all of whom are somehow involved in decision-making regarding Japan and/or the internationalization of their firm. Since the research questions are based on “why” and “how”, I considered such interviews as a suitable approach for discovering applicable answers. Similar data collection methods were also used by Gabrielsson, et al. (2014) and Maitland and Sammartino (2015b), both of which I consider comparable to my study in terms of the selected research approach and positioning of the research problem. The interviews facilitated broad conversation about the research topic and the themes involved, and helped to understand better the motivations of the case companies (the “why”) for entering Japan as well the reasoning that was behind the methods the firms

have utilized to approach the market (the “how”). This data collection method also allowed me to focus around themes most relevant to the research topic, without limiting the discussion too much on specific questions.

Interviewees were selected based on their involvement in decision-making regarding the firm’s international expansion and their influence on the company’s operations (existing or planned) in Japan, again using a purposive expert sampling method as described by Silverman (2010a). The interviewee candidate’s involvement in the internationalization process and their company’s activity in or related to the Japanese market was a key factor in determining whether an individual should be contacted and an interview requested. This is because I considered primary data from individuals making the decisions regarding international expansion and Japan, or directly influencing them, to be a prerequisite for meaningful discussion and results that can be extrapolated. Based on these considerations, I constructed Table 6 below, where the Xs indicate the sets from where I would choose the interviewees and dashes (-) note the sets from where I would not.

Table 6: Purposive sampling of interviewees

Level of involvement in...		...Decision-making regarding Japan		
		Direct involvement	Indirect involvement	No involvement
...Operations in Japan	Direct involvement	X	X	-
	Indirect involvement	X	-	-
	No involvement	-	-	-

Initially I built a list of potential interviewees by reviewing the management structures of the case companies as presented on their websites for potential individuals. Each candidate was then assigned to one of the nine sets in Table 6, and the candidates in the sets marked with “X” I approached with an interview request. After confirming an interview with an individual, I kept developing the list by utilizing the snowballing method – that is, asking each interviewee who they consider I should interview – until I had confirmed and scheduled the final number of interviews.

I selected individuals from multiple different roles and positions, including management, marketing, business development manager, and games production. This decision was also

affected by the management structures of the case companies themselves, which vary quite much: in some firms, internationalization decisions are influenced by several managers, whereas in others they are made by a single person with the support of a few other individuals. The interviewees are presented below in Table 7. Some chose to be interviewed anonymously, so these interviewees are named only as “Interviewee X” (see Section 3.5 for further discussion on interviewee anonymity). In place of their title, I have indicated the type of activity they are involved in.

Table 7: Interviewees

Name, title	Company	Involved in decision-making and/or operations regarding Japan
Mr. Miikka Lindgren, VP of Business Development, Games	Rovio Entertainment	Directly in operations, indirectly in decision making.
Interviewee R, Business development	Rovio Entertainment	Directly in operations, indirectly in decision making.
Mr. Ding Dong, Executive Producer	Rovio Entertainment	Not involved currently, previously involved directly in operations and decision making.
Mr. Niklas Hed, Founder	Rovio Entertainment	Not involved currently. Company founder and previously involved directly in both decision making and operations.
Mr. Antti Kananen, CEO	Koukoi Games	Directly involved in decision making and operations.
Interviewee K, Games production	Koukoi Games	Indirectly involved in decision making, directly involved in operations.
Matti Luonua, Communications & Marketing Specialist	Koukoi Games	Indirectly involved in decision making, directly involved in operations.
Ms. Stella Wang, CEO	Dazzle Rocks	Directly involved in decision making and operations.

I structured the interviews so that they would end up being approximately one hour in length, because I felt that was a sufficient amount of time for covering all relevant topics, while not being so long that it would have caused issues with scheduling. The interview questions were based on the review of literature and focused around the key themes discovered, so that the data collected would be relevant to the research questions and comparable to findings from literature. The questions followed a thematic structure that was based on the literature review, attempting to discover the type of existing international experience the interviewee might have, their perspective on the challenges and requirements of international expansion to Japan before and during the market entry, as well as their view on how to capture and

develop learnings attained during the internationalization process. This interview structure allowed me to bind the discussions to relevant themes and subsequently provide meaningful reflection in Sections 4 and 5 based on the collected data. The interviews were conducted either in English with non-Finnish speakers and Finnish with Finnish speakers. I considered that the language in itself would not influence the data, and I wanted to keep the interview situations as natural as possible.

According to Moisander and Valtonen, this kind of an interview “is not so much a method of gathering information, but rather a vehicle for producing cultural talk, which can be analyzed to gain cultural knowledge about the marketplace” (2006, p. 72). Although the authors describe the personal interview technique in a marketing and consumer research context, the description suits the interpretivist paradigm of this study well. The interviews are rather seen as situations where the interviewees provide their interpretations of the present social contexts, which in this study is the mobile gaming industry and Japanese market. As Moisander and Valtonen mention, the focus of analyzing the interviews then falls on obtaining information about the interviewees’ views and understanding of marketplace phenomena (Moisander & Valtonen, 2006).

3.4. Data analysis

I conducted the data analysis from the perspective of the unit of analysis, which in this study is the company, despite that fact that the data was collected from individuals and has an emphasis on individual decision-making. This is because the research problem stems from the discovery of firm-level behavior, and the research questions aim at understanding of firm-level issues. To support this, the selected data collection method – the interviews – aimed at finding information about the interviewees perspectives of the marketplace and business environment (Moisander & Valtonen, 2006).

Once the interviews had been conducted, I transcribed them, which allowed me to review them easily and utilize coding in order to label the themes I recognized in the conversations. Coding is a process of classifying “the features, instances, issues and themes in empirical data” (Eriksson & Kovalainen, 2008, p. 129). Its purpose is to assist in data analysis by breaking the data into more manageable chunks. The coding is not represented in this study per se, as it was primarily a data-management tool for me.

I chose to utilize the cross-case analysis method in order to process the empirical data. The analysis started by reviewing each interview individually, after which each firms' interviewees' discussions were compared to each other to construct a company-level within-case analysis. Finally, each case was compared to each other in order to recognize patterns, similarities, and differences. This follows the typical case study data analysis process as described by Eriksson and Kovalainen (2008) and Eisenhardt (1989).

According to Eisenhardt (1989), a key element of data analysis in case studies is constant iteration. The researcher may go back from cross-case analysis to earlier phases of the research process, as the data review progresses and new patterns start to emerge. I followed this principle in the data analysis, going back to within-case analysis multiple times over the course of the cross-case analysis. This process reinforced the recognized patterns and provided a stronger understanding of the similarities and differences in the data.

3.5. Research ethics

The ethical questions related to this research mainly concern the data collection process: obtaining the interviewees' informed consent and matters of confidentiality, to be precise. Following the principles of ethical research outlined by Silverman (2010b), I decided to be as transparent as possible to the interviewees about the study's purpose, objectives, and publishing. I especially wanted to avoid any doubts of conflicts of interest possibly arising from my own connections to the industry, and thus possibly limited access to other companies, and therefore I disclaimed in my initial contacts to the interviewees that this research was being done fully independently and was not commissioned or supported financially or otherwise by any organization or entity.

To ensure that the interviewees knew what I was expecting from them, I sent them an "Informed consent request" document after they had indicated they would be willing to be interviewed. The document is included as Appendix 2 and was based on the principles described by Silverman (2010b) and Eriksson and Kovalainen (2008), and its purpose was to ensure that each interviewee is truly participating voluntarily with a full picture of the interview process and the research's objectives. The document provided a summary regarding the independent nature of this study, confidentiality, anonymity, and the objectives of the study. After the interviewees provided their informed consent by acknowledging the

points in the document and not objecting to any of those, we scheduled a time for the interviewee.

Regarding anonymity, I decided that the best approach was to discuss and confirm it with each interviewee before the interview. In the informed consent request I informed each interviewee that: 1) due to the requirements set by my university for Master's theses, the finished study would be made public in the library of Aalto University School of Business as a hard copy and a digital copy, and 2) that I would record the interview session and later transcribe it for further analysis. Regarding the transcriptions, I also noted that the recordings would be permanently deleted once the research was finished, and that I would keep the transcriptions as digital copies but not distribute them to anyone or anywhere.

Furthermore, I confirmed with each interviewee whether they personally preferred to be addressed in the final study anonymously and whether they would rather have their company represented anonymously, or if I could mention the interviewee and their company by name. All interviewees agreed on representing the company by name; however, some chose to remain anonymous. The interviewees were presented in Table 7 in Section 3.3.

4. EMPIRICAL FINDINGS

In this chapter, I will present the empirical data collected through the interviews. I will start by presenting the internationalization history and current outlook on the subject for all three case companies, as well as the selected interviewees and their background. This discussion will reflect on the unique qualities of each case company, with the purpose of providing the reader a good understanding of the setting from which each of these case companies is approaching the Japanese market. As all the firms are quite different, with Rovio being a much larger and also more established organization with a longer history, and Koukoi and Dazzle Rocks being young start-ups, the options and strategies that are available to each are varying, as I found out in the interviews. Also, the process of decision-making is affected by their organizational structure, as I will describe below in each firm's own section. Thus, through this review of the case companies I aim to facilitate the insight gained from studying their undertakings and perspective regarding Japan.

Once the case companies have been discussed, I will continue by reviewing findings on the Japanese mobile games market as a business environment, which educates the reader about similarities and differences between the Japanese market and other markets, as well as requirements imposed by the business setting upon foreign companies attempting to enter Japan. This will also help to tie in the company-specific findings with the market-specific discoveries, and thus provide a foundation for the discussion and analysis in Chapter 5, where I will provide answers to the research questions set for this study.

The final three sections of this chapter will focus on findings on the market entry, factors influencing firm performance during the market entry, and lastly the development of organizational capabilities through learnings from the market. Thus, I will present the findings by loosely following the chronological order of a market entry process.

4.1. Internationalization history and outlook

Based on the interviews it became apparent that all three of the case companies have a different approach and philosophy towards internationalization, originating from their organizational history as well as individual managers. From a managerial perspective they all have plenty of international experience and also a strong background in mobile games development from various different operations preceding the managers' current roles in

these case companies. All the firms also have experience of the Asian markets and Japan to a varying extent, with Rovio having the longest history of the market. Nevertheless, there were some clear resemblances too between the firms in how the interviewees consider the Japanese market should be approached. To explain these and other notions from the interviews, I will next discuss each firm, starting with Rovio.

4.1.1. Rovio Entertainment

Four individuals were interviewed from Rovio, as presented in Table 7 in Section 3.3. They are also listed below in Table 8, which shows each interviewee’s area of responsibilities in their current role, and thus helps explain their influence on the firm’s internationalization regarding Japan. Lindgren and Interviewee R are currently actively involved in Rovio’s business endeavors in Asia and Japan, whereas Dong and Hed have previously been directly involved but are not anymore.

Table 8: Rovio interviewees

Name, title	Current responsibilities
Mr. Miikka Lindgren, VP of Business Development, Games	Rovio games strategy for Asia, leading Rovio’s Asia-focused game development team. Coordinating business development in emerging markets (Latin America, Middle-East, Africa).
Interviewee R, Business development	Asia strategy and development, partner discovery, project planning and execution.
Mr. Ding Dong, Executive Producer	Product lead and executive producer of Angry Birds Fight. Previously located in Rovio’s Tokyo office.
Mr. Niklas Hed, Founder	Product lead of an upcoming game. Part of Rovio’s games business unit’s management, involved in designing Rovio’s games portfolio.

All of the interviewees from Rovio possess an extensive international background. Lindgren has worked in the mobile gaming industry since 1998, starting at Nokia where he worked in the development of SMS and internet browser-based games, then moving to Java games, and later games native to Nokia’s phone operating systems. He was involved in Nokia’s Asia business, especially in China-related projects. He also gained some experience of the Japanese market during his Nokia time through Nokia’s involvement in application development for the Japanese i-mode network, which was essentially the mobile internet in

Japan in early 2000's (Lindgren, 2016). Interviewee R also has experience from working in South-East Asia before Rovio, but no direct experience of Japan (Interviewee R, 2016).

Dong was employed by Ubisoft and worked as a producer for several "triple-A" console games, which are games with the publisher's highest development and promotion budgets. The series he worked on at Ubisoft include Splinter Cell, Ghost Recon, Prince of Persia, and Rayman. In his role at Ubisoft he was primarily located in Paris and Montreal. After Ubisoft, Dong worked at Q Entertainment in Japan, developing both mobile and console games. He describes that his time at Q Entertainment was especially valuable in terms of experience gained in mobile games development, as he was responsible for developing the company's first mobile game that was targeted towards Japanese audience (Dong, 2016).

The fourth interviewee, Mr. Niklas Hed, founded Rovio in 2003 with two other individuals. He has been with the company since and worked multiple roles. Before Angry Birds, Rovio collaborated actively with Nokia by making games to Nokia's handsets. Those projects provided Hed with plenty of international experience, since Nokia was eager to divide regional markets into segments of specific countries and Rovio had to localize their games to many different markets. Later on, after Angry Birds became a global success,

Rovio's current operational model in Japan is based on partnering with local developers (Lindgren, 2016). Rovio has previously published all of its games portfolio in Japan via Google Play and Apple App Store, but this has not generated notable successes thus far (Interviewee R, 2016; Lindgren, 2016). The firm used to have a subsidiary office in Tokyo, Japan, whose role was to discover marketing, licensing, publishing, and development partners locally, but it was closed down in Spring 2016 (Interviewee R, 2016). According to Lindgren and Hed, it is very difficult to be successful in Japan by operating the business directly from Finland, as the local know-how is the key to penetrating the market (Lindgren, 2016; Hed, 2016). It is vital to find a local partner with the right skillset and capabilities, and Rovio is currently scanning the market for partners and negotiating with suitable candidates. Interviewee R describes similar experiences: modifying games for the Japanese market in Finland is very difficult due to the distance between the markets and different tastes of the consumers (2016). According to Interviewee R, they also discovered that altering Rovio's games in post-production to suit the Japanese market was challenging, as they were

fundamentally geared towards Western gamers. Appropriate modifications would have required too high investments compared to the potential revenue (Interviewee R, 2016).

Rovio's future business development regarding Japan is handled with the mentality of trying to be as close to the market as possible, and scaling up according to perceived opportunities. They currently have two employees in Rovio's Korea office who also maintain and develop connections to Japan. The team is led by Lindgren in Espoo. The team of three people develops business cases on Japan and other Asian countries and plans the operational strategy and budget. If Rovio's management then approves such a case, the team will start to execute with the local partner. Once game production is underway, Rovio's animation and audio assets in Finland will be sourced to ensure a proper brand fit (see Section 4.4) (Lindgren, 2016). Thus the company assumes a sort of a producer role.

To facilitate a more manageable and cost-effective market penetration in Japan and efficient scaling of their operations, Rovio has devised a three-tiered strategy (Lindgren, 2016): first, a Rovio-developed game is released as a localized version; second, a local partner is sought out to modify the existing Rovio games slightly to appeal better to the Japanese player; third, the local partner starts to develop games based on Rovio's IPs but which are solely targeted to the local market; and fourth, either establishing an affiliate studio in Japan or acquiring an existing local studio to develop games for Japan in Japan. Lindgren (2016) explains that this model allows appropriate management of risk versus potential reward, by balancing the investment amount and the revenue share given to the local partner.

In addition to Japan and Asian countries, Rovio is actively targeting the USA and Western European countries. Lindgren explains that regarding the latter Rovio can manage their operations directly, instead of employing a partner and licensing out their IPs, since the firm considers those their "home" markets, on which they possess abundant knowhow. However, in Japan and other Asian markets Rovio has seen it better to employ a partnership model, licensing out their existing IPs to local developers, who then either advise Rovio in developing games suitable for their market or develop such titles themselves (Lindgren, 2016).

As for many other Western developers, Japan has been a difficult market for Rovio. Lindgren (2016) explains that Rovio has always attained very high download numbers in Japan and

other Asian markets, meaning that many consumers have downloaded Rovio's games to their devices, but the challenge has been in converting those players to paying customers. This is an inherent challenge in the F2P model – since companies are giving out their product for free, they must develop mechanics to incentivize players to spend money within the games in order to realize any revenue. Lindgren also notes that Rovio's games have been lacking in certain features that are popular in Japan, such as gacha-mechanics (see List of definitions) and VIP systems, which are considered essential by Japanese players (2016). The importance of such mechanics is discussed later in Section 4.4.

Interviewee R speculates that another potential cause for Rovio's performance in Japan might be the market's heavy reliance on feature phones in the past (2016). Whereas in Western markets mobile games were popularized by the success of iPhone and its ecosystem, and the subsequent popularity of smart phones, Japan did not experience a similar period. Feature phones, which were a type of "half-smart phone" sold by mobile operators, were already technically capable of running relatively complex games, and these devices were favored instead of the iPhone and similar devices. Interviewee R notes that the growth of Angry Birds games correlated quite accurately with the growth of iPhone – indicating that the timing of the game's launch helped in its success. During that time the Japanese played games on a different platform, and thus Angry Birds did not attain the same level of success in Japan (Ibid).

Lindgren elaborates that Rovio has not been able to add such elements to their games yet, as it would require them to create wholly unique versions of their games for the Japanese market, which in turn has not been considered a cost-effective investment due to the required amount of learning about the Japanese culture and market. Instead, Rovio has decided to focus on partnering with local developers who already possess the knowledge and capabilities needed to make a locally successful product, that is not necessarily even released outside of the Japanese market (2016).

At the moment Rovio does not consider Japan as a market that they are specifically investing their own development resources in (Lindgren, 2016; Interviewee R, 2016; Hed, 2016). Instead, they are currently working on a "spearhead" project with a local partner. Taking a core game mechanic that has been deemed successful in Japan, the local developer will then

create a new game based on the mechanic, and a local publisher such as LINE is enrolled to provide substantial marketing support. Lindgren comments that although this model will shrink Rovio’s revenue share, it helps to build market presence and thus support subsequent projects in Japan (Lindgren, 2016). Depending on the success of this project, the company then evaluates further objectives and investment levels.

4.1.2. Koukoi Games

Three persons were interviewed from Koukoi Games, their names, titles, and responsibilities shown below in Table 9. CEO Kananen is also one of the firm’s founders. The interviewees from Koukoi do not possess previous direct experience of operating in the Asian markets. Their first game *Crashing Season* will be released in Japan most likely towards the end of 2016.

Table 9: Koukoi interviewees

Name, title	Current responsibilities
Mr. Antti Kananen, CEO	Business development, financing, marketing, and overall operations management.
Interviewee K	Games production.
Matti Luonua, Communications & Marketing Specialist	Marketing and communications activities, related data analytics, marketing campaign development and analysis.

Kananen and Interviewee K explain that due to their lack of direct experience of Japan, they opted to rely heavily on the abilities of their local partner in the market entry (Interviewee K, 2016; Kananen, 2016). They both emphasized the importance of selecting a reliable partner, who offers a right skill set and capabilities, and who is also committed to the business goals of Koukoi.

Koukoi partnered with a Japanese publisher called Worker Bee, who has licensed Koukoi’s *Crashing Season* IP in order to develop a Japanese version of the game. Interviewee K explains that this was a natural choice: since Koukoi did not have previous experience of operating in Japan it was convenient to partner with a local who has existing distribution and suitable knowhow (Interviewee K, 2016). Koukoi’s main aim is to gain presence in the mobile operators’ app stores as well as in Google Play and App Store, and they felt that Worker Bee would be capable of supporting that goal. Kananen explains their partner choice

as follows: “We chose our current partner because they had already published products in the mobile operators’ app stores and thus had access to them. We had another alternative, but they had not published anything in the operator stores, which is why we ruled them out.”

Koukoi decided to share a lot of control with Worker Bee also because of resource-based reasons. They are a young company and their ability to invest in marketing and user acquisition is limited, which is why they considered that it is more efficient to employ the capabilities and knowledge of the local partner to the fullest (Kananen, 2016). Interviewee K explains that handing out creative control to this extent requires mutual trust between the partners, and therefore Koukoi spent a great deal of time in analyzing the market and potential partners (Interviewee K, 2016). He also elaborated that the importance of trust is emphasized by the language and cultural barriers posed by the Japanese market. They considered that their partner should understand Koukoi’s objectives for Japan and be prepared to support them in achieving those results.

The objectives are described by Kananen as being two-fold: first, building as wide a presence as possible in all of Japan’s app distribution channels and consequently gaining brand awareness for their game, and second, attaining valuable learnings from the Japanese market that can be applied in other games in the future, both in Japan and outside of Japan. Interviewee K also remarks that the latter goal of developing the firm’s capabilities directly enhances their company value and thus is likely to be helpful in collecting further funding (Interviewee K, 2016). Additionally, they aim for a substantial return on their investment and opportunities to work in the future with other, well-respected and successful Japanese publishers (Kananen, 2016). The top publishers in Japan appear to be quite careful in managing their own brand as a publisher, and gaining access to them can be very difficult (Interviewee K, 2016). If a partnership is attained, these publishers can provide a substantial boost to a product’s visibility, and very likely profitability.

4.1.3. Dazzle Rocks

The CEO Stella Wang was interviewed from Dazzle Rocks. She is the creative director and product owner of the company, as well as one of the firm’s two founders. As the young company is currently establishing its form and function, Wang works in multiple different

roles according to what is needed. Now that the company's first game is in soft launch phase, she has been focusing on developing their marketing capabilities.

Wang has lived in Asia for 15 years, and later worked in New York as a creative director for global advertising campaigns. Before founding Dazzle Rocks, she worked at Rovio, being responsible for Angry Birds Magic collaboration with McDonald's restaurants, which was one of the firm's first China-specific product launches. Before departing Rovio, she headed a title called Cuppy that was tailor-made for the Japanese market.

Dazzle Rocks' approach to internationalization is largely based on product-market fit, which encompasses carefully analyzing what kind of demand in a market there is for their product. Instead of approaching a market by finding a partner at the outset, Wang explains that they rather begin market entry planning by analyzing the market thoroughly. They attempt to discover the players' tastes, locally successful monetization models, and suitable partnerships (Wang, 2016). At the time of the interview (October 2016) they had not contracted with a partner yet for any of the Asian markets, but they have one own employee in Taiwan whose role is to focus on investigating the Chinese, Korean, and Japanese markets. Wang notes that Taiwan is a good place to conduct such analysis, because Chinese, Korean, and Japanese populations are all well represented there. She also argues that selecting a partner should be done only after a sufficient understanding of the target markets is achieved and the type of product to be offered has been designed. These analyses have to be performed so that a suitable partner can be selected who can best represent the product in the new market (Wang, 2016).

Wang also comments that instead of focusing on a single country, they aim to gain traction in Asia as a whole. Based on testing the products in the different countries, for example Japan, and the performance indicators they have set for the product, they then review its appeal and any modifications that might be needed, if they were to engage in a market entry (Wang, 2016). Wang further explains that their aim is to enter the markets step by step instead of attempting to conquer a single market in one go. They also want to build a presence in the Western markets while simultaneously looking for opportunities in Asia. Their focus is on the product and understanding its potential in any given market, and selecting the markets to enter based on the product's fit. In order to accommodate to both Western and

Asian players' spending behavior, they have planned different monetization models that can be applied to their product depending on the market. (Ibid).

4.2. Japanese mobile games business environment

Based on the interviews of the three case companies, it became apparent that the attractiveness of Japan as a market stems first and foremost from its size in the number of players and potential for revenue. According to Rovio's Lindgren, if a firm is able to penetrate the top-grossing charts and maintain their position there, they will secure such high revenues that success in other markets becomes much less relevant (Lindgren, 2016). To paraphrase, the Japanese market offers such revenue potential that companies do not necessarily need to look beyond it if they manage to perform very well there. Dong from Rovio supports this perspective, saying that the Japanese consumers "retain better, play longer, and spend more". A similar opinion is also provided by Rovio's Interviewee R, who explains that a single Japanese user is more valuable than for example a Western one, due to the larger amount of money that Japanese players spend on average. It was recognized by all case companies that monetization of F2P games is better accepted by Japanese customers than Western players, and thus players are willing to spend more in games (Interviewee K, 2016; Luonua, 2016).

However, Rovio's Lindgren notes that the Japanese mobile games market is very introverted in the sense that application stores' top charts are mostly dominated by Japanese games and developers, and the marketplace is very difficult to enter for foreign companies. He comments that in Japan, as well as in China and Korea, most of the mobile games revenue is generated by local products, which in itself are also usually very unique to the market. On the other hand, a game that is successful in Japan might not perform well in China or Korea, and vice versa. Thus foreign firms attempting market entry in Asian countries are not encouraged to approach all of Asia with a single, unified strategy; instead, Lindgren sees that a specifically tailored strategy needs to be developed for each country. This is also supported by Dong (2016), who explains that Japanese customers' preferences differ notably from other Asian markets, even though there are some generalizable attributes found in Chinese, Korean, and Japanese markets. This is largely the reason why a country-specific strategy is needed, and was something that all interviewees agreed on: in different Asian countries games consumers prefer specific types of genres, game mechanics, and graphical

styles, among other factors. Lindgren (2016) mentions that if firms entering the Japanese market are to be successful, they must find a correct “angle”: a holistic set of games mechanics, visual styles, and marketing approach. Dong (2016) offers similar insight, describing that Japanese players need to be able to recognize the game as Japanese. Discovering these elements is one of the major challenges in market entry to Japan.

The interviews indicated that there is a notable difference between Japanese consumers and their Western counterparts in their willingness to spend money in F2P games (Lindgren, 2016). Lindgren postulates that in Japan spending money on a game that the player considers good is also a way of showing respect to the developer and thanking for an enjoyable experience, whereas in Western markets consumers do not like to pay unless they have to. This is possibly an outcome of F2P having been a normal monetization model in Japan for much longer than in Western markets (Lindgren, 2016). Dong (2016) explains that the Japanese consumers are accustomed to F2P and paying money for mobile services, since such business models existed already during the feature phone era before smart phones. Interviewee R also notes that as a result of the longer history F2P as a business model is more refined in Japan than in Western countries in the sense that it is highly customized according to the game genre and targeted audience, which also incentivizes players to spend money in games. As a consequence, both Lindgren and Interviewee R explain Japanese players are very appealing to mobile games developers, since the revenue per user is much higher than in other countries. Dong reinforces this understanding, stating that in his game *Angry Birds Fight* the average revenue per user (“ARPU”) has been higher than in any other Rovio game ever published, mostly thanks to Japanese and other Asian users (Dong, 2016).

Furthermore, Japanese players look for game mechanics that allow them to spend money and thus attain a sort of a VIP status, or gain valuable in-game items that would otherwise be difficult or impossible to obtain (Lindgren, 2016). The most notable example of such is the gacha mechanic, which allows players to spend money in return for a chance to win an in-game item or resources (Dong, 2016; Toto, 2012). According to Lindgren, Asian players in general prefer to show it if they have spent hard currency on a mobile game, as opposed to Western consumers who would rather hide it, as they might consider paying to be a way of cheating, because of the help or improvements it brings to the player (Ibid).

Additionally, the consumers in Japan are accustomed to rapidly changing technological trends and adopting new technologies, which also shows in how they consume games (Wang, 2016). Wang provides an example: if a Western player does not easily understand how a game is to be played, they feel that the developer has not succeeded in creating a good game. In Japan, and Asia in general, players in a similar situation feel that they are “not getting” the game yet and that they need to figure it out – they are used to investigating new products. This difference in perspective is a valuable notion for Western developers, as it would imply that it is acceptable in Japan for games to require a bit of effort on the players’ side.

Trends change very quickly in Japan, and according to Wang the pace of change is sometimes overlooked by Western developers. She explains that companies aiming to enter Japan should study app stores’ top charts for the top 50 to top 100 games. Focusing on the best performing top 20 or less games does not give a proper picture of what really is trending in Japan – a larger sample size is needed for that. Wang also notes that firms should attempt to focus on trends that are really new, separating them from the culturally trending factors, such as recognized animation and visual novel IPs. This is linked to Japanese consumers’ eagerness to adopt new technology. Providing new types of gameplay mechanics or in-game events might be a good way of engaging Japanese players (Wang, 2016).

In Japan games are downloaded largely from Google Play and App Store just like in Western markets, but games are also discovered via mobile operators’ proprietary application stores and certain instant messaging (IM) platforms such as LINE (Lindgren, 2016). During the recent years the portion of games downloaded from Google Play and App Store has increased, and continues to do so, but still only a few years ago the vast majority of games were downloaded via platforms such as LINE (Lindgren, 2016). According to Lindgren, a major factor behind this was that mobile users spend most of the time using their mobile devices on those instant messaging platforms, which offer games within the platform application itself, in addition to messaging and other social functions. Consequently, the users can constantly see what their friends are playing and receive messages from different games they or their friends are playing – all of which guides consumer behavior and directs the users to certain games (Lindgren, 2016).

The setting is changing, however, with more and more developers launching their games outside of the IM platforms. Lindgren explains that successes of some companies in launching a game independently has encouraged others to follow suit, and thus the dominant position of LINE and its competitors has decreased. The motivation for the developers to do so is that they get to retain a larger portion of the revenue when launching games outside of the IM platforms, since their revenue share requirements have traditionally been quite high. Because the development of contemporary mobile games has become very costly, developers want to ensure that their share of revenue is appropriately high as well (2016).

4.3. Market entry and entry mode selection

As noted previously, the Japanese market is very tough to penetrate for foreign firms, partly for reasons related to the market being dominated by local companies, and partly for cultural and societal differences. Rovio's Lindgren explains that a major challenge for foreign firms attempting to enter the Japan and Asian markets in general is the wide gap between the cultures, as well as the language barrier (Lindgren, 2016). In Japan, most of the communication needs to be conducted via an interpreter, unless either firm has a person fluent in both Japanese and English. It should also be recognized that there is always a risk of losing meaning in translation, as explained by Interviewee K from Koukoi: "The interpreter's capability to understand English might be limited, which is why taking meeting minutes and analyzing them afterwards is very important. It helps avoid misunderstandings caused by translation, which might otherwise be noticed only weeks later".

Additionally, efficient communication also requires deep understanding of the Japanese culture and communication style. For example, one challenge described by Hed from Rovio and Interviewee K from Koukoi is that the person communicating with the Japanese firm must be of appropriate status – usually the firm's highest management. Japan traditionally has a hierarchic management culture, which seems to apply in the gaming industry as well. These type of cultural divergences should be taken into account, or it may be difficult to find a suitable partner that would optimally complement their business targets in Japan (Interviewee K, 2016; Hed, 2016; Lindgren, 2016). All of the interviewees emphasized the importance of finding the correct partner that commits to supporting the foreign firm's business goals in Japan. Thus, plenty of time and effort should be invested into that process.

When the partner is found, the market entry decision should be carefully considered and the execution diligently managed, as I will discuss next.

4.3.1. Preparation for market entry

Rovio's Interviewee R notes that the decision to attempt market entry to Japan should be carefully evaluated, and once the decision has been made, the firm must be thoroughly committed to the operation (2016). According to Interviewee R's experience, many Finnish firms have entered Japan without conducting appropriate analysis of the market entry's requirements and potential rewards, and have failed as a consequence. A firm needs to understand clearly the goals of the market expansion and plan its strategy accordingly. If the commitment is lacking, it would be advisable to focus on culturally less distant markets instead of Japan (Ibid).

Patience, planning, and long-term perspective are of high importance in the market entry process according to Lindgren (2016). He notes that Japan is not a market that companies can just enter and "see how it goes" – successfully entering the market is likely to require a thorough plan of three to five years and a high investment both in terms of financial and mental resources. In other words, Lindgren emphasizes the notion that a firm must have the commitment to the market and confidence in its plan, since success is not likely to come quickly (Ibid). He explains that a firm contemplating market entry needs to first study whether there could be a demand for their game in Japan: finding out whether the genre of the game is popular, and if the game utilizes an existing IP, whether there could be demand for that specific IP in the market. Based on this research, the goals that the firm has for the market, as well as the assets it has available, a timeline and a budget need to be developed (Ibid).

The interviews clearly showed that approaching the market alone is not recommended. Instead, employing a partner that has the knowledge and skills needed in the market is vital. Additionally, Rovio's Lindgren explains that the firm must have recognized some indication of potential success in Japan before engaging in market entry, because the entry process will be costly and time-consuming. If no such indication is present and especially if no suitable partner can be found, it might be wiser not to invest in Japan, and focus on other, more promising markets instead (2016). If a company decides to enter, keeping their own

development team as close to the new market is recommended to ensure that designers, artists, and programmers are exposed as much to the market's needs and wants as possible (Wang, 2016). Since relocating is usually not an option due to resource constraints, active market analysis and for example communication with local firms is recommended (Ibid).

When deciding on a local partner, firms should pay attention to choose a firm that offers services that are compatible with their business objectives in Japan. As discussed previously, Koukoi chose Worker Bee as their partner due to their access to the mobile operators' app stores and their ability to provide localization services (Luonua, 2016). They had also previously published a Finnish game company's product in Japan, so they had experience of working with a Finnish firm. According to Luonua, some other candidates seemed to be very capable in terms of marketing, but not offering any localization services. Because Koukoi did not want to risk localizing the game themselves as it would have simultaneously risked their objectives, they chose Worker Bee. I will discuss localization in more detail in section 4.4.1.

Furthermore, to overcome the challenges posed by market entry to Japan, foreign firms must evaluate both their own attitude and capabilities. Rovio's Lindgren comments that an appropriately humble attitude and openness for feedback is required in order to be able to negotiate partnerships successfully with Japanese firms (2016). The Japanese domestic market is so large that a game's success in other markets does not necessarily impress local companies, as international success is no guarantee for good performance in Japan. Similarly, some local companies may consider that games that perform really well in Japan do not necessarily even need to be published abroad, and thus international performance is not of much relevance when evaluating a game's prospects. Therefore, it is important for Finnish and other foreign firms to carefully consider any feedback provided on their game by their Japanese contacts, in order to realistically review their game's potential to perform in Japan (Ibid).

In addition to recognizing and preparing for the cultural challenges, foreign firms must also understand the type of products that are successful in Japan. Lindgren from Rovio notes that services such as App Annie (<https://www.appannie.com/>), which provides market data, application analytics, and app store statistics, are good sources of information on Japanese

consumers' behavior and types of games that generally perform well. Playing and analyzing the top-rated games is also a fundamental part of learning the basics of the market (2016).

Once a firm has conducted the market analysis and educated the team about the Japanese market, a final key review to be done is to analyze their offering's fit to the market. This was echoed by many of the interviewees: the product must have demand in Japan and the genre and mechanics need to have potential to excite the local players. Dazzle Rocks' Wang explains that entering Japan just because it is the world's third largest market is not a good justification for market entry, if the product does not fit the market. Rovio's Hed also comments that a firm must realistically evaluate what their potential is to penetrate the market and whether the investment is likely to return itself. In a similar vein Dong notes that the decision to enter the market should always be based on a good product that has potential in Japan.

4.3.2. Execution of market entry

According to Rovio's Interviewee R and Lindgren, partnering with the right local entity is a crucial factor influencing the market entry's success (Lindgren, 2016; Interviewee R, 2016). Interviewee R sees three possible approaches to the market: 1) finding a local investor who facilitates the company's entrance to Japan; 2) finding a local publisher or developer to manage the localization (see section 4.4.) and distribution of products as well as marketing activities in Japan; 3) entering the market alone and preparing by purchasing information about the market (2016). The first two options are less risky, whereas the third is likely to require high financial investments and is also very demanding in terms of market research, which is why it is not recommended by any of the interviewees. Rovio's Hed comments that failure is more than likely, if a firm attempts to create a product for the Japanese market without being present in Japan and employing local knowhow (Hed, 2016).

Dong (2016) explains that the most favorable market entry option for a Finnish firm is to partner with a local and also have a person at the headquarters who has an in-depth understanding of the Japanese market and preferably direct experience of the market. In absence of such a person, he recommends trusting the local partner's decisions and granting them a high degree of creative control (Ibid).

Rovio's Lindgren recommends employing third party services to assist in the practicalities of the market entry, including discovery of a suitable partner. For example, Finland's FinPro (<https://www.finpro.fi/>) is an organization that facilitates Finnish firms' internationalization efforts, organizing trips to other countries and meetings with local companies, as well as offering education on the cultural matters and business practices. Koukoi's Kananen offers similar experience: Koukoi has employed the services of BusinessOulu (<http://www.businessoulu.com/en/>), which is a business support consultancy operated by the city of Oulu in Finland. BusinessOulu has helped Koukoi in selecting suitable Japanese partners and provided them improved visibility in Japan, which has resulted in contacts by Japanese firms interested in cooperation with Koukoi.

According to Interviewee R's experience, networks are an invaluable and often underestimated asset, and should be actively utilized in internationalization. The Finnish mobile gaming industry is an exceptional business environment in its openness and ease of sharing information between companies. This was also mentioned by Koukoi's Interviewee K: utilizing the collective experience of the Finnish industry can make the market entry less intimidating and provide access to existing networks in Japan (Interviewee K, 2016). Such closeness of the industry should be taken advantage of by companies planning market entry by discussing experiences of the market with other firms who have already been in Japan. This type of dialogue is very helpful in findings Japanese contacts and information about operating in the market (Interviewee R, 2016).

Once a firm has set on its entry mode and entered the market, a new challenge appears in how to effectively manage operations in the new country. Regardless of whether the local activities are conducted via an external partner or an own subsidiary unit, Lindgren recommends that the headquarters should remain close to the Japanese unit. Communication should be active, support needs to be provided adequately, and the overall strategy for the new country needs to be approved both by the headquarters as well as the local operator (Lindgren, 2016). He continues by noting that often multinational firms have a bad habit of setting up operations in a new country, and then leaving them to their own, so that the affiliate remains unintegrated and thus unlikely to understand the company's overall strategy, organizational spirit, and brands, which is more than likely to hinder the affiliate's performance and the success of the market entry (Ibid).

4.4. Catalysts of performance in Japan

There are multiple differences in the Japanese mobile games market compared to Western markets, and all of these require adjustments to strategy for foreign firms. Properly recognizing these elements and taking them into account in the market entry can have a major impact on a firm's performance in Japan. The interviewees described different factors that they consider to be influencing potential for success, which I will describe in sections 4.4.1. and 4.4.2. below.

4.4.1. Product-related factors of performance

In Asia, mobile games revenue is largely generated through the games' live operations (Lindgren, 2016). "Live operations" refers to running the different activities, events, and other additional layers of gameplay that are periodically added to the game and which may guide the way how players play the game. For example, many games have weekly events that appoint specific targets for the players for the duration of the week, and subsequently offer rewards in the form of in-game items or currency for completing those goals at the end of the week. These activities embellish the core game and aim to get the players engaged so they return to the game again and again. "Core game" in turn comprises the actual gameplay and mechanics involved in it; that is, the main actions that players spend the majority of their time on.

To understand the concepts "live operations" and "core game", I use the game Angry Birds as an example: in the core game, the players' main goal is to launch flightless, round birds using a slingshot against different types of structures where green pigs are sheltered, with the aim of collapsing the structures with well-placed impacts of the birds, and thus hitting the pigs and removing them from the game. By removing all of the pigs using a limited number of birds, the player wins a level. This is depicted in a screenshot of the game below in Figure 5 (Angry Birds, 2016).



Figure 5: Screenshot of Angry Birds' core mechanic

In Angry Birds live operations might include creating, developing and maintaining dynamic activities such as a weekly tournament or a multiplayer league, where players compete against others' high scores in a specific set of levels. Live operations are essentially the function of a mobile gaming firm that is focused on bringing new activities into the game to keep players engaged with the core game.

Lindgren comments that these live events are of vital importance in all Asian markets, and especially so in Japan: Japanese consumers demand not just global events that occur for all players around the world but also locally tailored content, so that there is constantly something within the game guiding their gameplay forward toward new rewards and achievements (2016). He also notes that it is due to the lack of sufficient live activities that many highly successful Western games and firms have not been able to attain or maintain long-term success in Japan (Ibid). While it is possible to gain short-term success and climb the charts by investing very high amounts of money on user acquisition in Japan, Lindgren explains that this does not seem to result in long-term performance. Instead, it appears that to remain popular and generate steady revenue, a game needs to be kept fresh and interesting to its players by a constant stream of events and activities via live operations (Ibid).

A key product feature that is particular to Asian countries, and Japan especially, is the gacha mechanic. Dong (2016) notes that the gacha mechanic can have a major effect on a game's

popularity. It can be quite independent of the core mechanics, functioning as a meta-game or a “game within game”, which provides players entertainment in itself. There is also a specific way how it needs to be executed in order to appeal to the Japanese players: the game has to inform the player very clearly of what they can possibly win and at what probability, and when is the best time for the player do engage in the gacha. The Japanese customer prefers to have a clear roadmap for their development in the game, which guides them in how to play the game and spend money on the gacha mechanic (Ibid). According to Dong, the gambling mentality is generally much stronger in Japanese gachas (Ibid).

One major factor reinforcing the importance of live operations seems to be the saturation of the Japanese mobile games market and the very high number of new games that are continuously published. Japanese players quickly switch to a new game if they do not find enough activities to keep them engaged (Lindgren, 2016). Lindgren discusses pop-ups at the start of the game as an example of this: if the game does not provide the player with at least several informative pop-up screens describing the current events occurring within the game when launching the application, many players consider the game to be “dead” and thus switch to a different product (Ibid). He also notes that Rovio’s partner in Korea has repeatedly emphasized that these types of mechanics should be added to Rovio’s games – the game should be consistently communicating reasons why to play to the consumer. According to Lindgren, this is a notable cultural divergence between Asian and Western consumers: Western players might consider such a mechanic highly irritating as it delays access to the core game, whereas Asian and especially Japanese players expect to see such elements in any game worth playing (Ibid). Western developers might often overlook this aspect, or simply consider that it is the core game that is meant to incentivize the players to keep playing. Japanese developers in turn usually understand the Japanese consumer behavior to a deeper extent and aim to influence it more actively, thus attempting to increase to monetization rate as well (Ibid).

As noted earlier in this chapter, it seems that one reason for the aforementioned difference in consumption styles originates from Japan’s longer history with the F2P model in mobile games and consumers’ familiarity with using mobile services for a longer period of time than Western players, as well as their eagerness to adopt new technology. Players are used to the F2P model and willing to spend money on in-game items and content (Lindgren, 2016;

Interviewee R, 2016). According to Lindgren, thanks to the longer history of F2P in Japan, Japanese developers have more sophisticated methods and tools for analyzing consumer behavior and spending patterns within games, and their game development processes are often fundamentally data oriented. As a result, they are able to create such game mechanics that better direct the players to spend time and money in the game (Lindgren, 2016).

Rovio's Interviewee R notes that Japanese games are often targeted towards certain audiences, and an inherent choice involve here the genre of the product. The interviewees noted that role-playing games (RPGs) and specifically their Japanese versions (JRPGs) appear to be the most popular genres in Japan. Additionally, while there are "casual" games in Japan that attempt to appeal to as large audience as possible, Interviewee R postulates that targeting a specific niche of players has a higher probability of providing good results than attempting to target as many audiences as possible, because too broad targeting carries the risk that the product will not resonate with any of the audiences (Interviewee R, 2016). Similarly, Dong describes a Japanese target group called "otaku", who can roughly be defined as an audience that have very specific tastes in Japanese animations, movies, cosplay, and other fields of entertainment. They are not necessarily the largest audience, but represent a remarkable paying force and source of revenue. The "otaku" audience often also acts as a trendsetter, influencing what is popular in mobile games (Dong, 2016). Interviewee R mentions that defining the target audience requires understanding of the spending behavior of that group, because a game's monetization model and live operations also need to be adjusted to please the target market. This is more important in Asian countries than in Western markets, because players seem to be focused on a lesser number of games, but more invested in those (Interviewee R, 2016).

Localization appears to be a vital component facilitating foreign games' performance in Japan. Lindgren explains that a direct translation of in-game language is far from an adequate localization process – while it makes the text in the game understandable to local players, it completely omits the proper "slang" or type of language the players are used to. Consequently, the game will not feel local and might quickly alienate players (Lindgren, 2016). As an alternative to this, Lindgren and Interviewee R explain that some developers employ localization agencies who play the game in order to understand its themes and mechanics, and through that create new text in Japanese to the game using an appropriate

style of language, while still retaining the core message that was in the original language version (Lindgren, 2016; Interviewee R, 2016). This aims to make the game feel familiar to its Japanese audience and improve their engagement.

Interviewee R further explains that instead of localization, a more appropriate term would be “culturalization” (2016). This includes comprehensive modification of the games mechanics, language, visual style, audio, and monetization model, as well as the accompanying marketing activities. All these elements should be adjusted to suit the local tastes and attention should be paid to details. For example, Japanese players generally prefer a much more vibrant, colorful, and action-packed visual styles than what Western users are accustomed to. This is presented below in Figure 6, which shows a screenshot from one of Japan’s most popular mobile games, Puzzle & Dragons (Puzzle & Dragons, n.d.), and another from Koukoi Games’ Crashing Season (Crashing Season, n.d.). Both screenshots are taken from the games’ respective store pages in Apples App Store.



Figure 6: Visual styles differences - Puzzle & Dragons and Crashing Season

Koukoi's Kananen explains that if there are any mistakes in the translation or unfitting details, the Japanese consumer will uninstall the game. Rovio's interviewees share similar learnings: According to Interviewee R's experience, no other market appreciates as much as the Japanese that a game is directly targeted to them (Interviewee R, 2016). Additionally, Dong explains that a great addition to localization is including elements that are contemporary in Japan, if the game allows such customization. On the other hand, he explains that the game should not feel like it is trying to be Japanese, since that will alienate players. Therefore, creative control should be given to the local partner so that the culturalization is as natural as possible (Ibid).

One critical game element for gaining popularity in Japan seems to be a game's social potential. According to Dazzle Rocks' Wang, this is not limited to features like being able to connect the game to Facebook, but is more concerned with how the game's players can interact with each other. If the game supports the emergence of player interaction within or even outside the game, it is easier to gain popularity. Rovio's Hed offers similar insight, explaining that Western games that have been successful in Japan have had an active community around the game. Also, game mechanics such as gifting other players are highly popular in Japan (Wang, 2016).

It seems that the least investment-heavy way of creating a properly local game in Japan is to employ a local partner, who licenses an IP from the foreign firm and creates a game based on the IP utilizing their knowledge of the local market, or modifies an existing game. This carries certain risks: Rovio's Lindgren (2016) postulates that if a new game is developed by an external company based on Rovio's IP, it is possible that the game will lack the proper "feel" of the brand and thus not fit in with the rest of the products on that specific IP. For this reason, Rovio has adopted a model of close cooperation in IP-licensing projects, where they work in collaboration with the local studio, usually providing audio and animation directly to ensure they have the proper feel of the brand, but otherwise allowing the local firm to utilize their market-related knowhow to create the core mechanics (Ibid). Koukoi on the other hand has granted a lot of creative freedom to their local partner, as mentioned. According to Kananen (2016), they considered it necessary so that when released, their game would give that important positive first impression to gamers, which will keep them coming back to the game.

Despite the importance that culturalization appears to have, an interesting notion that arose in the interviews is that there appears to be a growing demand for Western types of games in Asian countries. According to Lindgren (2016), Rovio has received feedback from its Chinese partners that Rovio should release their games in China in their original form with no country-specific modifications. However, this has not shown in the data Rovio has collected from China, which is why the firm has refrained from doing so. Whether this might apply to Japan too and to what extent was not discovered.

4.4.2. Marketing-related factors of performance

Mobile games marketing is much more visible in the Japanese society than in Western markets. Dong (2016) provides an example: if a major publisher such as Square Enix publishes a new title, it will be visible very widely on Japanese websites. He explains that Japanese games publishers are more aggressive than their Western counterparts in marketing to audiences who might not be gamers at all, for example placing advertising in fashion stores or public transportation stations (Ibid). Dong and Lindgren explain that some Western companies have managed to gain success in Japan by spending an extraordinary amount of money on user acquisition through advertising. However, this strategy does not seem to have provided long-lasting success, and is not available to most games developers due to the enormous financial costs (Dong, 2016; Lindgren, 2016). Again, it seems that the recommended path is to allow the local partner to manage all marketing of the game in Japan.

Koukoi's Kananen also shares the opinion that traditional advertising is necessary to gain popularity in Japan (2016). Visibility in multiple types of media is needed to create interest and build the player base. This can be complemented by cooperation with local brands, for example by integrating a locally recognized IP into the game and its marketing material (Ibid). The challenge is that such marketing activities are very costly and likely out of reach of smaller firms like Koukoi. Kananen believes that for their type of an organization the realistic alternative is to focus on building a player community via digital channels such as social media. This requires that the product is of highest possible quality and attractive to the Japanese players (Ibid).

It appears that a certain critical mass in popularity and must be achieved in order to climb the top charts in Japan. Kananen explains that visibility in app stores is the first step for

building presence among Japanese players, and that requires app store featurings (Kananen, 2016). “Featuring” means that the app store directly promotes the game for a certain period of time, usually displaying the game on the app stores front page where every visitor will be exposed to it. Interestingly though, Hed notes that Rovio did not witness a notable boost in their popularity as a result of app store featurings.

Hed describes that according to his experiences of the market, achieving the “critical mass” of users is what causes games to become hugely popular. This also relates to the product’s social features, as I discussed in the previous section. Hed mentions one of Japan’s historically best-performing game, *Puzzle & Dragons*, as an example: the game appears to be one of the most social games there is, in the sense that there exists a vast community of highly engaged players. The game itself does not contain numerous social features, but its success has been largely based on the exceptional virality (Hed, 2016). The real challenge according to Hed is to discover how to generate this social excitement around a game, and understand what type of product and marketing mixes offer the most potential for generating such a following.

4.5. Learnings into capability development

Turning learnings from the market into organizational capabilities begins with collecting qualitative and quantitative information. Qualitative data is important for understanding the reasons why a game is or is not successful, whereas quantitative data is more useful in seeing how the game performs. Rovio’s Lindgren comments that gathering quantitative data is easy as it is provided directly by the games, and it is then analyzed in light of different key performance indicators (“KPIs”). The more challenging part is qualitative data, which requires that the firm has some sort of presence in the market. Lindgren notes that in Japan the recommended option would be to trust the local partner to gather the qualitative learnings, and internalize those lessons through cooperation with the partner (Lindgren, 2016).

Additionally, Lindgren explains that a firm should devise a way to record and store the learnings, in order to avoid loss of tacit knowledge through personnel turnover (Ibid). Rovio’s Interviewee R also emphasizes this: lessons from the local market need to be transferred to the headquarters and recorded in a usable manner. The challenge with this at

Rovio has been that projects in Japan have often been undertaken by small teams with limited resources, which has resulted in heavy reliance on tacit knowledge. Regarding this, Hed comments that being able to collect and process learnings from a market as challenging as Japan might be a determining factor in market entry's success.

Interviewee K describes similar experiences from Koukoi: analyzing the quantitative data provided by the games tells what works and how, and reviewing marketing analytics tells where and in which demographics the game is popular. Deciphering what are the reasons behind products' performance is more challenging. Feedback needs to be collected directly from the players, although in case of Japan it is often filtered through the local partner (Interviewee K, 2016). According to Interviewee K, it is important to act on qualitative feedback very quickly, because it can be considered a sign of interest for the game from the player giving the feedback – if they bothered to write feedback, even if it is negative, it is likely that the player has some level of interest to play the game. Interviewee K sees that it is important to involve this type of processed feedback in games' product management so that the learnings can be effectively applied to the products (Ibid).

Koukoi's Kananen explains that they emphasize learning as a team and rapid implementation of learnings into the whole product portfolio (Kananen, 2016). He sees that there is no single best way to collect data. Instead, it needs to be based on individual learning which leads to the team's development and emergence of certain routines within the team for information gathering and processing (Ibid). Kananen says that markets change so quickly that adaptability and the ability to efficiently apply new information in a meaningful way to products and marketing is more important than investing excessive resources into collecting data and analyzing the state of a single market, even as large as Japan (Ibid). The information gathering can also be outsourced and services such as App Annie utilized to gain information on trend developments. The downside with them is that such services are costly, but if a firm has the resources to purchase them, the value from the information gained is likely to return the investment (Ibid).

At Dazzle Rocks, the capability development is based on the team's own data collection and analysis (Wang, 2016). Wang also describes learning through production: she explains that if a firm has committed to developing multiple games for a single market, they can use the

first game as a learning experience to see what works and what does not. This requires that the game's performance metrics are carefully planned, so that the team is able to capture as much information out of the data as possible. Wang sees that the primary data received from games should also be complemented with other data sources, such as App Annie market analytics, to provide a more comprehensive picture.

As we can see, all three companies rely on game data analytics and third party services that provide market analysis. This quantitative data is used to develop improvements in products and marketing, and over time it results in organizational learning. Qualitative data should be used to enhance the learning, but collecting it in an efficient manner is challenging.

Having presented the learnings from the interviews, I will next reflect them in light of the literature studied. I will discuss how the existing theory seems to apply to the mobile gaming industry based on the experiences of the interviewees. After that, in Chapter 6, I will close by presenting the conclusions of the research.

5. DISCUSSION AND ANALYSIS

In this chapter, I will analyze the main findings and how they reflect the studied theory. The purpose of this chapter is to provide insight to the research problem and the questions posed at the start of the study. As I noted at the start of the research, little academic research exists on mobile gaming firms, and I found no studies touching upon my selected context of foreign mobile gaming companies entering the Japanese market. Therefore, it is interesting to see how the literature correlates with the findings from the case companies.

5.1. Motivations for market entry to Japan

I started the literature review by studying born global companies and INVs, and noted that such companies are often young, resource constrained firms that internationalize early in their existence in order to exploit market opportunities globally. I also discussed the three main branches of internationalization theory, which are the OLI framework, stages model, and network theory. Having reviewed the empirical findings, it appears that the case companies exhibit many of the defining features of born globals, and their internationalization process seems to follow a quite similar to that described by the network theory, as I will explain below.

Born global companies are defined by the literature as opportunistic, entrepreneurial and dynamic (Knight & Cavusgil, 2004; Cavusgil & Knight, 2015). Koukoi and Dazzle Rocks both fit this description well, and their internationalization options have also been limited by resource constraints. Due to the latter, Koukoi has opted to utilize a partner to facilitate their market entry to Japan, where Dazzle Rocks approaches Asian markets by having an employee in Taiwan to conduct thorough analysis of the firm's options in those markets. Rovio employs a similarly opportunistic approach towards the Japanese market. Although a larger and more established company with less resource constraints, their previous experiences of Japan have taught them to exercise caution in market entry and focus on product quality and market fit before committing to investments. The empirical findings confirmed that the definitions found from literature on born globals apply well to the case companies. However, the difference in definition between born globals and INVs remains unchanged based on these findings, and would appear not to be of major importance in terms

of this study's ability to answer the research questions. Therefore, I will settle with the aforementioned conclusion.

I set out to discover the reasons why the case companies are looking into market entry in Japan, and found varying motivations. According to theory, born globals' main sources of competitiveness are knowledge and subsequent innovation (Knight & Cavusgil, 2004). Accumulating knowledge is often described as a motivator for their internationalization, since it facilitates the development of their organizational capabilities, which in turn fosters innovation (Ibid). Interestingly, the case companies seem to have similar objectives.

The concepts of IEO, IMO, and IED also aim at explaining internationalization of entrepreneurially oriented companies such as born globals. IED is visible in how all three case companies are actively spending resources on discovering new business ideas and strategic market opportunities regarding Japan. IEO and IMO were evident to varying extents in the case companies' different activities, including their reasons for internationalization as well as their chosen method of market entry. I will comment on the former below, and the latter in section 5.2.

Koukoi's motivations for entering Japan lie in enhancing the company's valuation and unlocking a new source of revenue (Kananen, 2016). Their long-term aim is to gain access to further, valuable partnerships in Japan that will grow their presence and revenue. Simultaneously, they look for implementing lessons learned from the market into their future products, and emphasize individual learning in order to develop the team's capabilities. IEO is visibly present in Koukoi's approach to internationalization in how their team's entrepreneurial qualities have resulted in them approaching Japan, and other Asian markets, in a bold but quite comprehensively planned manner. They have accepted the risks involved in entering Japan, and are proactively developing their entry strategy. This is a practical example of IEO, as IEO represents the mindset originating from a firm's entrepreneurial individuals, which leads to innovative, proactive, and risk-seeking internationalization (Gabrielsson, et al., 2014).

Dazzle Rocks is approaching the East Asian market in a slightly different manner, focusing on discovering strategic opportunities through market research instead of specifically targeting Japan, China or Korea. Product-market fit is in the core of their market entry

strategy, and they aim to act on market entry opportunities according to how they see the potential of their product in each country. IMO is the most visible aspect of their internationalization approach: they are basing their activities on analyzing the market needs and business environments, and coordinating their own internationalization according to the opportunities they can best exploit.

Rovio's strategy is similar to Koukoi's, centered around locating suitable partners and employing their knowhow. However, their approach is more risk-averse than Koukoi's, possibly because of their previous experience of operating in Japan. Nevertheless, IEO reflects their behavior well as they rely on quality in products, and leveraging the competence of the local partners, with improved commercialization of their existing products in Japan being their primary motivator for market entry.

All of the case companies' internationalization processes appear to more or less follow a path described by the network theory, at least when analyzed in the Japan-context of this study. The trigger for expansion with Koukoi and Rovio seems to originate from strategic windows of opportunity appearing through the firm's external networks. Dazzle Rocks appears to rely on their internal network of employees in the initial phases of internationalization, before they have partnered with a local firm. Until then, their internationalization is guided by the applicability of their ownership advantages, consisting of product-related capabilities, in markets where opportunities are present.

Common to all case companies was the value placed on development of the international networks, and they all see them as a cost-effective method for expansion. As noted by Mathews and Zander (2007), networks are a potential source of competitive advantage, and the case companies reflected this in how they recognized the selection of a suitable partner as a key element of a successful market entry to Japan.

5.2. Approaching the Japanese market

The empirical findings display the importance of managerial qualities in the case companies' internationalization. All firms possess international experience to varying degrees, and any lack of experience in a specific topic, for example, Japan as a market, is compensated for by utilizing the expertise of external networks.

The interviews showed that all the interviewees had considered questions related to the three domains of firm-specific advantages, location, and governance architecture. These domains were presented in Figure 3, adopted from Maitland and Sammartino (2015b), in section 2.4. where I discussed entry mode choice. The most emphasis in the case companies was on analyzing matters related to location and governance architecture, whereas firm-specific advantages were mostly considered from the perspective of value proposition (“where value lies for us”) and capacity domains (“whether we are able to do this”). Interestingly, the case companies did not explicitly express utilizing their core firm-specific advantages in market expansion, with perhaps the exception of Rovio planning to employ its animation and audio assets in games made by a Japanese partner. Whether this is due to perceived difference in Japanese consumers’ tastes or other factors remains unclear.

All of the firms also emphasized the value of a realistic scenario analysis before committing to market entry, as well as recognizing the possibility of failure. Liabilities of outsidership and foreignness were perceived as high by all interviewees, cultural variables as challenging, and cost of market entry high when compared to risk involved. These challenges were reinforced by the resource constraints, which in Koukoi’s and Dazzle Rocks’ cases appeared as an inability to do certain things, such as invest heavily in user acquisition in Japan, and in Rovio’s case as an unwillingness to commit too much resources to the market due to the uncertainty of success.

Largely due to the reasons above, the case companies shared the opinion of entering the market by utilizing a non-equity mode and employing a Japanese partner, and relinquishing some control while doing so. The loss of control was not seen as a downside, however, as it was considered necessary to grant the local entity a high degree of freedom in order to modify the product and marketing mix according to the market’s needs. In this respect the empirical findings deviated from what the theory describes, as in literature sharing of control is usually seen as a cost, or at least something that the internationalizing firm wants to retain as much as possible (Nielsen & Nielsen, 2011; Malhotra, et al., 2003). In the case companies’ scenarios, non-equity modes were seen as the only realistic method of entering the market with any hopes of being successful. In doing so, the loss of control was seen to result in the long run in organizational learning and improved products that cater better to local market needs.

This brings us to another point of divergence from theory, which is the companies' development over time from global to local, instead of the other way around, as traditional IB literature describes (Johanson & Vahlne, 1977; Malhotra, et al., 2003). The empirical findings indicated that the case companies actually seem to have started at the top of the internationalization continuum: mobile gaming industry's infrastructure allows firms instant global access when they publish a title, and often the same product is published in all markets. That has been the case companies' product strategy too for the most part, but planning entry to Japan and other Asian markets has faced them with modification requirements to suit local tastes. Whether this type of "backwards" internationalization is typical in the industry or if it only applies to these specific cases, or only to Asian markets, cannot be stated with confidence based on this study, but it raises an interesting avenue of further research on born global and mobile gaming firms.

To overcome LoF and LoO, the cases studied relied mostly on knowledge safeguards and external networks. As was commented by interviewees from all firms, everything does not need to be re-invented, and often it is better to study peers and competitors and investigate what works for them, and what does not. The importance of selecting a suitable partner was also emphasized in this respect, as a partner that is committed to supporting the foreign firm's business goals in Japan was seen as helpful in overcoming LoO and LoF.

Based on the findings and analysis, I refer back to Figure 4 from section 2.5. which presented the general internationalization process of born globals and INVs, and present a development based on it below in Figure 7. Figure 7 describes how different entrepreneurial qualities influence the case companies' internationalization processes and what different elements were recognized in the empirical findings.

Entrepreneurial qualities	
Attribute	Main effect
IED	Facilitates opportunity recognition
IEO	Influences entry mode selection
IMO	Assists in product and marketing localization
Components of scenario evaluation	
Perceived main risks	Effect
Cost risk vs. reward	Influences partner selection
New country's business environment risk	Increases LoO and LoF
Cultural variables	Increase LoO and LoF
Preferred market entry mode and utilized safeguards	
Entry mode	Non-equity mode; partnering
Knowledge safeguards	Market research, entrepreneurial skills
External safeguards	Employing partner knowledge and capabilities

Figure 7: Main influences on born global internationalization

In addition to these factors, the case companies' approach to post-market entry activities and organizational capability development was studied. To conclude this discussion and analysis chapter, I will review the topic next.

5.3. In for the long term – continuous business development

All of the case companies shared the opinion that before committing to market entry, a firm must first realistically evaluate their situation and probability of success in Japan. This type of thinking displays the concept of IED – recognizing strategic opportunities and acting upon them by utilizing entrepreneurial skills (Mathews & Zander, 2007). The key takeaway from the empirical findings is that firms should also recognize if they are not in a situation to attempt market entry. As was described by the interviewees, Japan is not a market that can be entered lightly with the prospect of seeing if there was any success to be had.

The case companies described the importance of developing a feedback loop that allows collection and internalization of learnings from Japan. Being able to do this for both qualitative and quantitative data, and then implement the new knowledge into better products

and enhanced organizational capabilities, is necessary in order to maintain a position in the rapidly changing Japanese market.

The empirical data showed that there is no single best approach to entering the Japanese mobile gaming industry. It appears that once the market has been entered, its development needs to be constantly monitored with high sensitivity to changing trends and consumer tastes. The information gained through the feedback loop can be used to incrementally develop the sensitivity to those changes. The base level of sensitivity to the Japanese market in particular can also be enhanced by having managers with international experience in decision-making roles (Maitland & Sammartino, 2015b). This was seen in the case companies in how they employed previous experience on Japan to enhance decision-making, and in the absence of such experience, relied on support from their networks. These factors help firms overcome uncertainties in the market, which leads to reduced risk through improved decision-making and higher potential for achieving the business goals set for Japan.

6. CONCLUSIONS

In this final chapter I draw together the research conducted and insights gained from it. I suggest academic as well as managerial implications, and describe the limitations that I see in this study. Lastly, I will suggest further avenues of research that could be explored based on my study.

6.1. Summary of research

This research set out to discover why Finnish mobile gaming firms enter the Japanese market and study the firms' internationalization process. As there seems to be a very low amount of existing academic literature on mobile gaming firms, and none on their internationalization, this study took the opportunity to contribute to that space. I consider the topic very much worthy of researching due to the size of the global mobile gaming market and its remarkable pace of growth. Japan presented an interesting context for the study, because alongside China it seems to be the most popular target for Finnish firms' market entry efforts, which comes as no surprise since Japan is the third largest mobile gaming market in the world (Wawro, 2016). Japan is also an intriguing subject country due to its unique nature culturally and economically.

The main goal of the study was to discover what motivates Finnish mobile gaming firms to attempt market entry, and how they consider the market should be approached. This type of research setting allowed me to also review whether contemporary internationalization theories apply as such to the case companies. The research questions were laid out as follows:

1. Why are Finnish mobile gaming companies internationalizing by expanding their operations to the Japanese market?
2. What kind of market entry methods are the companies employing when entering the Japanese market and why?
 - a. How do the companies learn of the Japanese market in advance and gain insight that facilitates their decision to attempt market entry?

The chosen research approach was multiple case studies, with empirical data collected via interviews of managers involved in the case companies' business development regarding Japan. I discovered that the primary reason for entering Japan is its enormous revenue

potential, and even more so the valuable Japanese customers. By gaining a solid presence in Japan and access to Japanese players, firms can enjoy a stream of revenue that would require much higher numbers of users in other markets. Secondary reasons that appeared are enhanced firm valuation and potential for development of organizational capabilities and competitiveness.

Regarding the research second question, I found out that all the case companies favor a non-equity market entry mode. This was due to two reasons: First, entering the market with the assistance of a local partner was seen as a much less risky option in terms of resources needed. Second, having access to intricate knowledge on the market and Japanese customers was seen as a prerequisite for market entry, as it was considered fruitless to attempt entry just by managing the operation from Finland with no local agent. Lastly, to aid in selecting the partner and facilitate the market entry, the interviewees saw external networks as the most valuable tool, especially for smaller, resource-constrained firms. The Finnish gaming industry is seen as very open and supportive, and services provided by governmental agencies such as FinPro and BusinessOulu were considered helpful in accessing the Japanese market and discovering contacts.

At the outset of the research and after studying the existing literature, I was somewhat skeptical about the applicability of existing theory to the research topic and context. Therefore, it was slightly surprising to discover that the studied IB literature does quite well portray the behavior of the case companies. Network theory seems to be the most applicable of the main branches of theories in this context, and it mirrors quite well the case companies' process of discovering internationalization opportunities and engaging in market entry. Likewise, the IEO, IMO, and IED concepts reflect different aspects of the studied firms' internationalization processes.

The investigation into born globals and INVs was valuable, as it provided a basis for understanding the types of organizations that the cases companies are. Although the distinction between the two was not clarified by this research, it was noted that the case companies display many characteristics of born globals. Additionally, the studied firms seem to internationalize because the global business environment requires them to do so, and their

internationalization process is generally characterized by elements that reflect what literature on born globals describes.

An interesting discovery from this research is that the case companies seemed to have started as global companies, but the internationalization process requires them to become more local. Thus their development appears to be opposite to how companies are traditionally seen to internationalize. These findings are not generalizable due to the limitation of three case companies, but it is an indication that contemporary internationalization theories should be tested more in the context of mobile gaming firm.

6.2. Practical implications

As discussed in section 1.3., this study attempts to provide managerial insight in addition to academic knowledge. The main discovery in this respect is the difficulty of entering the Japanese market as a Finnish company and managing the operation post-entry. Before committing, managers should realistically evaluate the risks in comparison to potential rewards, and compare this to their current presence in other markets. Japan can be considered a market suitable for the more established foreign companies, due to the heavy investments in user acquisition that are usually needed in order to attain sufficient popularity. Entry is possible for smaller firms with less resources, but it requires incremental developments through careful planning and partner coordination, and the possibility of failure must be recognized.

If market entry is engaged in, selecting a suitable partner seems to be of vital importance. Before committing to a partner, the firm should have conducted their internal and external review and identified its goals and timeline for the Japanese market. The partner selection should be largely centered on finding a partner who can support achieving those targets, and simultaneously it should be ensured that the partner is committed to providing that support.

6.3. Limitations of the study

This study aims to function as a basis for further investigation into mobile gaming firms' internationalization processes and attempts to provide a broad review of the elements that influence it. It is not an in-depth review of all the factors influencing a company's selection of and entrance to a foreign market; instead, it is an exploratory study that provides the perspectives of three Finnish firms on entering and prospering in the Japanese market and

evaluates the applicability of contemporary internationalization and managerial cognition literature to the mobile gaming industry.

Certain limitations apply due to the selected research scope and data collection method. First, the study is limited to three companies, which are all of different sizes in terms of revenue, employees, and the number of previous releases. Therefore, the results of the study as a whole or specific findings on a single case company cannot be considered generalizable to all mobile gaming firms. Instead, each company provides its own view and answers to the research questions, meaning that the findings on each can be considered open for extrapolation. In other words, they can be considered comparable to other mobile gaming enterprises of a similar composition. However, therein also lies the value of involving three companies of different sizes, instead of for example including only companies of similar size: it allows us to see the similarities and differences in the internationalization process of entering the Japanese market of the different firms. Thus, subsequent research could be conducted to further refine the findings of this study, but focusing only on companies of a particular size: for example, young mobile gaming startups.

Second, this research focuses on internationalization process of a firm attempting to enter Japan, not the qualities of the Japanese market per se. As I found out, the requirements of the Japanese mobile games market appear to differ from those of other countries, such as China and Korea, and thus the findings cannot be considered applicable as such to other markets. On the other hand, this notion presents another opportunity for future research, that is, a comparison of different key markets in terms of their ease of entry for foreign mobile gaming firms.

Third, I am personally working at one of the case companies, Rovio Entertainment, and have been employed there since 2011 in various roles, which may have influenced the setup of the research. At the time of writing (October 2016) I work as a business controller in a department that is not directly involved with games, and I do not have personal experience of games design or development, but I do have plenty of indirect experience, having been able to follow the processes within the firm. This may create a certain researcher bias if compared to an author that was not working for the games industry, especially to none of the case companies, as my history may have influenced the way how I have devised the

research topic and what research elements I have decided to include or omit. Also, my direct contacts at my employer allowed me easier access to primary data than what I most likely would have had as an outsider.

Lastly, all three of the case companies have different levels of experience of the Japanese market and present their views based on that history. This influences the applicability of the findings to managerial practices, where it should be acknowledged that the selected companies follow a learning curve when entering a foreign market and that their knowledge and capabilities evolve as they gain further experience of Japan. Thus their views are presented as they are, and should not be considered a type of “best practices” model. To further refine the knowledge on mobile gaming firms’ internationalization, more companies could be studied from a similar angle and the findings compared to the learnings provided by this research. This should offer a more comprehensive understanding of what kind of requirements the Japanese markets pose for a foreign company attempting to penetrate the market.

6.4. Suggestions for further research

First and foremost, there is ample room for more research on the internationalization process of mobile gaming firms. Due to the industry’s size and growth, it has become a notable industry for certain countries’ economies, Japan being one of them. The industry is very large in Finland as well when compared to the size of the population and the economy, although it is centered around few very large firms such as Supercell. It is also very entrepreneurial by nature, most Finnish mobile gaming firms being SMEs, and thus it warrants further research to better understand how mobile gaming firms can expand internationally.

Additionally, a worthy topic for research would be the difficulty of entry by foreign companies to different markets. My findings indicate that Japan is a very challenging market to enter, at least for foreign firms, and as such it might not be a feasible investment target to many firms. Studies on the nature and attributes of different mobile gaming markets might assist companies in their investment strategies.

Further research is also called for on mobile gaming firms’ product offerings’ development and market-specific customization. This research indicated that the case companies develop

from global products into more localized versions when they enter new markets. Such culturalization was seen as a mandatory step in entering the Japanese market. The sample size and research strategy of this study does not allow me to generalize that finding, but it definitely presents new questions to be investigated.

Lastly, there are also opportunities for more research on how mobile gaming firms internalize lessons from new markets, and how they are utilized in developing organizational capabilities. This study presents the interviewees' opinions on the matter, but as the topic of this study is internationalization and entry modes rather than organizational development, that subject was not investigated in much detail. Nevertheless, this research showed the importance of devising effective feedback loops in penetrating markets that are very different from a firm's home country.

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APPENDICES

Appendix 1a: Interview questions

Interviewee

1. What is the name and title of the interviewee?
2. What is your current role in your company, and what are your main responsibilities?
3. Could you describe shortly your previous education and the roles you have had during your career?
 - a. What kind of international experience have your tasks or education granted?
4. Do you have previous experience of working or operating a business in Japan from before your current role?
 - a. If you did, what type of experience – in mobile gaming or another industry?
5. Do you have previous experience of other Asian markets?

Interviewee's firm's operations in Japan

6. What is your firm's current mode of operation in Japan?
7. Why have you decided to employ the current mode of operation in Japan?
8. What plans do you have for Japan? (Do you have a set strategy for Japan?)
9. Does your company have a country-specific strategy for other countries in addition to Japan?
10. Are your operations in Japan organized differently to those other countries? Why?

Japanese market / business environment

11. What makes the Japanese market appealing, despite its apparent difficulty for foreign firms?
12. How does the Japanese mobile gaming business environment and infrastructure differ from Western markets?
13. How does Japan's institutional environment affect the mobile gaming business from the perspective of a foreign company?
14. What do you consider to be the main challenge(s) when attempting to enter the Japanese mobile gaming market as a foreign company?

- a. What do you consider the impact of foreignness: not being a native to the business environment, to be when entering and operating in the Japanese market?
 - b. What do you consider the impact of outsidership: not belonging to the existing local business networks, to be when entering and operating in the Japanese market?
15. How do you consider these challenges can and should be prepared for?
16. What kind of research do you consider necessary to conduct before entering the Japanese market?
- a. Has your firm employed any external consultants while conducting the research?
17. What demands or adjustments, if any, does the Japanese market impose or require in terms of
- a. product strategy?
 - b. marketing strategy?
 - c. company governance (local and parent company)?
18. Can a Finnish firm benefit from its foreignness in the Japanese market?
- a. How can it employ its foreignness or outsidership to its benefit?

Business development for the Japanese market

19. How do you capture and utilize knowledge gained from your experience of the Japanese market?
- a. Do you have any information pooling systems in use?
 - b. Do you process learnings in some manner?
20. How does your company handle business development in Japan?
- a. Who is involved in the process?
 - b. Who makes the decisions regarding further development, and what are those decisions based on?
21. From your perspective, what are the key considerations when a Finnish firm is planning entry to the Japanese market?

Appendix 1b: Haastattelukysymykset (Finnish translation)

Haastateltava

1. Mikä on haastateltavan nimi ja nykyinen titteli?
2. Mikä on nykyinen tehtäväsi yrityksessäsi ja mitkä ovat päävastuualueesi?
3. Voisitko kuvata lyhyesti aikaisempaa koulutustasi ja tehtäviä joita sinulla on ollut urallasi?
 - a. Millaista kansainvälistä kokemusta olet saanut aikaisemmalta uraltasi?
4. Onko sinulla aikaisempaa kokemusta Japanissa toimimisesta tai yritystoiminnan pyörittämisestä siellä?
 - a. Jos on, niin millaista – mobiilipeli- vai joltain toiselta alalta?
5. Onko sinulla aikaisempaa kokemusta muista Aasian markkinoista?

Haastateltavan yrityksen toiminnot Japanissa

6. Mikä on yrityksesi toimintamalli Japanissa tällä hetkellä?
7. Miksi yrityksesi on päätynyt nykyiseen toimintamalliin Japanissa?
8. Mitä suunnitelmia yrityksellänne on Japanin suhteen? Onko teillä strategia Japania varten?
9. Onko yritykselläsi maakohtaista strategiaa muille maille kuin Japanille?
10. Onko Japanin toimintonne järjestetty eri tavalla kuin muiden maiden? Jos on, niin miksi?

Japani liiketoimintaympäristönä

11. Mikä tekee Japanin markkinasta niin houkuttavan, siitä huolimatta että se on niin vaikea ulkomaisille yrityksille?
12. Miten Japanin (mobiilipeli-) liiketoimintaympäristö ja -infrastruktuuri eroaa länsimaisista?
13. Miten Japanin institutionaalinen ympäristö vaikuttaa mobiilipeli liiketoimintaan Japanissa ulkomaisen yrityksen näkökulmasta?
14. Mitkä mielestäsi ovat selkeimmät haasteet ulkomaalaisille mobiilipeliyrityksille heidän pyrkiessään Japanin markkinalle?

- a. Mikä mielestäsi on ulkomaalaisuuden vaikutus, eli sen, että yritys ei ole kotoisin Japanista ja natiivi sen liike-elämässä?
 - b. Mikä mielestäsi on ulkopuolisuuden vaikutus, eli sen, että yritys ei ole lähtökohtaisesti osa paikallista yritysverkostoa?
15. Miten mielestäsi näihin haasteisiin voi ja tulisi valmistautua?
16. Millaista tutkimusta yritysten kannattaa mielestäsi tehdä suunnitellessaan Japaniin menemistä?
- a. Onko yrityksesi hyödyntänyt mitään ulkopuolisia konsultteja aiheen tiimoilta?
17. Mitä muutoksia tai vaatimuksia Japanin markkina asettaa suhteessa yrityksen:
- a. tuotestrategiaan?
 - b. markkinointistrategiaan?
 - c. yrityksen hallintoihin (paikallisesti ja emoyhtiön suhteen)?
18. Voiko suomalainen yritys mielestäsi hyötyä ulkomaalaisuudestaan Japanin markkinoilla?
- a. Miten se voi kääntää ulkopuolisuutensa tai ulkomaalaisuutensa hyödykseen?

Liiketoiminnan jatkokehitys Japanissa

19. Miten yrityksessäsi tallennetaan ja hyödynnetään markkinalta saatuja kokemuksia ja oppeja?
- a. Onko teillä käytössä jonkinlainen tiedon keräys- ja hallinnointijärjestelmä?
 - b. Käsittelettekö saatuja oppeja jotenkin systemaattisesti?
20. Miten yrityksessäsi kehitetään Japanin liiketoimintaa?
- a. Kuka on mukana prosessissa?
 - b. Kuka tekee päätökset jatkokehityksen suhteen, ja mihin pohjautuen?
21. Mitkä mielestäsi ovat huomioonotettavat avainasiat suomalaiselle mobiilipeliyritykselle Japaniin pyrkiessä?

Appendix 2: Informed consent request

The purpose of this document is to inform the potential interviewee of the nature of the research, its ethical considerations, as well as details related to the interview process.

The questions this study aims to answer are as follows:

1. Why are Finnish mobile gaming companies internationalizing by expanding their operations to the Japanese market?
2. What kind of market entry methods are the companies employing when entering the Japanese market and why?
 - a. How do the companies learn of the Japanese markets in advance and gain insight that facilitates their decision to attempt entry to the market?

Notes about the interview process:

1. Please be informed that the finished master's thesis will become a public document, available in the library of Aalto University School of Economics as a hard copy and a digital document. This is because of the university's requirement that all Master's theses must be public.
2. Your interview session will be recorded for transcribing and findings analysis. The recording is only for my use as the author, and will be permanently deleted once the thesis is finished. The transcriptions of the interviews will be all done by me and no secretarial assistance is utilized. I will archive the transcriptions after the thesis is completed, so that they are available if needed by my thesis supervisor for the thesis' grading process, but they will not be distributed to anyone or anywhere and will only remain in my personal records.
3. Please confirm to me before the interview whether **you personally** prefer to appear anonymous in the finished thesis, or whether you give your consent to be mentioned by name and title in the study.
4. Please confirm to me before the interview whether you prefer that **your company** is represented anonymously in the finished thesis, or whether you give your consent for your company to be mentioned by name in the study. This is independent from above point 3, so you may opt to have yourself mentioned anonymously but your company mentioned by name, or both can be addressed anonymously.

The research is conducted completely independently, with only support coming from my thesis supervisor Miikka Lehtonen (miikka.j.lehtonen@aalto.fi) and assistant supervisor Naoto Nadayama (naoto.nadayama@otago.ac.nz) in the form of guidance and feedback. This study has not been commissioned or funded by any entity.

In case you have any questions regarding the points above or the study in general, feel free to email me at kalevi.sylvanne@aalto.fi. Thank you very much for participating in the research!

Kind regards,

Kalevi Sylvänne