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**How do service companies grow and internationalise? –
A case analyses of the Finnish IT-service companies**

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ABSTRACT

The aim of this paper is to examine, how service businesses grow and internationalise. A lot of research is done about companies' growth. However, less attention has been paid to service companies and their growth. Also few studies analyse, whether the growth models created in the management literature are applicable for service businesses. Our theoretical framework is built on Storey's growth theory and internationalisation theories for service businesses. Our contribution to growth theories is to add customers as one of the critical issues effecting on companies' growth and development.

Our contribution to the context is to collect empirical data from Finnish IT-service industry, three IT-service providers acting as case companies. Such service companies have received less attention in the service business research. We argue that customers have had a strong effect on our IT-service providers' growth and internationalisation strategies. The customer relations of the Finnish IT-service providers seem to be alike with traditional subcontractors and staying close to customers as one of the key success factors of our case companies.

Keywords: service business, growth, internationalisation process, IT-service business, business-to-business

1 Introduction

Since 1931 when Gibrat created a law stating the size of a firm and its growth rate are independent, a lot has been written about companies' growth (Becchetti, L. and Trovato, G., 2002). Earlier on much of the research concentrated either supporting or arguing Gibrat's theory, but later on many academics have also created new and different growth models or modifications of the previous ones.

However, like Greiner (1998) and Rantala (2006) notice most of the articles and research is based on traditional product companies or the manufacturing industry. The growth of service businesses has got much less attention, even though services are gaining the importance in world's economy (Erramilli and Rao, 1993; Majgård & Sharma, 1998; Orava, 2005). Today the service sector in OECD countries accounts for almost 70% of the total production and employment (Wölfl, 2005). In Finland, the importance of the private services in total economy has been less than on average in Europe. The share of the private services in the Finnish employment is only 35%, which is 6% less than the average share in EU15 countries². However, the expectation is that business related services will create the most part of new jobs in future. This is due to the fact that the service industry's growth potential is the highest and that the most new companies will be established into the service sector, both in Europe and in Finland³.

According to Stanback et al. (1981) there are two reasons why academics have not studied services: 1) the lack of data and 2) some common misunderstandings of services. Like Stanback et al. (1981), McKee (2008) and Grönroos (2007) emphasize the problem is that services are accounted into one sector called the service sector. This prevents us from seeing that services are different and that different services have different expansion rates (Stanback et al., 1981). Moreover, a common misconception is that service companies are small in size (Stanback et al., 1981; McKee, 2008).

The use of the economies of scale in the service business is a controversial issue. On the one hand Carman and Langeard (1980) notice that many service firms grow via standardisation, which increases the companies' quality level and profits, but on the other hand Løwendahl (2005) argues that service businesses do not facilitate the economies of scale. Løwendahl (2005, 51-52) summons

² Source: Statistics Finland

³ Source: ETLA, The Research Institute of the Finnish Economy and European Union

the characteristics of professional business services found by different scholars with those of market entities, service supplier, client and interaction. Although most of the characteristics were found two decades ago they still are well applicable today. However, both the studies Løwendahl (2005) went through and her own ones neglect the fact that during 1990's and 2000 a bunch of a new service companies had been established. These missing service companies differ from the service firms established in the 1970's and 1980's. Today there are several service companies, which target high growth and profitability with standardised procedures and processes plus diverse personnel.

Although the strategy of high growth and profitability is visible especially in the IT- and telecom-services, where several companies follow ISO-standards and facilitate already low-cost strategies, it is not visible in research. It seems that, a lot of the empirical research of service business is done from consultancy or banking industry. Therefore more research on service businesses established during last decade is needed.

The idea for this study arose from the missing research of service businesses and how they grow. In recent years a bunch of fast growing service companies have been settled up in Finland, especially in IT-industry. IT-service providers are companies providing integration, testing, and software development etc. services to business-to-business customers. Normally the companies do not develop and provide own products, but operate service based.

According to Løwendahl (2005) the service firms' value creation consists of three core processes: "1) selling a "credible promise", 2) delivering what has been promised, 3) learning from the selling and delivery processes, in order to improve both efficiency and effectiveness in future projects." This describes well the difference between manufacturing companies and service firms. The service companies' value creation begins with convincing the customers with firm's value creating capabilities (Løwendahl, 2005).

Our purpose is to describe how Finnish IT-service businesses grow and internationalise. We will test some of the existing growth models in order to see, if the growth models created in the management literature are applicable for selected service firms. Special attention is paid to find out, what is the customer's influence on service company's growth pattern.

As Äijö et al. argue (2005) growth and internationalisation are often "intervened" – in particular in software business, where internationalisation might be the only way for getting higher growth rate.

Our apprehension is that with IT-service businesses growth is also partly sought through internationalisation, which is done differently than following traditional stage model (Luostarinen, 1980; Johanson and Vahlne, 1977).

As a research methodology we will use multiple-case study. The research data is gathered from three IT-service providers originating in Finland by interviews. Also other accompanying materials, like annual reports and company presentations are used in the analyses. Due to the research methodology the results of the study cannot be generalized without questions.

The structure of the report is as follows. Chapter 2 describes some of the existing growth models and internationalisation theories. Chapter 3 illustrates the framework and methodology used in the analyses. Chapter 4 consists of empirical analyses and main findings. Chapter 5 withdraws conclusions and points out the certain findings for discussion.

2 Growth and internationalisation models in literature and framework development

Rantala (2006) groups growth research in three categories: stochastic, maximising models and empirical studies' group, listing academics' research in each group. Among the most cited models illustrating growth of the small companies seem to be:

- Stochastic firm growth model (Gibrat, 1931)
- Growth through series of evolutions and revolutions (Greiner 1972)
- The growth of the small firm depends on resources of the entrepreneurs, firm and strategy (Storey 1994)
- Five-stage growth model (Churchill and Lewis, 1983), 10-stage model of corporate's life-cycle (Azides, 1988)
- Technology based companies' growth model (Kazanjian, 1988)

Most of the growth models are so called life-cycle models, describing the growth of the company through different development phases (Kazanjian, 1988). Äijö et al. (2005) argue that life-cycle models are applicable for software firms as well.

Greiner (1972) found in 70's that when companies grow they tend to pass several developmental phases. Each phase comprises of evolution-period, where growth is steady and stable and revolution-period, where change is significant. Evolutions and revolutions are caused by crises in leadership, coordination or control. Before the growth can continue, and the company is able to

move to the next phase, it has to solve the management problem in revolution-period shown in Figure 1. According to him evolutionary periods seem to be shorter in fast-growing industries. As Greiner (1998) later added, some overlapping in the periods happens.

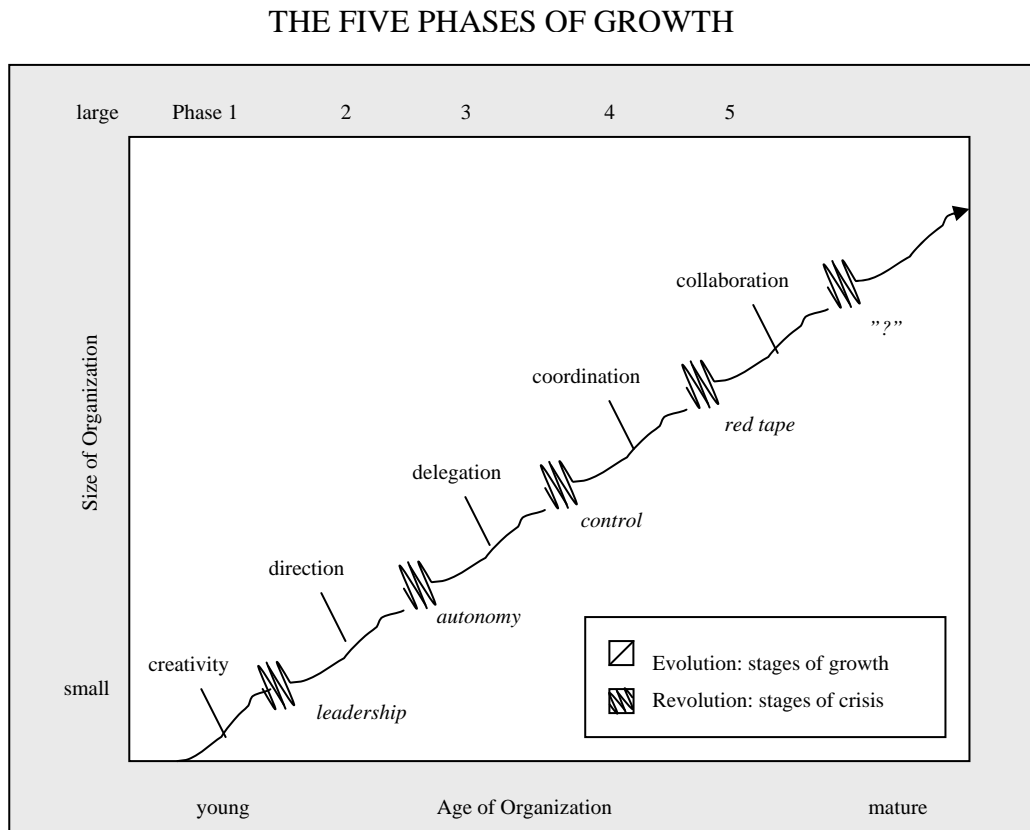


Figure 1. Greiner (1972); Five phases of growth.

The benefits of multistage-models seem to be that they increase understanding of growth phenomenon, showing how growth happens and its effects on organization (Kanzanjian, 1988). However the models have been criticized of lacking explicitness and accuracy and also more explanation is needed, why certain characteristics of a stage of growth appear (Kanzanjian, 1988).

Churchill and Lewis (1983) criticize Greiner's and other similar type of growth models for being unsuitable to small businesses. The argumentation lies on three things: first the models are too simplistic in assuming that companies must grow and pass all the development phases or they'll vanish. Secondly they argue that models miss the early phases of company's settle up and growth. And thirdly they find it limiting that company size is only defined by annual sales. (Churchill and Lewis, 1983)

Based on this argumentation and empirical material Churchill and Lewis (1983) draw their own growth pattern, explaining growth of small companies (Figure 2). According to them company's phase at a given time determines managerial challenges, which have to be dealt with. As one of the critical factors, especially in early phases of the company, Churchill and Lewis (1983, p.40-50) name business resources, which includes for example customer relations and market share. In their model companies can be unsuccessful in every phase and due to that either sell the company or cut off the business. (Churchill and Lewis, 1983)

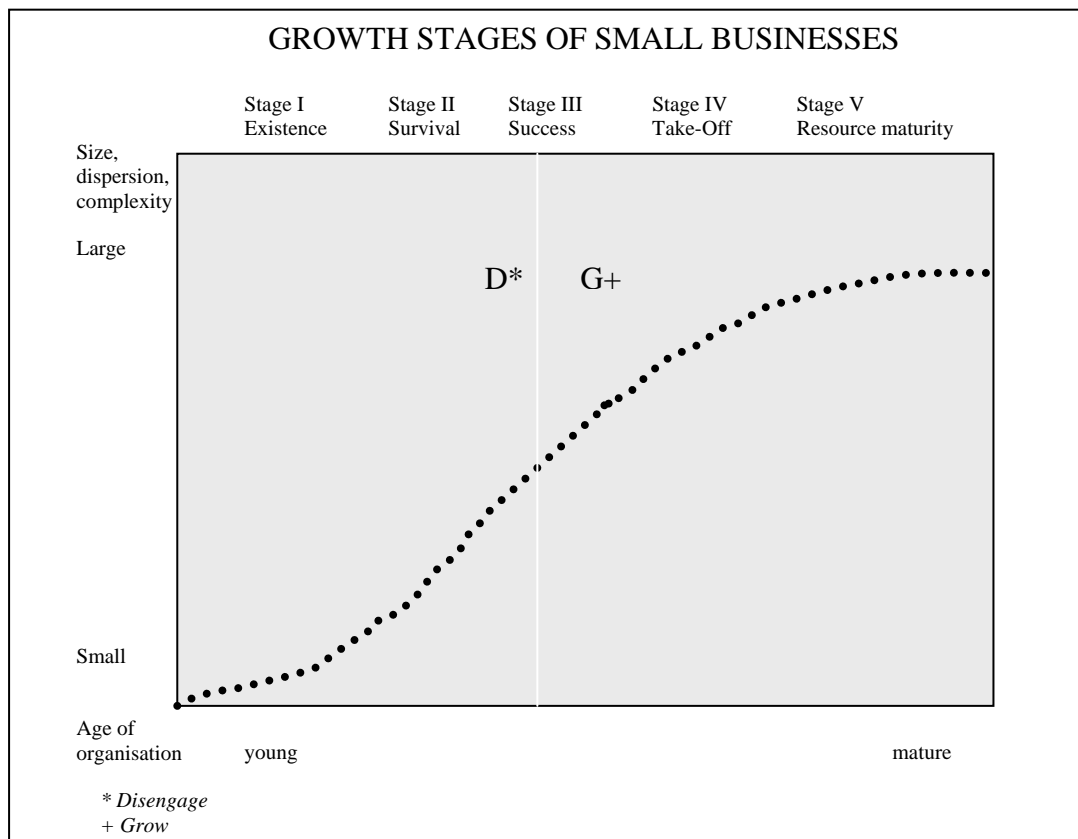


Figure 2. 5-stages of small business growth by Churchill and Lewis (1983)

As Kanzanjian (1988) notices most growth models ignore the type of industry, technology and other situational variables. He (1988) found out that high-technology firms differ from other companies in growth pattern. Churchill and Lewis (1983) highlight customer relations as critical factor, which is the only growth model (except perhaps Moore, 1999) we studied, where customer or staying close to customer is considered essential in a sense of firm growth and development.

2.1 Short review of the relevant internationalisation literature

Traditionally internationalisation is seen as a process, where international presence is increasing gradually (Luostarinen, 1980). First companies start with occasional direct export of products or exporting via an agent. After gaining knowledge from the certain market they move towards more demanding operation models, like establishing a sales subsidiary and eventually in some cases start-up a foreign production unit (Johansson & Vahlne 1977). Luostarinen (1980) defines these as 4 different stages in internationalisation; early stage, development phase, growth phase and maturity phase.

After starting the export, increases the geographic distance between the company and the customer. This can also cause increased “psychological distance” due to the reason that company moves from familiar (customers and their wishes) to unfamiliar. (Johansson & Vahlne 1977)

By analyzing internationalisation from network-approach Johanson and Mattsson (1983) created a fourfold model (Figure 3) for analyzing degree of the internationalisation of the market and firm. The model was created for analyzing production net, but seems to be suitable for other type of industries as well.

		Degree of internationalisation of the market (production net)	
		low	high
Degree of the internationalisation of the firm	low	The early starter	The late starter
	high	The lonely international	The international among others

Figure 3. Johanson’s and Mattsson’s internationalisation of the firm and market –matrix (Johanson and Mattsson, 1983)

In Johanson’s and Mattsson’s model “early starter” is usually a small firm having few unimportant relationships with foreign companies. The degree of internationalisation of the market is also low, meaning that also competitors, supplies etc. are domestic. Firm’s knowledge about international markets is limited. In this situation the common strategy is to use agent in expanding to nearby

markets. Alternative way would be to make an acquisition or greenfield-investment, which would require a bigger investment. After becoming more international, the firm becomes a “lonely international”. (Johanson and Mattsson, 1983)

If the customers, suppliers and competitors are already international, even company operating in national market, have indirect relations in abroad. The company might be pulled to expand operations in foreign market by customers or partners. This is the case of “the late starter”. In this situation a leap to foreign markets might be even bigger than to nearby markets and company might establish operations right away into the distant market. According to Johanson and Mattsson (1983) a small company doing this has to be highly specialized and providing solutions to the certain sections of the production net. Additionally such companies have to have ability to adapt customers’ wishes or influence on customers’ need specification. (Johanson and Mattsson, 1983)

Sometimes the route to internationalisation is much faster, and follows an untraditional pattern. In recent years more research has emerged on companies called “born globals”. Those are companies seeking rapid growth in abroad, even before establishing operations into the home market (Rasmussen and Madsen, 2002; Gabrielsson, 2007). Since born globals are typically companies operating in small niche and home market (at least in Finland) is too small, they have to accelerate the internationalisation (Gabrielsson, 2007; Rasmussen and Madsen, 2002). Laanti, Gabrielsson and Gabrielsson (2007) found that born globals in wireless technology industry internationalise more rapidly than traditional companies and they skip the earlier stages of internationalisation and settle up own foreign offices instead.

Typical definition of a born global is that the expansion into the foreign markets happens in 2-3 years after company has been settled up and more than 25% of the company’s revenue comes abroad. The companies are also typically growth-oriented and acquisitions or partnering is done with external financing. (Äijö et al., 2005)

Jones (2001) found out that managers of born globals tend to be inexperienced in international business and sometimes in business management, but are technologically competent. Yet, they believe that global markets are accessible (Laanti, Gabrielsson and Gabrielsson, 2007) and have clear vision of the company’s growth and entry to global markets (Laanti, Gabrielsson and Gabrielsson, 2007 & Knight and Cavusgil, 2004). Laanti, Gabrielsson and Gabrielsson (2007)

found also opposite evidence; in their study founders of the born globals had extent previous experience of the international business.

2.2 Research about internationalisation and growth of the service businesses

As Carman and Langeard (1980) notice common marketing strategy with professional and consumer service companies is to get direct contact with customer. With IT-services it seems that customers presume the companies stay within close distance with them. Äijö et al. (2005) call this following collaborative pathway: some of the Finnish software providers do subcontracting through “closely knitted” vertical partnerships with customers. This gets support from the TBRC⁴ study conducted in 2001-2002, which noted that 80% of the Finnish small and medium-sized ICT-companies had collaborative relationships with Finnish or foreign companies (Äijö et al., 2005).

In a study of several service sectors McLaughlin and Fitzsimmons (1996) found 5 different internationalisation strategies for service firms:

- Multi-country expansion
- Importing customers
- Following customers
- Service unbundling
- Beating the clock

Multi-country expansion may turn out to be a successful strategy, if the company is looking for strong growth and targeting for several markets or countries with relatively standardised service offering. Importing customers suits for situations, where company has single site, but multi-service approach. This usually requires quite heavy site investments. Following customers mean literally following existing customers along their internationalisation. Service unbundling refers to specialising in some parts of the customer’s value-chain and dealing with selected customers. Beating the clock- strategy suits for companies, which want to overcome the constraints of the clock or time zones and seek for example economies in operation. (McLaughlin and Fitzsimmons, 1996)

Service firms’ internationalisation strategies have also been analyzed by Majgård & Sharma (1998) and Aharoni (1993) who identified client-following and market-seeking –strategies and Grönroos (1999), who presented five different internationalisation strategies for services. Baark (1999)

⁴ TBRC = Technology Business Research Center, Lappeenranta University of Technology, Finland

analyzed IT-enabled service delivery and Orava (2005) internationalisation strategies of knowledge-intensive professional service firms.

According to Greiner (1998) recent studies suggest that service companies phase same evolution and revolutions –periods as they grow, but growth phases and challenges differ. In first phase companies try different visions, the phase ending with argument about, which vision to follow. Second phase is about finding direction and ending in argument between focusing and expansion to different markets or service. The third phase is the expansion-phase and seems to end with ownership battle. The fourth phase could be called as standardizing procedures and typically ends to cultural conformity crises. As fifth phase Greiner suggests to be the phase looking for partnerships or acquisitions. (Greiner, 1998)

Carman and Langeard (1980) analysed risk factors of different growth strategies of service businesses. In their studies the scope was expansion of service sales abroad, adding new (core) service to existing market and concentric diversification. They also analysed the difference between product and service company's growth strategies and noticed that first difference came out after both had gained growth through penetration and market expansion. According to them the next step would be to gain market expansion by selling existing services to new sociodemographic segments instead of new geographic segments. Since service firms lack the same flexibility as product firms, (they need clear-cut concepts and close relations with supplier and customer), they might be unable to choose that strategy (Carman and Langeard, 1980). As three alternative strategies Carman and Langeard (1980) saw 1) inventing new core services and selling them to existing market segments, 2) selling existing services to foreign market segments or 3) following concentric diversification. (Carman and Langeard, 1980)

In their study Carman and Langeard (1980) found following growth strategies for service businesses less risky: 1) Penetration 2) Market expansion (geographic) 3) Concentric diversification or (Major) Redesign of current services or Invention of new (core) service 4) Existing services to foreign markets 5) Conglomerate diversification.

Äijö et al (2005) divided the growth and internationalisation patterns into three different paths: organic, collaborative and born global –pathways (or hybrid of those), when analysing growth and internationalisation of the Finnish software companies. Organic pathway reminds traditional stage-wise internationalisation pattern, where after home market penetration follows expansion into the

neighbouring markets and then to more distant markets. With collaborative pathway Äijö et al. (2005) refer to deeper cooperation in development, production, distribution and/or sales or horizontal or vertical partnerships.

In Rantala's (2006) studies concerning firm and industry level determinants affecting growth of the Finnish firms in 1996-2003, he found out among other things that small firms do grow faster than larger ones - also in service sector. According to him growth of the knowledge intensive service sector boosts also growth of the new firms.

Overall it seems that the growth and internationalisation of the service businesses is less touched area in literature. As Orava (2005) sums the internationalisation of the service firms are often overshadowed by internationalisation of the manufacturing companies. McKee (2007) argues "business related services may be facilitators of change" and "help in nurturing new growth poles". Therefore a better understanding of how service businesses grow is needed.

Following framework is used in the study (Figure 4). Framework is adapted from Storey's (1994) growth model.

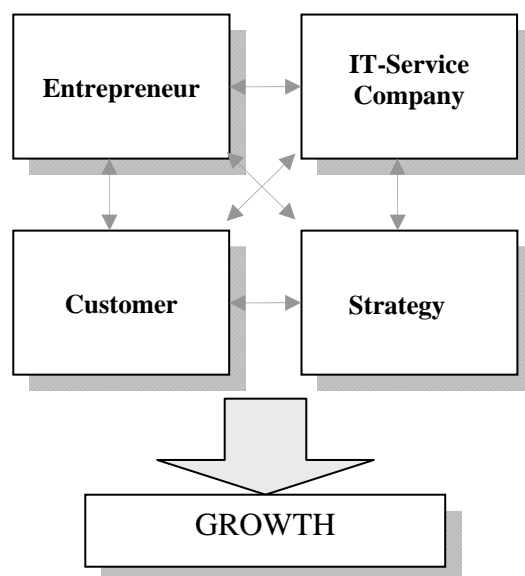


Figure 4. Framework used in the study (adapted from Storey, 1994).

In analyzing the case companies' internationalisation Johanson's and Mattsson's (1983) fourfold model is used.

3 Methodology: a multiple case study of service businesses

3.1 Selection of research approach and case companies

The case method was selected as a research method, since relatively few studies concern modern business services and thus relatively little information exists about phenomenon. According to Yin (2003) the case study's strength is its ability conclude full variety of evidence. Therefore also in this study several different sources of information were used such as documents, interviews, newspaper and digital newsletters, articles. According to Eisenhardt (1989) case study is also suitable when analysing new topics. Zhao and Decker (2004) see case-methodology as a useful research methodology in analyzing market entry mode theories, especially if narrowed to certain type of companies.

IT-service business was selected as a research area as it is growing industry in Finland and also less researched area. Among the 250 biggest IT-companies in Finland there are currently 50⁵ such service providers representing total turnover of 5,3 billion euros and employing over 32 000 employees. Total revenue has increased with one third in two years and number of total employees with almost 20%⁶. Many of the companies could also be found among the fastest grown IT-companies in Finland during this decade.

For analyses three case companies were selected from the list of 250 biggest Finnish IT-companies conducted by Tietoviikko (Finnish IT-newspaper). First all the companies by industry of IT-services were selected, leaving 50 companies. Then minor and major companies were removed (turnover less than 15 million euros and more than 150 million euros) leaving 15 companies. Other criteria for choosing 3 companies were: all companies 1) are independent, 2) are Finnish-based, 3) do not provide own products or at least share of that in turnover is low, 4) have been in the business approximately ten years thus having established a solid customer base and 5) operate both in the domestic and foreign (at least three foreign countries) markets.

⁵ Reference: Tietoviikko 2008 (Finnish magazine, which lists biggest IT-companies every year).

⁶ Reference: Tietoviikko, TIVI-companies in 2006 and Tietoviikko, TIVI-companies in 2008

The selected case firms represent typical IT-service providers, providing for example testing and R&D services to mobile handset and network manufacturers, contract manufacturers, operators and other service providers. All case companies represent Yin's (2003) typical cases.

3.2 *Data collection*

The research data was collected through in-depth interviews of CEOs, founders and/or managers of the case companies in May and June, 2008. Totally ten (three to four persons from one company) persons were interviewed. The interviews were semi-structured, and a lot of open questions were used. The language of the interviews was Finnish. A written interview-formula was used as a check-list to make sure that all the planned issues were covered. The interviews were written out as case descriptions. Among the interviews also company presentations, annual reports, company's web-sites, digital newsletters and articles in business magazines were used as empirical material.

4 Empirical analyses and main findings

See table 1 for the summary of results from our analyses.

4.1 *Entrepreneur/s*

Almost all the case companies seem to have similar type of founders: higher technical or commercial university degree and some previous professional background. The previous experience from international business and business management seemed to be scarce, but founders seemed to had energy and motivation to push the company towards growth and internationalisation. Especially in the early years some of the companies were highly dependent on the founder or few key persons. After the companies grew in size, more managers were hired - also external CEOs.

4.2 *Company*

One of the case companies was settled up with different business idea, but focus was changed to mobility quite soon. Also other companies clarified the business scope within a few years after

establishment. Some of the companies started directly as service providers, but all of them have had a small share of product business as well. The business growth and development has followed similar kind of pattern with all the companies. First years seemed to pass in searching the business scope and fight of the existence and first customer cases. After couple of year's existence, all the companies grew quickly.

Partnerships, cooperation and networking seem to be one of the key issues in IT-service business. All the companies had deeper partnerships with mostly foreign partners.

4.3 Customers

One of the key findings of this research was that all the companies seemed to be successful by staying close to customers. The customer relations with IT-service providers seem to be alike with traditional subcontractors. Placement and continuity in customer's partner list directs service providers' strategy and operations – especially in the early years, when dependence on few customers is heavy.

Customers expect to get similar kind of services in all their locations and therefore expect to have the service providers close to own locations. In order to meet the customers' wishes service providers are also obliged to seek for growth. Establishment to foreign markets seems to happen partly by following customers.

4.4 Strategy

As mentioned already before, business logic with IT-service providers seem to be equivalent to traditional subcontractors. Therefore customers have a remarkable role in strategy formation of the service providers. Nevertheless the investments in service business are not that heavy than in traditional subcontracting. Also the size of the projects seems to be smaller than in traditional (hardware) subcontracting and therefore the dependence on a certain project is not that big. Depending on the company, companies followed single- or multi-service strategy.

All our case companies seem to have followed similar type of growth strategy: first penetration and growth in the home market, then establishment into foreign markets. In order to serve the customers

properly, IT-service providers needed to grow fast. Therefore pure organic growth was not enough, and also mergers and acquisitions were done. One of the companies did approximately 1,5 acquisitions every year in last 4 years. Growth of the companies was financed partly with own cash flow, partly with external funding. None of the companies had yet phased the maturity-phase, but continued growth, even though the growth rate was a bit slower.

Expansion to the foreign markets had happened approximately 7-8 years after establishment of the company. Still one could say that internationalisation has been faster than with traditional internationalisation patterns suggest, and all the companies have established operation in Asian market (mostly in China) or some other distant market fairly soon.

Table 1. Summary of the results of empirical analyses

	<i>Company A</i>	<i>Company B</i>	<i>Company C</i>
Entrepreneur/s	One founder with higher commercial university degree and previous professional background from another business area Some international experience, but from different business area	Group of founders, most with higher technical university degree and previous professional background from the same business area No international experience	One founder with different education and professional background, others with higher technical university degree and previous professional background from the area Some founders with international experience
Company	Scope of the business changed 2 years after the establishment Growth phase started after 4 year's of existence Some important foreign partnerships	Steady growth after 4-5 years after company's establishment Domestic and foreign partnerships	Clarification on the business scope in the early phase of the company history Strong growth after couple of years after company's establishment. Growth financed partly by external financing. Also foreign partnerships in the early phases of the company.
Customers	Founder says: "One reason for our success has been staying close to customers, listen to them and change our performance to meet the customers' wishes"	Staying close to customers, also physically part of the strategy	Partnering with the customers part of the strategy
Strategy	First penetration in the home market, then international growth. This was done based on customers' wishes Operations also in distant market fairly soon	First penetration in the home market, then international growth by following the customers. Operations also in distant markets quite soon Organic growth supported by frequently done acquisitions	First penetration in the home market, then growth in nearby areas Organic growth supported by frequently done mergers and acquisitions

5 Analysis

The development of the case companies seem to fit very well in the growth phases of “Existence” to “Take-off” in Churchill’s and Lewis’s (1983) model. The companies’ development had also similarities to Greiner’s (1998) revised growth model, which he modified for service businesses. Especially evolution and revolution periods in the early phases in his model gets support from our study. What we missed in the growth models was the customer’s role on the companies’ growth, which we found quite remarkable in our cases.

Also we argue that our case companies were successful in growth, because they stay close to customers. Customer’s wishes were heard. The service providers have to be a part of the certain supplier group acting as a driving force to company’s growth, development and internationalisation. This we find a major difference both to traditional product suppliers and to traditional subcontractors. However, Simon (1996) provides an exception to traditional product suppliers in his findings of the internationalisation of German hidden champions.

Carman and Langeard (1980) see expansion to foreign market as most risky strategy for service providers, since they usually operate directly with customers and therefore risk of loosing customer because of a mistake is higher. The international or even global presence seems to be nowadays more a rule than an exception among service providers. This was also the case with our case companies. Løwendahl (2005) also argues that “global customers demand consistent services globally”. Her global presence facilitates also selling a credible promise to service firm’s customers (Løwendahl, 2005). Similarly McKee (2007), McLaughlin and Fitzsimmons (1996), Majgård & Sharma (1998) and Grönroos (1999) suggest that service firms have entered the global market by following their customers’ wishes. McKee’s and Garner’s (1992) study showed, how major accounting companies were forced to internationalise when they increased the service level of the main customers. We got the similar findings from our case companies.

Internationalisation of IT-service providers was not as fast as that of born globals (Laanti, Gabrielsson and Gabrielsson (2007). Our case companies seemed to be similar to the “late starters” in Johanson’s and Mattsson’s (1983) internationalisation model. Our case companies skipped the first internationalisation phases and directly established own subsidiaries abroad such as born globals do. However, there were some major differences between born globals and service providers. The former ones seem to establish sales subsidiaries (Laanti, Gabrielsson and

Gabrielsson, 2007) while the latter ones have also service production sites in their entry. Most of the productions sites are close to customer, some also in the markets, where low-cost country's advantages to service providers are provided.

We found also some other convergent features with born globals and IT-service providers. The background, motivation and energy of the founders seemed to be alike with founders of the born globals presented in the studies of Jones (2001) and Laanti, Gabrielsson and Gabrielsson (2007). Our findings seem to correlate to those of Rantala (2006). He studied firm and industry level determinants affecting growth of the Finnish firms in 1996-2003. Rantala found among other things that in the knowledge intensive industry entrepreneur's (or founding team's) higher technical and business oriented education correlated with company growth (Rantala, 2006).

Also partnering and networking were found to as important within our case companies, within born globals (Laanti, Gabrielsson and Gabrielsson (2007) and within Finnish software companies (Äijö et al. 2005). The summary of the literature supporting our results is presented in Table 2.

Table 2. Summary of the literature supporting to our results.

<i>Author</i>	<i>Theory, model or research area</i>	<i>Convergent parts to our results</i>	<i>Year published</i>
Churchill and Lewis	Five-stage growth model	Early year's development of the companies	1983
Greiner	Revised growth model for service businesses	Early years' evolution and revolution periods	1972 and 1998
Johanson and Mattsson	Internationalisation strategies	4-fold model with "late starters", which our case companies seem to be	1983
Løwendahl	Professional business services	Service businesses' value creation and globalization	2005
McLaughlin and Fitzsimmons	Internationalization strategies for service businesses	Companies internationalised by following their customers	1996
Majgård & Sharma	Internationalization strategies for service businesses	Companies internationalised by following their customers	1998
Grönroos	Internationalization strategies for service businesses	Companies internationalised by following their customers	1999
McKee and Garner	Internationalization strategies for service businesses	Companies internationalised by following their customers	1992
Laanti, Gabrielsson and Gabrielsson	Research on born globals	Our case companies have some convergent characteristics with born global-companies	2007
Jones	Research on high-technology firms (born globals)	Some convergent characteristics with born global-companies	2001
Rantala	Research on growth of the	Some similarities with our results concerning	2006

	Finnish firms	firm level determinants affecting growth	
Äijö et al.	Research on Finnish software companies	Some similarities with our results concerning internationalisation and networking	2005

6 Conclusions

The purpose of this study was to describe how Finnish IT-service businesses grow and internationalise. Since this was a case study of three Finnish IT-companies, we have to be careful in generalizing our findings to service companies coming from other sectors or to non Finnish IT – service companies entering foreign markets. Therefore an interesting future research target would be to find out whether other service businesses working with business-to-business customers follow similar kind of patterns in growth and internationalisation. Another fresh research topic whether non-Finnish IT-service companies fit in the models of this study.

As regarding to different growth models, the models we searched seem to fit quite well to selected service firms. However, the growth models we used miss the emphasis of customer’s role in service companies’ growth, which at least in our cases was fairly big. The “late starters” in Johanson’s and Mattsson’s (1983) internationalisation model (can be regarded also as a growth model) seems to be the only one to take into account the customer. Again with limited empirical material, this cannot be generalized to other service companies, but could be interesting research topic in future.

IT-service providers seem to be interesting group of companies among the service businesses. Based on our case companies it looks like that they have some common features with traditional product service and/or companies and “born globals”, like Figure 5 shows.

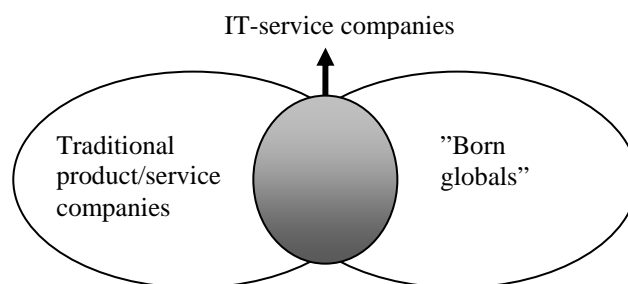


Figure 5. IT-service companies’ location in between the traditional and born global companies.

By presenting three typical Finnish IT-service providers, we hoped to raise more interest on service companies itself. As highlighted earlier on more research and understanding on growing and internationalising service businesses as such is needed, since one way or another, services will be part of the future business. Moreover, it seems that earlier studies in the service businesses are not explaining the growth and internationalisation phenomenon well enough.

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