

CHALMERS



Geographical Expansion in IT Companies

A Case Study of Internal Factors and Development of a Strategy

*Master of Science Thesis in the Master Degree Programme,
Management and Economics of Innovation*

EMMA BERGLUND

ELISABETH NILSSON

Department of Technology Management and Economics

Division of Innovation Engineering and Management

CHALMERS UNIVERSITY OF TECHNOLOGY

Göteborg, Sweden, 2011

Report No. E 2011:110

MASTER'S THESIS E 2011:110

Geographical Expansion in IT Companies

A Case Study of Internal Factors and Development of a Strategy

EMMA BERGLUND
ELISABETH NILSSON

Tutor, Chalmers: Ivan Angsvik
Tutor, Findwise: Bengt Rodung

Department of Technology Management and Economics
Division of Innovation Engineering and Management
CHALMERS UNIVERSITY OF TECHNOLOGY
Göteborg, Sweden 2011

Geographical Expansion in IT Companies
A Case Study of Internal Factors and Development of a Strategy

© Emma Berglund & Elisabeth Nilsson, 2011

Master's Thesis E 2011: 110

Department of Technology Management and Economics
Division of Innovation Engineering and Management
Chalmers University of Technology
SE-412 96 Göteborg, Sweden
Telephone: + 46 (0)31-772 1000

Chalmers Reproservice
Göteborg, Sweden 2011

Abstract

During the last decades the world has witnessed an increase in internationalizations of companies. That growth strategy entails expansion to new geographical areas and is often utilized by smaller companies. Nevertheless, expanding a business is challenging as a diverse set of factors influence the expansion decision. A thorough investigation of a company's internal resources is therefore needed before developing an expansion strategy. One company facing the challenges of growth and expansion is Findwise, an IT consultancy company. Findwise is now considering worldwide expansion. The purpose of this research is therefore to identify how internal factors affect IT companies' geographical expansion and to develop a concrete strategy for Findwise with which they can expand to new areas. The developed expansion strategy contains three aspects: A presentation of internal factors which are essential for Findwise to consider when expanding to new geographical areas, a recommendation of the most suitable entry mode with regard to Findwise's internal factors, and a tool for deciding on appropriate incentive models for people participating in Findwise's expansion. The overall research question was "What will be the most suitable expansion strategy for Findwise?". The question was decomposed into four sub questions.

A case study was performed at Findwise, to get thorough knowledge about the company and its internal resources. In addition, a comparative case study was performed on three IT companies that gave insight into their international expansions. Interviews were the main data collection method but questionnaires and workshops were also performed. The findings from the two case studies were combined in order to create the expansion strategy for Findwise.

The results showed that the most important internal factors for IT companies during expansions are; personnel, organizational processes, corporate culture, common IT systems, geographical management, and the combination of localized and centralized processes. Hence, Findwise is recommended to consider these internal factors when expanding geographically. In addition, it was identified that there exist an interest among Findwise's employees to participate in the company's expansion. Findwise is therefore recommended to expand through new ventures as it gives the interested employees an opportunity to take an active part in the establishment of new units as well as it enables Findwise to utilize its internal resources in an efficient way. Further, Findwise should offer both financial and non-financial incentives to people that participate in their geographical expansion. The financial incentives are recommended to be decided through the utilization of a tool that allows for individualization of incentives. The developed tool considers three groups of factors that have been identified as important to consider when creating incentive models: situation specific factors, performance measures, and incentive elements.

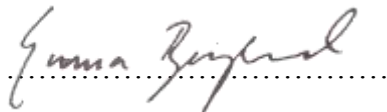
Acknowledgements

First of all we would like to thank Findwise for facilitating our case study, including all the helpful and kind employees who helped us in our work and provided us with invaluable insights and information. A special thanks to Bengt Rodung who was our supervisor at Findwise.

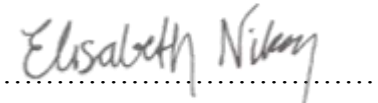
Secondly, we would like to thank our supervisor at Chalmers University of Technology, Ivan Angsvik. Although very short notice, he managed to supervise us and give valuable feedback that enhanced our work.

Finally, we appreciate that the case companies gave us the opportunity to talk to people that previously have been involved in expansions. This autumn has given us knowledge and insights into company growth and geographical expansions as well as how the situation looks in practice for Findwise. We are grateful for having gotten this experience.

Gothenburg, 19th December 2011



Emma Berglund



Elisabeth Nilsson

Table of Contents

1. INTRODUCTION.....	1
1.1 BACKGROUND.....	1
1.2 FINDWISE AND ITS CURRENT SITUATION	2
1.3 PURPOSE	3
1.4 RESEARCH QUESTIONS.....	4
1.5 DELIMITATIONS	5
1.6 OUTLINE OF THE REPORT.....	5
2. THEORETICAL FRAMEWORK	6
2.1 ENTRY MODES.....	7
2.1.1 Wholly owned subsidiaries.....	7
2.1.2 Joint venture.....	8
2.1.3 Contractual modes.....	9
2.1.4 Company-specific factors influencing choice of entry mode.....	9
2.2 RESOURCES.....	10
2.2.1 Personnel	11
2.2.2 Capabilities and organizational processes	11
2.2.3 Knowledge and competences	12
2.2.4 Company reputation and brand.....	13
2.3 ORGANIZATION	13
2.3.1 Organizational structure.....	13
2.3.3 Corporate culture.....	17
2.4 INCENTIVE STRUCTURES	17
2.4.1 Concepts to consider when selecting incentives.....	18
2.4.2 Non-financial incentives.....	19
2.4.3 Financial incentives	20
3. METHODOLOGY.....	26
3.1 RESEARCH STRATEGY	26
3.2 RESEARCH DESIGN.....	26
3.3 RESEARCH STRUCTURE.....	27
3.4 RESEARCH METHODS	28
3.4.1 Semi-structured interviews.....	28
3.4.2 KJ Shiba exercise.....	29
3.4.3 Public documents.....	30
3.4.4 Questionnaire.....	31
3.5 DATA ANALYSIS	32
3.6 RESEARCH QUALITY	33
3.6.1 Validity.....	33
3.6.2 Reliability.....	35
4. EMPIRICAL FINDINGS.....	37
4.1 FINDWISE.....	37
4.1.1 Expansions and entry modes	37
4.1.2 Resources	42
4.1.3 Organization	45
4.1.4 Incentive structures	50
4.2 CASE 1-CYBERCOM	55
4.2.1 Expansions and entry modes	55
4.2.2 Resources	56
4.2.3 Organization	57
4.2.4 Incentive structures	59
4.3 CASE 2 - SIGMA KUDOS	59

4.3.1 Expansions and entry modes	60
4.3.2 Resources	61
4.3.3 Organization	63
4.3.4 Incentive structures	64
4.4 CASE 3 –TRADEDOUBLER	65
4.4.1 Expansions and entry modes	65
4.4.2 Resources	66
4.4.3 Organization	68
4.4.4 Incentive structures	69
4.5 CASE 4 –SKANDIA	70
4.5.1 Incentive structure	71
5. ANALYSIS AND DISCUSSION	73
5.1 FINDWISE’S INTERNAL RESOURCES AND ORGANIZATION	73
5.1.1 Resources	73
5.1.2 Organization	75
5.2 INTERNAL KEY FACTORS IDENTIFIED IN IT CONSULTANCY COMPANIES	78
5.2.1 Expansions and entry modes	78
5.2.2 Resources	80
5.2.3 Organization	82
5.3 COMPARISON OF IDENTIFIED INCENTIVES	83
5.3.1 Incentives in Findwise	83
5.3.2 Incentives in the case companies	86
5.3.3 Combining the incentives of Findwise and the external cases	89
5.4 THE EXPANSION INTEREST AMONG EMPLOYEES	93
5.4.1 The interest among employees to move abroad	94
5.4.2 Why entrepreneurs might not be interested in a leading role	95
5.5 EVALUATION OF POTENTIAL ENTRY MODES FOR FINDWISE	95
5.5.1 Comparison of entry modes	96
5.5.2 The most suitable entry mode for Findwise	99
6. CONCLUSIONS	101
7. RECOMMENDED EXPANSION STRATEGY FOR FINDWISE	105
7.1 INTERNAL FACTORS ESSENTIAL TO CONSIDER WHEN EXPANDING	105
7.2 A RECOMMENDATION OF THE MOST SUITABLE ENTRY MODE	106
7.3 A TOOL FOR DECIDING ON APPROPRIATE INCENTIVE MODELS	107
8. FURTHER RESEARCH	110
REFERENCES	I
APPENDICES	VI

Table of Figures

FIGURE 1: A VISUAL PRESENTATION OF THE DIFFERENT PARTS CONSTITUTING THE THEORETICAL FRAMEWORK	6
FIGURE 2: PRESENTATION OF THE DIFFERENT FACTORS THAT AFFECT CHOICE OF ENTRY MODE	9
FIGURE 3: THREE DIFFERENT LEVELS OF KNOWLEDGE WITHIN A COMPANY.....	12
FIGURE 4: TWO ORGANIZATIONAL DESIGNS: THE MULTILEVEL HIERARCHY AND THE MATRIX ORGANIZATION	14
FIGURE 5: PRESENTATION OF THE DIFFERENT FACTORS THAT FAVOR CENTRALIZATION OR LOCALIZATION	16
FIGURE 6: COMPONENTS OF A TYPICAL ANNUAL BONUS INCENTIVE PLAN.....	22
FIGURE 7: THE STRUCTURE OF THE RESEARCH PROCESS	28
FIGURE 8: VISUAL PRESENTATION OF THE FINDINGS FROM THE QUESTIONNAIRE	41
FIGURE 9: THE ORGANIZATIONAL STRUCTURE OF FINDWISE.....	46
FIGURE 10: THE ORGANIZATIONAL STRUCTURE OF CYBERCOM.....	58
FIGURE 11: THE ORGANIZATIONAL STRUCTURE OF TRADEDOUBLER.....	68
FIGURE 12: PRESENTATION OF FACTORS AFFECTING THE DESIGN OF AN INCENTIVE MODEL	90
FIGURE 13: THE DECISION TOOL FOR CHOOSING INCENTIVE MODEL FOR AN EMPLOYEE GOING ABROAD	92
FIGURE 14: THE DECISION TOOL FOR CHOOSING INCENTIVE MODEL FOR AN EMPLOYEE GOING ABROAD	108

Table of Tables

TABLE 1: TYPE OF DATA COLLECTED FOR EACH RESEARCH QUESTION	33
TABLE 2: STATUS OF VALIDITY AND RELIABILITY OF EACH RESEARCH QUESTION	35
TABLE 3: SUMMARY OF THE CASE COMPANIES PAY MIX	89

Keywords and concepts

On this page explanations and definitions of keywords and concepts that have been used throughout the report. The purpose with the list is to facilitate for the reader.

Compensation – What an employee receives in exchange for the service and work he or she performs for his or her employer and it can be both financial and non-financial.

Findability – A term for the ease with which information can be found. The concept of Findability by Findwise is about creating search solutions that maximize the business value gained from search technology investments.

Findwise entrepreneur – An employee moving to another geographical location to act as an internal entrepreneur and setting up the new unit. The person has great knowledge about the company and the technology and can help transfer the way of working as well as the corporate culture to the new unit.

Fist-mover advantage – The advantage gained by the initial (first-moving) company in a new market. The advantage may stem from the fact that the first entrant can gain; control of resources, build strong customer base, occupy distribution channels, build a strong brand and develop economies of scale, factors which a follower may not be able to match. The company could also shape customer expectations and requirements; in terms of features, pricing and other characteristics.

Incentives – A factor, financial or non-financial, that enables or motivates a particular course of action, or counts as a reason for preferring one choice to the alternatives. It is an expectation that encourages people to behave in a certain way and reward performance.

Incentive elements – The different parts constituting an incentive model are called incentive elements. Could for example be base salary, bonuses, stock options etc.

Incentive model – The whole compensation package offered to the employee.

Incentive structure – The structure is the logic behind a company's usage of incentives to motivate and compensate employees within the whole organization. It is built up by different incentive models.

Internationalization – The process of increasing involvement of a company in international markets and the expansion of a company's geographical range.

Internal factors – Resources and capabilities that a company possesses, and which are closely connected to the company's value creating processes. In this case the internal factors are divided into three main groups; resources, organization, and incentives.

Reward – A payment offered by the company as an incentive for the accomplishment of a task by an employee.

Unit – A unit is in this case a part of the company. When talking about new units that comprise: new offices, subsidiaries and new establishments, as parts of the organization.

1. Introduction

The introduction presents the underlying structure of the research being conducted. It includes a background about the investigated area as well as an introduction of the company in focus. The purpose of the thesis is presented together with corresponding research questions and delimitations. The structure of the report is concluding this chapter.

1.1 Background

Starting a company is difficult and associated with several challenges and different risks. However, it is not only the first phases in a company's life cycle that are crucial, after surviving the startup phase new challenges will come ahead. One of these is to handle the business growth and make decisions about expansion. Many factors influence the decisions about expanding and growing a business and expansion is therefore often considered to be a complex process (Bodwell 2003). Not only are there several factors to consider when expanding a business, there are also many different ways to perform it. One way is to establish the company in new national or international areas. Other options are to offer the business as a franchise, license the product or service offer, or diversify the product or service line (Spaeder, 2004). One growth strategy that is often utilized by small companies is expansion to new geographical areas (Barringer and Greening 1998). Some companies prefer to buy a related business in another location, but it can be equally difficult to expand the present business by setting up an entirely new venture (Bodwell 2003).

During the last decades the world has witnessed an increase in internationalizations of companies (Benito, Lunnan and Tomassen 2011). Researchers have followed this progress as a large amount of available literature deals with the selection of entry modes (Harzing 2002; Andersson and Svensson 1994; Barkema and Vermeulen 1998; Erramilli 1991). The research has foremost handled the interaction between a company's internal and external factors and the implication it has on entry mode selection. Several researchers (Bartlett & Ghosbal 1987; Johanson & Vahlne 1990; Woodcock et al. 1994) have outlined that different entry modes call for different levels of resource commitment as well as different kinds of resources. It is therefore of importance to analyze a company's internal resources as well as their transferability and inimitability in order to understand how valuable resources are to the company and how they can be used in a global expansion (Woodcock et al. 1994).

Choosing entry mode has shown to involve several different managerial challenges and geographical expansion is therefore considered to be a difficult task. The management is required to plan and manage the growth, establish incentive structures that attracts and retains the right personnel as well as identify and respond to new geographical characteristics (Barringer and Greening 1998). There is limited research available on growing Swedish IT companies. There exist research on growing companies where internal factors are studied more generally and consider companies

in broad contexts, not specific industries. A company's different internal factors have not been connected specifically to IT companies' expansions. One Swedish IT company facing the challenges of growth and expansion is Findwise.

1.2 Findwise and its current situation

Findwise is a growing IT consultancy company and it was founded in Gothenburg in 2005 by a team of experts from the enterprise search industry. Three people started the company but now after years of rapid growth they are 71 employees¹ and have offices in Sweden, Norway and Denmark. The three founders are now constituting Findwise's board; Urban Hedström, Helge Legernes, and Bengt Rodung. One underlying reason for the successful growth is that Findwise has found a solid and profitable market position where there are only a few other actors with the same focus on findability. Findwise's concept findability is about creating solutions that maximize the business value gained from search technology investments. The company creates search solutions for intranets, web and e-commerce as well as applications that help their customers make information easily accessible to both company employees and their customers. Findwise ensures that search technology is implemented and utilized to best support and strengthen the business processes and help the customer's organization to reach its business goals. Findwise's objective is to be a leading consultancy company on the international market, driving the development of search and findability solutions and thereby create pioneering findability solutions for their customers².

Findwise has already started their international expansion as the company during the past two years has established operations in Denmark and Norway. Their expansion history follows the recognized Uppsala model, where the company starts internationalization on markets that are culturally or geographically close to the home market and then move gradually to more distant countries (Johanson and Vahlne 1977). According to the Uppsala model, the next step is to reach a greater international market. Findwise is at this point following the model as they now consider further worldwide expansion where focus is on United Kingdom (UK), Australia, Poland, and United Arab Emirates (UAE). Their vision is to expand the existing business including the culture and their successful findability concept. Due to the knowledge intensive characteristics of the industry a geographical expansion is difficult (Hall 1993). Consequently, the high product complexity, the complicated technology and the flexible product range implies many challenges when spreading the concept and expanding the business³.

In order to continue growing, Findwise has been focused on finding new markets by analyzing the industry and its corresponding growth, market size, customers, competitors and political aspects³. These external factors are very important to

¹ By December 2011.

² Findwise background information is based on internal company documents.

³ Bengt Rodung (Founder, Findwise) interviewed by the authors 29th August 2011.

consider when planning an expansion but the external factors are not enough. In order to formulate a profound strategy for the future, a company's strengths and core competencies needs to be identified and leveraged as well and this creates a need for an analysis of the company's internal environment (Schilling, 2010 p.118; Byers, Dorf and Nelson 2011, pp.76-77). According to Bodwell (2003) all growth must come from a company's internal capacity to grow and that capacity can be either talent or money. Findwise objective is to be self-supporting, that is growing organically without external investors. Findwise therefore need to know more about the internal company factors' respective influence on a global expansion. The company wants to identify how they should utilize their resources and capabilities in the best way to reach a successful expansion where they become the global pioneering supplier of findability solutions. The success of the expansion is not associated with becoming the largest actor but instead to be the most innovative and groundbreaking company in this specific market niche. Findwise further, want current employees to move abroad and take part in the expansion of the business. The board of the company also wants the employees to stay within the organization and strive for a long employee relationship⁴. The study therefore investigates which incentives and resources that are needed to attract as well as keep the right people within the organization.

1.3 Purpose

The purpose of this research is to identify the most important internal factors affecting international expansion for professional IT companies and to develop a concrete strategy for Findwise with which they can expand to new geographical areas and reach sustainable success. The expansion strategy consists of three components:

- A presentation of internal factors which are essential for Findwise to consider when expanding to new geographical areas
- A recommendation of the most suitable entry mode with regard to Findwise's internal factors
- A tool for deciding on appropriate incentive models for people participating in Findwise's expansion.

The contribution to academia consists of identification of internal factors specifically important for IT companies' expansions. This study focuses on the specific context of Findwise, but the findings might also be applicable to other IT consultancy companies in the growth and expansion phase since the research is based on multiple case studies. The majority of previous studies on company internationalization have focused on manufacturing companies (Lindsey et al. 2003; Sharma and Johanson 1987). The aim is therefore to contribute to the research of professional service companies, specifically IT companies, and their internationalization process.

⁴ Bengt Rodung (Founder, Findwise) interviewed by the authors 29th August 2011.

1.4 Research questions

In order to achieve the purpose, the following questions are being answered. The overall research question has been decomposed into four more explicit questions in order to make the overall question more comprehensive and thereby facilitate a more concrete and structural research process. The findings from the four questions are accordingly compiled and utilized to answer the overall research question.

What will be the most suitable expansion strategy for Findwise?

- I. How can Findwise utilize their internal factors in the expansion?
- II. What internal company factors are important for IT companies when expanding to new geographical areas?
- III. What elements should be included in an incentive model?
- IV. Are the present employees willing to move abroad and expand Findwise?

The subject that Findwise aimed to investigate in the thesis was their geographical expansion. To expand to new geographical areas is a complex process and a general challenge for most companies in a growth phase. Hence, the problem is not specific for Findwise. Earlier research and theories on the topic of international expansion were examined and it became clear that there exist much research concerning manufacturing companies' expansions. Authors covering manufacturing companies and their expansions are for example Barkema & Vermeulen (1998), Harzing (2002), and Woodcock et al. (1994). The literature presents how internal factors affect such companies' expansion processes. However, there does not exist much research concerning professional service companies' expansions. This fact is verified by Erramilli (1991) and Sharma & Johanson (1987) whom also identified the lack of theory and therefore initiated such research. Moreover, a comprehensive understanding of the internationalizations of companies in the specific IT service industry is not yet established, since the research on professional service companies is in its early stages and has focused on other service industries. Therefore, a need for further research on internal factors impact on IT companies' expansions was identified. As a result, research question number II and III were derived from the identified lack of research on professional service companies in order to contribute to that research by focusing on a specific context, the IT industry. In order to do so theory regarding manufacturing companies was used in combination with general theory of companies' international expansions. This theory created the foundation of the theoretical framework which in turn was applied on the specific context of professional service companies, IT companies in specific, in order to investigate the generalizability of the expansion research concerning manufacturing companies. Research questions I and IV were derived from the need and objectives communicated by Findwise. Hence, those questions are focusing on Findwise's specific context and expansion.

1.5 Delimitations

Some limitations need to be made in order to create a scope that creates value to the company and is manageable with the time and resources available. External factors affecting an expansion strategy are not covered as Findwise has started an internal project in order to develop a process for how to analyze new markets. In addition, at this stage of the company's growth the countries to expand to in the first round of internationalization are already decided. Reference cases are used in the research and in order to make the findings valuable and relevant for Findwise, the research only investigates similar companies, hence other professional IT companies. The expansion strategy that is to be developed during this thesis is only presented and recommended. Implementation of the strategy is therefore outside the scope of this research. Further, the development of incentive models is only applicable to employees going abroad and participating in the expansion. Hence, the thesis is not covering incentive models for the overall organization. During the thesis it was realized that it is difficult to get access to information about IT companies' incentive structures. Therefore, an additional case was added to the comparative case study where the research only focused on incentives.

1.6 Outline of the report

Eight different chapters constitute this thesis report. The first chapter, the introduction, presents the topic and the purpose of the research. The second chapter presents the theoretical framework and the included literature. The methodology applied throughout the study is outlined in chapter three together with a discussion about the validity and reliability of the research being conducted. Chapter four presents the empirical findings and these findings are then analyzed in chapter five by utilizing the theoretical framework. Chapter six presents the conclusions while the developed expansion strategy for Findwise is presented under recommendations in chapter seven. Lastly, suggestions for further research close the report in chapter eight.

2. Theoretical Framework

The theoretical framework is presented in this chapter, which together with the empirical findings are used as a basis for analysis. Theory regarding entry modes is first reviewed and then focus is on company-specific factors that are connected to a company's operational strategy.

A crucial aspect in global expansion is the need to transfer a company's resources from original locations to new locations and organize them to work efficiently. The ability to successfully do so depends on several different company-specific factors that are covered in this theory section. The theoretical framework that is presented and used throughout the research consists of three main parts: resources, organization, and incentives. The framework is visualized in *Figure 1* in order to provide the reader with a more solid picture of the theory and how the different factors are connected to the operational strategy. The operational strategy is implemented in order to fulfill the goals of the corporate strategy and business unit strategy. The corporate strategy concerns a company's overall goal and vision and the business unit strategy concerns how the company competes in a specific market (Sanchez and Heene 2004, pp. 59-62). However, for the operational strategy to be successfully implemented the most suitable entry mode must be chosen when a company is expanding to new locations (Woodcock et al. 1994).

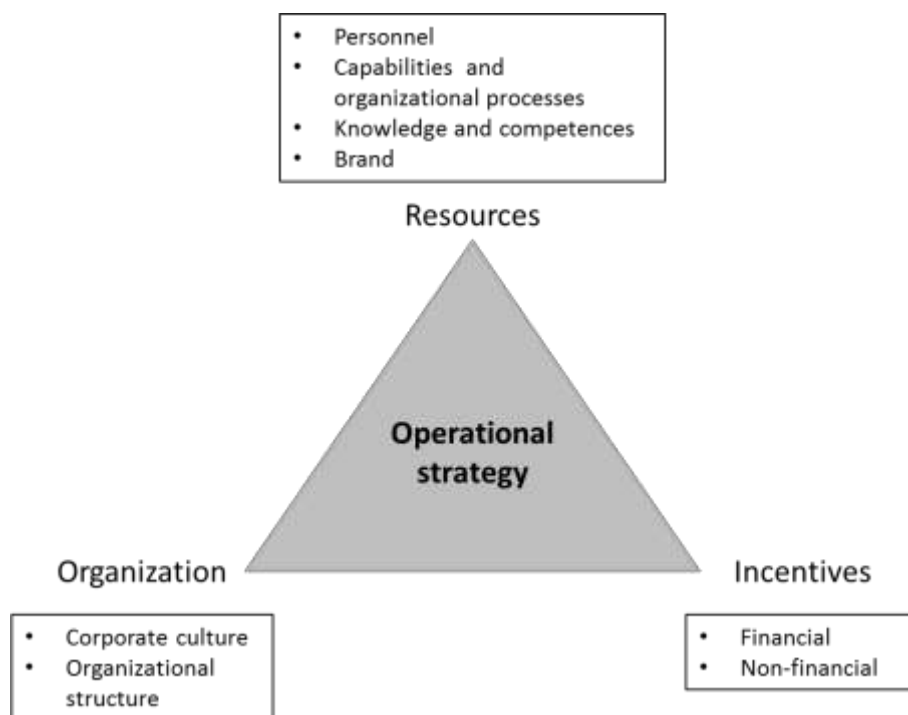


Figure 1: A visual presentation of the different parts constituting the theoretical framework

A company needs resources in order to be able to create and deliver value to customers (Sanchez and Heene, 2004, pp. 81-82). But attracting and maintaining the right resources are not always easy, companies therefore needs incentives that

motivates and rewards the personnel within the company (Robbins and Judge, 2008, p.89-101). However, having the right resources is not enough, the company needs to coordinate and allocate the resources efficiently to achieve a competitive advantage (Sirmon et al. 2007). In addition, the need for good coordination and organization is greater in international markets where several different geographical locations need to be managed in a unified and structured way (Hitt et al. 2006). The operational strategy presented by Sanchez and Heene, (2004, pp.81-104) connects the organization with the company's resources and incentives.

2.1 Entry modes

A growing company facing an expansion to a foreign market has to take decisions regarding entry mode. Choosing entry mode is the same as selecting an institutional arrangement for organizing and conducting international business transactions. The entry modes differ from each other in many ways, one difference is in the level of risk and reward and another is the degree of control they allow the foreign market entrant. In this case control is correlated with the degree of ownership, more ownership equals more control for the company (Erramilli 1991). The different entry modes are presented below. Some entry modes have been excluded, such as exporting and turnkey projects, since these modes are more suitable for technological companies than for service companies.

2.1.1 Wholly owned subsidiaries

In a new venture the company owns 100 percent of the stock. Establishing a wholly owned subsidiary in a new foreign market can be done in two ways, either through setting up a new venture or by acquiring an already existing company in the host country. These entry modes are the most costly once, since the company has to bear all the capital costs and risks itself (Hill 2009, p.500).

New venture

When a company is having the suitable set of resources and wants to exploit company-specific advantages, that are embedded in the labor force and therefore hard to separate from the company, new venture is an attractive entry mode (Woodcock et al. 1994). Starting up a new venture implies strong control and the company therefore reduces the risk of losing control over its specific competences (Hill 2009, p. 500). Establishing a new venture is usually done by sending over existing staff to the host country to carefully select, hire and train new employees from the local population. Hiring new employees enable the company to incorporate the important company-specific advantages within the new unit (Barkema & Vermeulen 1998). The company can in the same way transfer and embed the objectives, culture and routines into the new venture and these do not have to be adjusted to comply with a purchaser company or owners as in the case of a joint venture (Andersson & Svensson 1994). In other words, the company can replicate itself in the foreign market. For service companies the cost of establishing a new venture is limited to establishing an office, while a manufacturing company has higher overhead expenses due to large resource

commitments in plants and machines (Erramilli 1991). A potential disadvantage with this entry mode is that it takes time. If the company has a great need of rapid success and rapid rate of return it should instead consider acquisition as entry mode (Hill 2009, pp. 500-504).

Acquisition

An acquisition is the second alternative when setting up a wholly owned subsidiary. If a company does not possess the necessary resources it can acquire another company which means that it procures a new set of resources. If it is the other way around and the company does have the core competences and resources critical to their business advantage, they can use acquisitions to protect these resources from having them transferred to a second company in e.g. a joint venture (Woodcock et al. 1994). If the purchasing company manages to compile the activities of the acquired company with its own activities it can utilize the synergetic effects between the own assets and those from the acquired company which is already established in the foreign market (Andersson & Svensson 1994). These synergies can be maximized when entering a market with different culture and where the acquisition gives access to valuable routines and knowledge specialized to that local context (Morosini et al. 1998).

Problems associated with acquisitions are national and corporate cultures, management and control costs, and to learn the acquired company new rules, procedures and organizational strategies. It is difficult to handle divergent corporate cultures as well as national cultures such as language, beliefs and communication styles. This is usually a problem during the post-acquisition integration period (Morosini et al. 1998). Simply adopting the structures and working processes of the parent company is not sufficient, therefore the corporate culture of the parent company need to be matched to the acquired company, otherwise the conflicts can be hard to handle and the integration phase will be of long duration (Barkema & Vermeulen 1998). Acquisitions can be in favor of setting up a new venture if the market consists of several already established companies and if global competitors also seek to establish a new venture in that same market. In this scenario setting up a new venture can be too slow to establish a sizeable presence and by acquiring an existing company the amount of competing companies will decrease. However, the availability of potential companies to acquire in a market might be limited (Hill 2009, pp.503-504).

2.1.2 Joint venture

In a joint venture a company is established by two or more independent companies. If development costs and risks are high, a joint venture can be a good alternative, since companies in a joint venture share their internal resources and hence also the costs (Woodcock et al. 1994). There are also several other advantages with a joint venture, one is that the entering company benefits from the local partners knowledge of the host country's competitive conditions, language, national culture and political systems (Hill 2009, p.499). The cost associated with a joint venture is higher than that of

setting up a new venture, mainly because of search costs and costs from managing the control of the ongoing relationship between the owners (Woodcock et al. 1994). The control issue can be a major issue but can to some extent be solved by majority ownership. However, this entry mode can sometimes be the only feasible alternative to enter a specific market, due to political considerations and constraints (Hill 2009, pp. 499-500).

2.1.3 Contractual modes

There are two types of contractual modes, licensing and franchising. Both allows companies to offer their products and services overseas without being physically existent (Erramilli 1991). In a licensing agreement the licensor, in this case the expanding company, grants the right to its intangible property to another company. This can for example be the right to use patents, copyrights, designs, processes or formulas. In return, the licensor receives a royalty fee from the licensee (Hill 2009, pp. 496-497).

2.1.4 Company-specific factors influencing choice of entry mode

Before deciding upon what will be the most suitable entry mode, one has to consider the timing of entry. Entering a market as a first mover can imply greater risks but also greater advantages (Hill 2009, pp.503-505). First-mover advantages can imply a market leadership that can enable the company to control resources and shape customer expectations and requirements. When other companies later enter the market these customer requirements can be difficult for competitors to imitate. The first-mover hence shape and decide market expectations and set standards (Schilling 2010, pp.93-96).

The strategic choice of entry mode is difficult but very important since it is critical for the future success of the company. The decision is complex and is influenced by many different factors, both industry- and company-specific. These factors include industry growth, industry concentration, resources and capabilities, experience, corporate culture, multinational diversity and product diversity as shown in *Figure 2* (Woodcock et al. 1994). Focus in this study is on the company-specific factors influencing the expanding company.



Figure 2: Presentation of the different factors that affect choice of entry mode

Different entry modes require different levels of resource commitment. The greater degree of ownership in the entry mode, the larger is the resource commitment by the company. Different entry modes are likely to be chosen depending on what resources

that exist within the company and that can be committed (Woodcock et al. 1994). If a company possesses strong technological capabilities they have less need to acquire existing companies and are therefore more likely to enter a new market through new ventures (Barkema & Vermeulen 1998).

Other factors with high influence on entry mode choice are the degree of former expansion experience and the culture in the current markets, these two factors are correlated. Companies with low levels of experience choose to enter markets that are culturally similar to the present market and with full-control modes, such as acquisition and new venture (Erramilli 1991). The reason for choosing markets with similar national culture is that differences between home and host country can limit the effectiveness of control mechanisms that rely upon trust, value congruence and respect (Woodcock et al. 1994). Companies with higher levels of experience tend to seek more unfamiliar markets and do not focus as much on high ownership and control since the risk is lower due to previous experiences. Since the level of experience changes with time, the relationship between experience and choice of entry mode has to be seen as dynamic. As the experience increases and becomes more diversified the companies will look for markets that are more geographically and culturally different (Erramilli 1991).

The risks and the potential profitability that follows an entry mode depends on the above presented influencing factors (Andersson & Svensson 1994). In addition, the diversity of a company's experiences, products and multinational presence also has implications on the entry mode selection because strong diversity implies a rich knowledge structure and strong capabilities. As mentioned such capabilities increase the company's tendency to enter foreign markets with a new venture rather than acquiring an existing local company (Barkema & Vermeulen 1998). Thus, companies with larger amounts of organizational capabilities and with lower levels of international experience favor acquisitions, while companies already possessing the needed capabilities and at higher levels of experience favor new ventures as entry mode.

2.2 Resources

Prior work suggests that companies enter international markets to exploit their most valuable resources. But to be successful in a global setting, companies need to have resources that are appropriate for international expansion (Hitt et al. 2006). The literature has identified the following assets: personnel, production processes, knowledge, and brand, as being strategic resources that are generally valuable to growing companies in the international market (Hitt et al. 2006; Lu & Beamish 2004). These four resources (personnel, production processes, knowledge and competences, and brand) are therefore included in the theoretical framework.

2.2.1 Personnel

Knowledge is often seen as the primary asset in service and consultancy companies (Greenwood & Empson 2003). In these companies however, the knowledge is essentially held by the employees (Bartlett & Ghosbal 1987). Consultancy companies therefore create value through their selection, deployment and development of human resources (Hitt et al. 2006; Lepak & Snell 1999). An important consequence of this is that consultancy companies' key resources, their employees, are highly flexible and transferable. Consultants are not a fixed asset, they can in fact be utilized for various assignments and on several different locations (Sharma & Johanson 1987). The consultants gives the company a valuable flexibility but this flexibility can also imply a disadvantage as the key resources can relatively easy leave the company, taking valuable knowledge and experience with them. As mentioned above, the recruitment and employment of qualified personnel is a crucial part in a consultancy company's strategy and growth. The personnel produce the output and its corresponding value. It is therefore of high importance to have the right incentives in place to motivate the personnel as well as attract and maintain the right human resources (Barringer & Greening 1998).

When expanding globally several authors (Erramilli 1991; Johanson & Vahlne 1990; Barringer & Greening 1998) highlight the importance of having both market and company experience and knowledge in the new business location. Market knowledge is often gained through employment of local personnel. Company knowledge on the other hand is gained through transfer of personnel from the home offices to the new locations (Barringer & Greening 1998). The movement of a company's personnel also works as a control mechanism as the original personnel are used to make sure that the new business is run in accordance with the strategies and goals of the main business. The personnel can therefore be seen as a tool that assists transfer of knowledge from the parent company to the new location. Managerial competence from experienced managers is further useful in international expansions as they through their experience and previous knowledge can establish routines for different processes and activities (Clercq et al. 2005). It has therefore become increasingly common among companies to move managers from the original organization to the new location in order to help establish the new office (Hitt et al. 2006). A key issue when establishing the business in new locations is therefore to determine the balance between local knowledge and company knowledge that the new business needs. (Erramilli 1991; Johanson & Vahlne 1990; Barringer & Greening 1998).

2.2.2 Capabilities and organizational processes

Capabilities are developed in a company when employees coordinate their skills to perform a process that is of importance to the company (Sanchez & Heene 2004, p.83). Consequently, capabilities can be seen as the ability to perform certain processes and business success depends upon how well a company's processes are performed (Byers et al. 2010, p.333).

Some processes and capabilities are location bound, which means that they can only easily be performed at a certain location and hence need significant adoption if being moved. Non-location bound processes and capabilities can on the other hand easily and at a low cost be transferred, and these processes are therefore suitable for global utilization (Harzing 2002).

In consultancy companies value is created through a process where teams of employees use and combine their knowledge to create customized solutions that fit the needs and demands of each client (Hitt et al. 2006). Consequently, the working processes in these companies are often standardized while the output is highly customized. The customized output demands good communication between the company and its customer. The ability to develop well-functioning long-term relationships with stakeholders, customers as well as suppliers, is therefore seen as a key capability for professional service companies (Cooper et al. 2000 in Hitt et al. 2006).

As an organization grows and incorporates more personnel on further disperse locations the establishment of well-functioning communication channels becomes increasingly important, in order to facilitate information and knowledge sharing. The increased global competition that is present on today's markets further emphasizes the need for efficient resource and knowledge sharing within companies. An important capability for any growing company is therefore to enable a flow of knowledge, ideas and skills between different units in the company in order to make information accessible for everyone that it is valuable and useful for (Harzing 2002).

2.2.3 Knowledge and competences

Knowledge is often seen as a key resource in companies but it might be even more important in consultancy companies where the company's capabilities often are centered around the knowledge of the human resources (Sanchez & Heene 2004, p.83; Hall 1993). Sanchez and Heene (2004, p. 83)

<p>Skills – Knowledge of individuals to perform specific tasks</p> <p>Capabilities – Coordination of skills within a group to create repeatable patterns of actions</p> <p>Competences – An organization's coordinated utilization of assets and capabilities that helps to achieve the organization's goals</p>

Figure 3: Three different levels of knowledge within a company

divide the knowledge within an organization into three different levels, known as the hierarchy of abilities, see *Figure 3*. Skills exist on an individual level while capabilities and competences are a result of combining and coordinating skills into activities and structural processes that are used by several people in an organization.

Market knowledge is especially important to companies during their growth and expansion, as they need knowledge about the specific market they are about to enter. This knowledge is however not always easy to gain. The more common ways to acquire it is through employment of local personnel, acquisition of a local company or through experience of being on that specific market. The different ways demand

different levels of commitment, time and resources and it is therefore of importance for companies to consider how specific market knowledge can and will be acquired during expansions (Morosini et al. 1998).

As mentioned above, it is of high importance to create knowledge within a company but equally important to make the knowledge accessible throughout the organization. As the organization grows it therefore becomes important to make the knowledge transferable and available to the new business units. A company undergoing expansion needs to make sure that efficient communication methods are in place as well as clear documentation routines that help facilitate transfer of knowledge (Sanchez & Heene 2004, p.83; Barkema & Vermeulen 1998; Hall 1993; Barringer & Greening 1998).

2.2.4 Company reputation and brand

An intangible asset that has received increasing attention in research is a company's brand name and its corresponding reputation. A company's reputation has been identified as a company's most important intangible asset (Hall 1993). Brand equity is the perceived value that a specific brand has within the minds of its customers and consumers. Four different aspects affect the brand's equity: brand familiarity, perceived quality of the products within the brand, brand association and brand loyalty. Further, brand is a customer centered perception while a company's reputation includes the credibility and respect the company has among a diverse set of actors including suppliers, employees, media, regulators and local communities. Both brand and company reputation are therefore important to manage, in order to succeed on new as well as existing markets (Byers et al. 2010, p.259).

2.3 Organization

The coordination and organization of resources are important and includes decisions regarding the organizational structure and the authority distribution (Sanchez & Heene 2004, p.87). The organizational structure and the distribution of information also help shaping the corporate culture that is another important part of a company's organization (Schein 2010, p.8).

2.3.1 Organizational structure

An important part when organizing a company is to break down the value creation process into more concrete activities and assign responsibility to different individuals or groups within the company (Sanchez & Heene 2004, p.87). The literature (Sanchez & Heene 2004, pp.88-90; Robbins & Judge 2008, p. 232) presents three different approaches to task allocation within the value-creating process; functional division, product division and geographical division. First, companies can chose to allocate activities and responsibilities according to functions that need different skills. The second way to divide task responsibility is by products. Product division is useful for companies producing a variety of different products and who need different skills for the different product lines. The product allocation method enables companies to

develop and maintain expertise in several different areas simultaneously. The third way of allocating task responsibility is through geographical regions as it enables companies to respond and adjust processes and products to regional preferences and local market conditions (Sanchez & Heene 2004, pp. 88-90; Robbins & Judge 2008, pp.230-233).

Organizational Design

An organizational design is often used to display how tasks are divided, structured and grouped within the company (Robbins & Judge 2008, p.230). Three different organizational designs are presented in more detail.

The multilevel hierarchy is characterized by standardized work processes, which enable great degree of coordination and control. Tasks are often grouped in functional departments, in *Figure 4* visualized as dots at different levels, which enable specialization. Formal regulations and rules exist among all functions in the organization, which imply narrow spans of control for individual employees but at the same time high degree of centralized control for the company. Decision making follows a clear chain of command, as can be seen in *Figure 4*, where the lower level has to follow the directive and decisions made by the responsible unit on the superior level. (Sanchez & Heene 2004, p. 88- 90; Robbins & Judge 2008, p. 237-242).

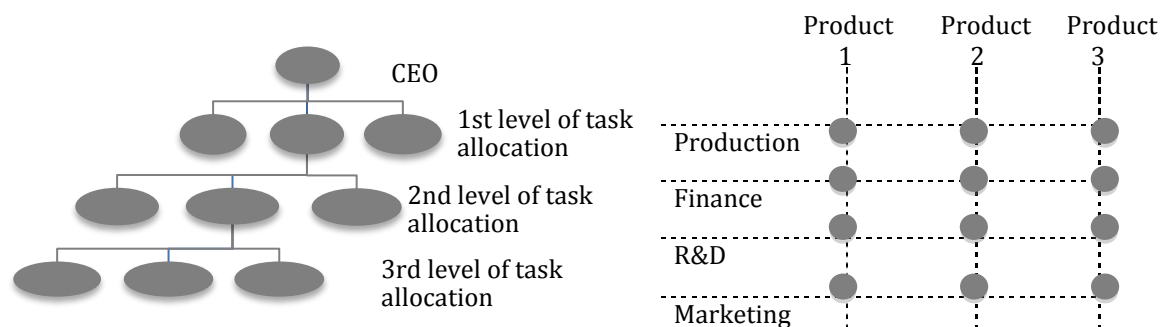


Figure 4: Two organizational designs: the multilevel hierarchy and the matrix organization

A *matrix organization* consists of a two-dimensional structure where two different task allocation methods are used at the same time, often functional division together with either product or regional division, as seen in *Figure 4*. The combination of using two different task allocation methods enables the company to enjoy the benefits of both methods. The company can through a matrix organization enjoy the benefits from sharing specialized overhead functions as well as the opportunity to make adjustments to specific products or regional requirements (Sanchez & Heene 2004, pp. 91- 92; Robbins & Judge 2008, pp. 237-238).

The boundary less organization puts a lot of emphasis and faith in the employees as a large part of the decision making is decentralized to group and team level. The key idea of this design is to eliminate vertical and horizontal boundaries within the company. Thus, the boundary less design is characterized by low formalization and a

free flow of information to facilitate knowledge and information transfer among and between teams. In addition, the sharing of information supports the creation of a common understanding of goals and visions within the company and it also empowers people. The empowering comes with the access to information as people having information and knowledge can be trusted to make accurate decisions that are in line with the business objectives (Robbins & Judge 2008, pp. 239-243; Ashkenas 1999)

Authority distribution and control mechanisms

Authority distribution and managerial responsibility need to be aligned with task allocation in order to empower the right personnel. Almost all decisions in a company concern how resources should be obtained, allocated and utilized. It is therefore essential that managers with responsibility for a task also have the authority to make decisions that enables him or her to secure the resources needed to perform the task in a satisfying manner (Sanchez & Heene 2004, p. 94).

It becomes important to review and maybe even restructure the management structure as an organization grows and expands globally. The increase in geographical locations demands management that can facilitate efficient worldwide coordination and management of a company's resources and processes (Bartlett & Ghosbal 1987; Barringer & Greening 1998). Ghoshal and Bartlett (1987) propose three different management approaches that need to be in place when an organization starts to operate across numerous borders; geographical management, functional management, and business management. Geographical management is vital for the development of regional responsiveness, i.e. adoption to local and national preferences. The second management approach, functional management, is needed to facilitate transfer of core capabilities between different company locations. The functional management helps to develop a global knowledge sharing among functions, which assist the creation of a worldwide learning within the organization (Barringer & Greening 1998). The last management structure, business management, has the global product responsibility. It is the business management that should ensure that different units in the global company are integrated and works efficiently to fulfill the goals of the company. Hence, the business management has the overall responsibility to develop and coordinate the company's global strategy. Thus, in international growth it is vital for companies to ensure that management support exist on these three levels in order to successfully benefit from international presence and global integration (Andersson & Svensson 1994; Bartlett & Ghosbal 1987).

When establishing new offices it becomes important not only to coordinate the different locations through new management teams but also to ensure and maintain that headquarters and different offices are all working towards the same common goals. The management teams can use different control mechanisms for this purpose (Martinez & Jarillo 1989; Harzing 2002). The literature (Martinez & Jarillo 1989; Harzing 2002) presents four main groups of control mechanisms. The first control mechanism is *expatriate presence*, which entails that personnel from the original

organization, often headquarters, are transferred to the new unit in order to control that the new unit follows the structures and the objectives of the overall organization. The expatriate's role is also to transfer knowledge from the organization to the new unit. The second mechanism that can be utilized is *output control*, where control is maintained through corporate management's evaluation of units' financial performance, sales reports, marketing data and other submitted reports and records. *Bureaucratic formalized control* is the third possible method, which includes documented policies, rules, job descriptions, manuals and standard processes. The formal documents are used to guarantee that the unit is working in a consistent way with the rest of the organization. The fourth and last area of control mechanisms is *control by socialization and networks*. The mechanism entails creation of a strong corporate culture that consists of known and shared strategic objectives. This is done through training of managers who then move between different units and locations within the organization with the intention to create a shared understanding of the company's values, beliefs and goals (Martinez & Jarillo 1989; Harzing 2002).

Coordination and allocation structures for multinational companies

One key decision that needs to be taken during internationalization is whether to centralize or localize control as well as activities within the value-creation process (Sanchez & Heene 2004, pp.197; Bartlett & Ghoshal 1987). A company needs to decide if the expansion strategy should emphasize national responsiveness or global integration (Harzing 2002). However, the choice depends on many variables (Sanchez & Heene 2004, pp.197-199). The company needs to investigate if the product can be sold worldwide with none or a limited need for adjustment or if strong local preferences exist which are demanding the product to be adapted to regional markets. The availability of resources is also an essential factor to consider, as not all needed resources are available in all locations. The lack of key resources at a specific location can therefore require centralization of some value-creating activities. Many different factors affect the choice of centralization or localization of activities and a more comprehensive list can be seen in *Figure 5* (Sanchez & Heene 2004, p.197; Bartlett & Ghoshal 1987).

Centralize	Localize
No or limited market preferences	Strong market preferences
Potential for Economies of scale/scope/learning	Limited potential for Economies of scale/scope/learning
Limited availability of resources	Good availability of resources
Low transportation costs of products	High transportation cost of products
Low demand for fast customer support	Demand for fast customer support

Figure 5: Presentation of the different factors that favor centralization or localization

2.3.3 Corporate culture

A company's culture can become a competitive advantage as it distinguishes a company from others and it can be used to attract and retain competent and valuable personnel (Hall 1993; Robbins & Judge 2008 p. 250). Differentiation between companies with strong and weak cultures has also become more popular, where a strong culture is considered to have larger impact on employees' behavior. A strong culture is characterized by that a company's core values are being strongly held as well as widely dispersed in the organization. A strong culture is also believed to decrease employee turnover as the shared understanding about the company's values creates a sense of organizational commitment and loyalty towards the company. In the opposite, a weak culture can create conflicts in the organization as employees are working individually and according to personal beliefs. Hence, individual culture triumphs the corporate culture which creates a lack of shared meanings and values among employees. Strong and weak cultures are yet extreme ends as an organization often has a corporate culture that is somewhere in between the two extremities (Robbins & Judge 2008 pp. 248-250).

A strong and well rooted corporate culture can have a significant effect on the choice of entry mode as well as its likelihood for success. Conflicting corporate cultures has been identified as a primary cause of failure in many acquisitions and mergers (Robbins & Judge 2008 p. 252; Barkema & Vermeulen 1998). In the case of new ventures, a strong culture might be difficult to transfer and implement as it is present and strongly rooted in the original organization (Barringer & Greening 1998; Hall 1993). Companies with a strong and successful corporate culture should therefore carefully consider what implications the entry mode can have on their current culture (Hall 1993).

2.4 Incentive structures

The incentive structure is one of the most important factors in an organizations success and these structures are therefore important to consider when a company is planning an expansion (Jensen & Murphy 1999). In order to make cross-border transfers of routines and activities work, internationalizing subordinates need to be provided with the right incentive structure from the company (Morosini et al. 1998). The establishment of appropriate incentives for performance on expansion locations is a result of effective management of a geographical expansion. For example, the manager of a new office may not have a high incentive to perform well if his or her salary is fixed and not tied directly to the performance of the new unit (Barkema & Vermeulen 1998).

The principal-agent problem is another aspect, which emphasize the need of a well-developed incentives structure. The principle-agent literature concerns the relationship that exists when a person (principal) hires another person (agent) to perform activities on behalf of the principal. Both parties are assumed to be rational which implies that both the principal and the agent will try to maximize their own

wealth. The focus on private maximization can create a conflict of interest, as the agent will not always act in the best interest of the principal. To get around this problem, the principal can establish incentives that will make the agent interests more unified with those of the principal (Jensen & Meckling 1976). Incentives can therefore be used to better assure that different parties work towards the same goal.

2.4.1 Concepts to consider when selecting incentives

When talking about incentives the concept of rewards is also brought up. These two concepts are correlated but different in terms of their presence. A reward is considered to be reactive and recognizes a person's past achievements. On the contrary, incentives are seen as more proactive as they encourage people to do more and to do better in the future by offering the opportunity to earn financial and nonfinancial rewards. In order for a reward to act as an incentive, it has to be properly communicated and understood (Armstrong 1993 see Andersson & Mattsson 2001).

Values and levels of rewards

When deciding upon different incentives, there are different values to consider. These values have consequences for choice of reward as well as for developing the incentive structure. One type of value is relative value which means that everyone perceive things differently. Every individual will experience a reward differently according to their current situation, their personality and their personal values etcetera. A middle-aged woman with house and children do not likely appreciate the same rewards as a young man in his twenties. Another type of value is symbolic value, which is the value of a received reward. The value is dependent on the recipients' perceptions and on the recipients' belief of how others see the reward (Andersson & Mattsson 2001).

When the different values have been taken into account it is important that the company sets suitable levels of the chosen rewards, in order to provide the right incentives and to provide the employees with a fair reward structure. The company should seek to implement incentives that do not fully satisfy the needs or desires of the employees. The reason for this is that entirely satisfied needs give a promise of an even more motivating incentive in the near future. Hence, it is the gap between what employees want and what is actually received that is the driving motivational factor (Andersson & Mattsson 2001).

A company needs to consider pay mix when developing an incentive structure. Pay mix refers to the different financial components that are included in a person's incentive model as well as the components relative size. Pay mix is often measured in three aspects: short-term incentives, long-term incentives and base salary. In addition, incentive models are often designed to make labor cost a more variable cost. This is accomplished by having a large part of the pay mix as variable compensation, tied to the company's performance. Enabling the company to pay higher labor cost when their ability to do so is high and thus pay lower labor cost when the company's ability to pay is low (Gerhart & Milkovich 1990).

Implementation structures and distribution

A matrix organization requires cooperation between the managers in order to make the business successful. One way to encourage cooperation between different units is to link the incentives to performance at a higher level in the organization. If managers are rewarded according to the profitability of the entire company they become motivated to cooperate in order to boost the overall profitability of the company. This is supported by a study of Beer and Katz (2003) where no evidence is saying that incentives based on unit performance as opposed to corporate performance are related to any positive outcomes. Instead it showed that unit-based incentives can create internal competition (Beer & Katz 2003). It is common that companies use an incentive model where one part of the reward comes from the performance of the subunit and another part from the overall company performance. The reason is to motivate employees to optimize the efficiency of their respective unit but at the same time cooperate with the rest of the organization (Hill 2009, p. 468).

A basic principle when developing an incentive model is that it should be linked to an output target, which the individual employee to some extent can control and influence. It is important that incentives are matched to the performed work (Hill 2009, p. 467). Timing is another important aspect to consider when handing out and providing incentives. The reward should be handed out in close relation to the time of performance. However, this could imply that the value of the performance is incorrectly measured. At the same time, if putting more time on the performance measurement, employees might lose the connection between reward and performance. Hence, there is a tradeoff between timing and measurement (Andersson & Mattsson 2001).

One way of categorizing incentives is to divide them into financial and nonfinancial. The business environment gets more and more competitive implying that more emphasis is put on financial models of compensation. Another reason for the increased focus on financial rewards is that individuals are becoming more willing to substitute non-financial rewards for financial rewards (Baker et al. 1988). In situations differing from the everyday business, such as an expansion, the economic notion of incentives is of even larger importance. However, the preferred models are combining non-financial and financial incentives in order to satisfy the different needs of a human being (Barkema & Vermeulen 1998).

2.4.2 Non-financial incentives

Armstrong (1999 see Andersson & Mattsson 2001) divides non-financial incentives into five subcategories; achievement, recognition, responsibility, influence, and personal growth. The first subcategory is achievement; if the right feedback is given the opportunity to achieve can be a motivator. Achievement has two sides, pride of fulfilling a goal and recognitions of this fulfillment by others. The second subcategory is recognition and it can be expressed in words, as a gift without any monetary value or it can be provided by direct positive feedback. Also financial rewards can act as

symbols of recognition if they are delivered timely and correctly. A third incentive is responsibility; people can be motivated by given more responsibility for their own work or by being provided with the means to reach their goals. Influence is the fourth incentive, by letting people get involved in areas where their personal views can be expressed, listened to and acted upon influence can provide motivation and act as an incentive. Finally, personal growth is one of the most important incentives, some employees are perfectly satisfied with their current situation but there are also employees who are driven by personal growth. If the company cannot provide employees with the possibility to develop themselves the employees will most likely change employer (Andersson & Mattsson 2001). The importance of having right non-financial incentives is also mentioned in *Chapter 2.2.1*.

Promotions

Using promotions as incentives has two major purposes; one is to match the individuals to jobs for which they are most suitable. Another is to provide incentives for employees at the lower levels in the organization who value the pay and prestige associated with having a higher rank in the company. The possibility to utilize promotion as an incentive is dependent on the employee's probability of promotion, which in turn depends on the existence of a superior position and the expected horizon of the present superior (Baker et al. 1988). For a promotion-based scheme to work properly the organization must grow and thereby feed the system with new positions. Promotions are otherwise of limited amount and cannot work as incentives. Thus, promotions as incentives work well in rapidly growing companies while it in small and mature companies are more likely to generate problems. Therefore, promotion-based incentives is more commonly used in large organizations with many hierarchical levels than in small organizations (Baker et al. 1988).

2.4.3 Financial incentives

In literature there exist many different financial incentive elements with various characteristics. The financial elements are either direct or indirect in their nature and can be tied and related to different factors, like the overall profit of the company or the ownership structure. Most companies use four basic components in their incentive models. The four components include base salary, commission tied to performance, stock options and long-term incentive plans (Murphy 1998). Studies made in human resource literature show that pay and bonuses based on individual performance are less effective than profit-sharing, stock options, employee stock ownership, annual bonus systems, and team-based bonuses (Baker et al. 1988). These elements among others are discussed in the following section as well as their limitations and criticism. But before, national differences of the level of rewards and compensations will be handled as well as a presentation of the concept pay-for-performance which is evident in many of the other financial incentive alternatives.

National differences

The result from a survey shows that average base salary and performance related bonuses of a specific HR executive position differ extremely between different nationalities. Similar results can be seen for other top positions like CEO and CFO. These major differences imply a challenge for companies, as they need to decide whether the company should offer financial compensation according to the prevalent standards in each country or equally on a global basis. It is getting more common for companies to move toward a global incentive structure for the performance based bonuses. However, the base salary in most companies is set according to the conditions in the local market (Hill 2009, pp. 640-641). In addition, the increase in use of stock options differs between countries and this is to some extent dependent on the nation's tax laws.

Pay-for-performance

Pay-for-performance is a commonly used in many organizations. However, a study investigating the relationship between pay and performance indicate that pay is not closely connected to performance (Baker et al. 1988). Executives do themselves believe that incentives such as bonuses have little effect on their performance. A study done on several companies proved the statement to be true, bonuses have little or no effect on performance, neither positive nor negative. The executives who participated in the study did not consider how their decisions in the daily business would affect their incentives. Hence, the incentives did not significantly affect their performance (Beer & Katz 2003).

If there is a high degree of interdependence between subunits in an organization it is common that one unit's performance is partially dependent on the performance of another unit. In such situation the reason behind a subunit's poor performance is not clear and this diffuseness is called performance ambiguity. Performance ambiguity can arise when the success of a foreign unit is dependent on the transferred competence from the home country or when the sales of a product or service in one country can be dependent on the processes and activities in another country. If performance ambiguity exists and if it makes performance evaluation of subunits difficult, it can be solved by linking managers' incentives to the parent company (Hill 2009, pp. 468-470).

Base salaries

Even though the base salaries constitute a decreasing part of the incentive model employees and managers dedicate much attention to the salary decision process. There are two main reasons for this. First, the base salary is a key component of the employment contract and the contract usually guarantee a minimum increase in base salary for the next five years. Second, the base salary is in many cases the only fixed amount of the incentive model meaning that risk-averse employees prefer a pay increase in base salary to a pay increase in bonuses or being granted more stock options. In addition, the other components of the incentive model are often measured

relative to base salary level. For example, bonuses are normally expressed as a percentage of base salary, option grants as a multiple of base salary and profit sharing weighted by the base salary. To conclude, every increase in base salary has positive consequences on the other components of the incentive model. Typically base salaries are being determined through competitive benchmarking where the company's salaries are compared with salaries of other companies that have similar characteristics and act on similar markets (Murphy 1998).

Annual bonus plans

Bonus is an incentive based on pay-for-performance and almost every for-profit company offers its top executives and managers an annual bonus plan based on the year's performance. A bonus plan can be explained by categorizing it into six different components: performance measures, performance standards, performance threshold, target bonus, bonus cap, and the structure of the pay-performance relation (Murphy 1998). The components are shown in *Figure 6* below.

There are several different *performance measures* being used in companies' bonus plans and they can be either financial or non-financial. The most common is to use financial measures and almost all rely on some measure of profitability (Murphy 1998). If defined targets are exceeded the excess amount is paid out as bonuses in that unit (Hill 2009, p. 467). Each measure has a determined *performance standard* and is usually based on budgets, prior-year performance, peer-group comparison or cost of capital. The performance standard can be seen as the performance goal that the company aims to achieve. A typical bonus plan, as in *Figure 6*, does not pay any bonus until the *performance threshold* is reached and a minimum bonus is then paid. The performance threshold is usually stated as a percentage of the performance standard and the minimum bonus as a percentage of the target bonus. The *target bonus* is in turn paid when the performance standard is achieved and in case the performance standard is being exceeded there is most often a *bonus cap*. The step between threshold and cap is called the *incentive zone*, which is where incremental performance improvement is related to incremental increase in bonus (Murphy 1998).

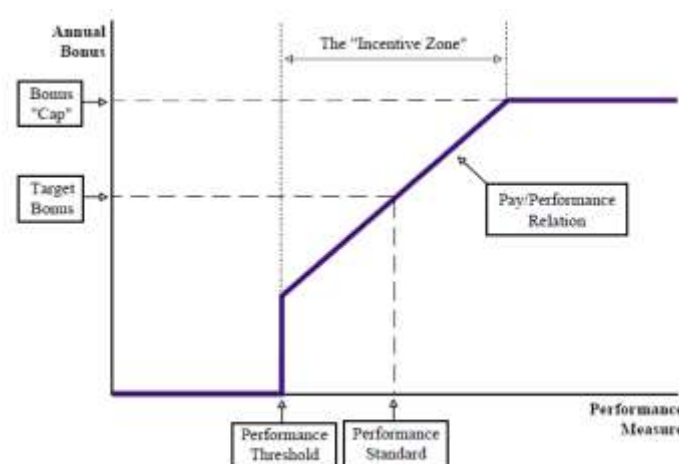


Figure 6: Components of a typical annual bonus incentive plan

Pay-for-performance structures determine the way the bonus plan is being paid out. There exist several structures and the most common one, called “80/120” is captured in *Figure 6*. This structure entails that no bonus is paid if performance is not over 80% of the performance standard, however if performance is more than 120% of the standard the bonus cap will be reached.

The bonus plan has effects on how managers perform their work. Managers might hold back some effort if the target to reach is too far away while they might put in extra effort if they are closer to the target (Murphy 1998). The design of a bonus plan is therefore important. The manager can prioritize the unit’s goals and performance on behalf of the company performance depending on how the performance is measured, hence unit or company level (Beer & Katz 2003).

Employee stock ownership

Stakeholders rely on managers to execute the daily activities of the business in a way that maximizes the value of their shares. The most powerful link between stakeholder wealth and executive wealth is direct ownership of the company’s shares. The larger share the employee has, the more significant is the linkage and alignment of stakeholder’s and executive’s interests. Employee ownership can be accomplished in a variety of ways. Employees can buy stock directly, be given it as a bonus, receive stock options, or obtain stock through a profit sharing plan (Jensen & Murphy 1999).

In order for stock ownership to act as a good incentive it must be of adequate size. To understand the incentive consequences of employee stock ownership one has to consider the percentage of the company’s outstanding shares, and not only the value of the holdings or the value of the shares as a percentage of the employee’s total compensation. The stock ownership must be large enough so that it gives sufficient effects when the company’s market value changes. Hence, stock ownership must create a direct feedback effect, which can be either negative or positive. Increasing the incentives therefore involves increasing shares and this also implies that the financial risk for the employee is being increased. The employee gets more money for better performance as well as a larger loss at poor performance. Hence, outstanding performance is rewarded as well as poor performance, like wasteful spending and bad investments, implies a penalty (Baker et al. 1988).

There has been a large escalation in the use of option-based compensation for both top-level and lower-level employees. Stock options are viewed as incentive elements that provide a direct relationship between employees’ pay and company performance (Murphy 2002). Stock options are contracts between employees and the companies and it allows the employees to own stock in the company they work for by purchasing shares at a specified exercise price, at a pre-defined exercise period. Exercise is the employee’s right to buy shares of the company’s stock and exercise period refers to the start and end dates between which the shares must be purchased. The exercise price is the agreed upon price stated in the contract at which the employee can buy

shares. The parameters in a stock option contract can be designed in many possible ways. The exercise price can be indexed to the industry or market, employees can lose the right to the stock option if a level of performance is not achieved, or exercise terms can match the expected horizon of the employees (Murphy 2002).

Profit-sharing

Profit sharing is a form of commission and means that an individual's compensation is tied to the overall performance of the company. The incentive element is popular among both employees and managers since it increases the level of compensation without requiring demanding performance measurements of individuals (Baker et al. 1988). This incentive element rewards employees a percentage of the company's profits. Usually the amount paid to each employee is weighted by the employee's base salary so employees with higher base salaries receive higher amounts of the shared profits. Profit sharing is most often done on an annual basis (Blasi et al. 2010).

Profit sharing works as a good incentive for employees in for-profit companies. It causes employees to work together toward a common goal and creates a focus on profitability. However, profit sharing also has a downside. It focuses only on the goal of profitability, which in some cases can be at the expense of other objectives. In addition, for smaller companies, profit-sharing plans may result in radical fluctuations of employee earnings and employees may find these fluctuations difficult to manage in their personal finances (Blasi et al. 2010).

Expatriate pay

Expatriate pay is an approach that balances purchasing power across countries so employees can enjoy the same living standard in the foreign country to where they transferred as they did in the home country. A typical expatriate pay includes a base salary, a foreign service premium, allowances, tax differentials, and other benefits. The use of this incentive model is being reduced because of the high cost for companies executing it. However, it is sometimes the only suitable incentive (Hill 2009, p. 642).

The foreign service premium is an incentive to get the employee to accept a transfer. It is seen as a compensation for having to adapt to a new situation with unfamiliar language and culture as well as being away from family and friends. It is common to have the foreign service premium as a percentage of the base salary, usually between 10 and 30 percent. The allowances can be of different types but generally include housing allowances, cost-of living allowances and education allowances. The employee should be able to afford a house of similar standard as in the home country and also enjoy same living standards in terms of food, provisions and clothes. If there are children moving with the employee to the foreign country these are ensured adequate education. If the host country does not have a tax treaty with the home country the company typically pays the employee's tax expenses in the host country.

Other benefits often include payment of health insurance and medical treatments (Hill 2009, pp. 642-644).

Criticism of financial incentives

Some critics discuss financial rewards more generally and they claim that financial incentives are counterproductive. In principle financial incentive structures improve productivity but in practice they cause adverse side effects, costly to both employee morale and productivity (Baker et al. 1988). Even if a company succeeds to establish an appropriate incentive structure there are several obstacles identified in literature. One is that money has a limited motivational effect, as people tend to quickly adjust to new levels of pay. Another is that people tend to return to their old behaviors and routines once the rewards have run out. Financial incentives can also promote competitive behavior within the organization, which can disrupt workplace relationships, hinder openness and discourage risk-taking among employees (Andersson & Mattsson 2001).

3. Methodology

This section presents the research methodology of the thesis. The research is outlined together with its general objectives. The working process is explained and it includes the research design as well as the data collection methods. In the end, the process for data analysis is presented together with a short discussion about the validity and reliability of the performed research process.

3.1 Research strategy

The topic that has been investigated is international expansion, and more precisely, which internal company factors and incentives that are important to consider when establishing the business in new geographical areas.

The research undertaken in the thesis was practice oriented, as the purpose was to investigate and contribute to a specific practitioner's (Findwise) needs (Bleijenbergh et al. 2011). The nature of the outcome was identification of factors that are important in international expansion and from these factors an expansion strategy was created tailored for Findwise and its current situation. The purpose to create a concrete strategy insinuated the need of a hypothesis-building research objective whereby studies of literature and practice took place in order to enable creation of the strategy. The expansion strategy was developed and proposed in the thesis but not implemented; consequently hypothesis-testing was outside the scope of the thesis.

3.2 Research design

Before the real study was executed, a pre-study was performed reviewing relevant literature in order to develop a suitable theoretical framework. The framework consisted of general internal factors already identified by other researchers as important when growing and expanding a business. The theoretical framework was later used for analyzing the empirical findings, where the general internal factors were compared and combined with the context specific factors identified in the empirical findings. The overall research design constituted of different designs due to the various nature of the four research questions.

A *cross-sectional design* was used in order to collect data that was needed to answer research question III and IV. This design provided understanding about employees' interests in participating in an international expansion and it also covered the aspects of needed incentives. The cross-sectional design was chosen since it is suitable when wanting to collect data from many instances at one single time (Bryman & Bell 2007, p.55). The cross-sectional design allows for comparison of numerous variables from many different instances and it is useful for identifying communalities and patterns among variables (Bryman & Bell 2007, p.55). The design was used to analyze the employees' views on different incentives and to compare the internal incentives with theory and industry standards.

A *comparative case study design* was used to answer research question number II and III. The comparative case study was seen as appropriate since it enabled investigation of international expansions made by different companies in the IT industry, having similar characteristics as Findwise. Hence, the number of examined cases exceeded one and the case study is therefore classified as comparative (Bryman & Bell 2007, p.64). The aim of the case study was to investigate how companies' internal factors and incentives have been utilized in previous expansions. To do this both in-depth knowledge and a comparison between the different cases were needed and this was achieved by execution of comparative case studies (Bryman & Bell 2007, p.68). Apart from IT companies another case was added to provide more information about incentive structures in large corporations.

A *case study design* was applied to answer research question I, III and IV. A case study allows for a detailed and focused analysis of one single case in its own context and it is therefore often associated with investigation of specific locations such as workplaces or other organizations (Bryman & Bell 2007, p.68; Yin 1981). Consequently, this design was utilized to obtain thorough knowledge about Findwise's internal strengths, such as its key resources, the management and employees view on incentives as well as the employees' willingness to move abroad.

3.3 Research structure

The thesis's overall research question was broken down into four more concrete sub-questions. The decomposition was performed to clarify the overall research question and to help structure the research into smaller and more manageable parts. Different research designs as well as different research methods were used for answering the sub-questions. The structure of the research and each part's relation to the four research questions can be seen in *Figure 7*. The figure is showing a comprehensive overview of the research and it shows that both method and data triangulation was accomplished. Method triangulation was accomplished by using more than one research method for collecting data to the sub-questions. The reason behind triangulation was to decrease the limitations in one method by the use of another as well as to achieve greater validity and reliability (Bryman & Bell 2007, p.59). The methods that were used for data collection include interviews, KJ Shiba workshops, documents and questionnaires. The research did to some extent achieve data triangulation, since several sample strategies were used when gathering data.

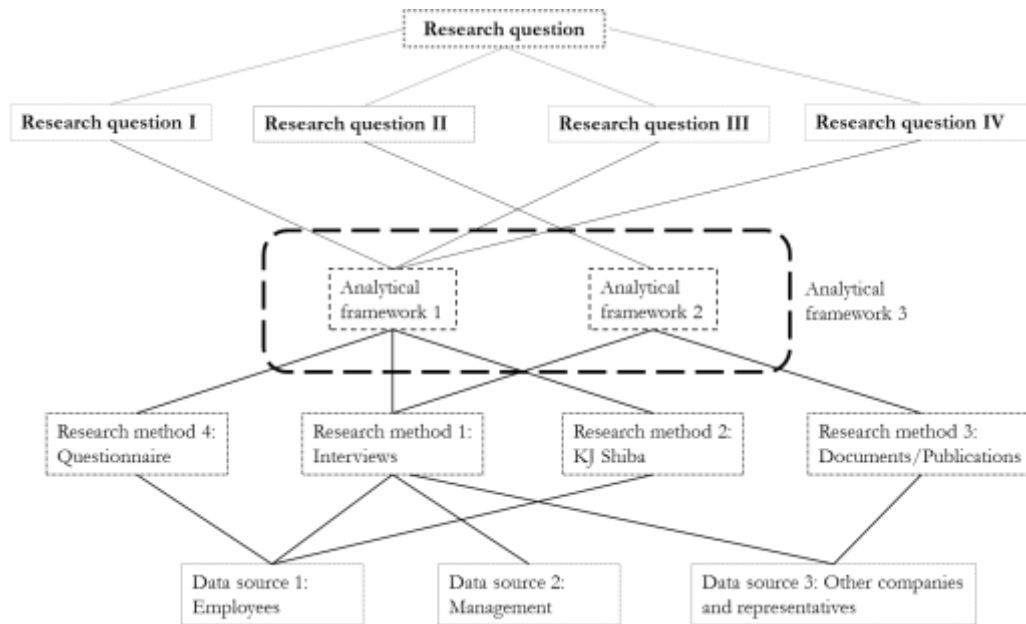


Figure 7: The structure of the research process

3.4 Research methods

The study consisted of four different research methods: interviews, KJ Shiba exercises, documents and publications, and questionnaires. To answer the research questions data collection was performed in sequential steps, with exception of some methods that were performed in parallel. Interviews were performed during the whole data collection period as persons with different roles were interviewed in different phases of the study. The research started by interviewing employees in Findwise, and then documents and publications on comparative cases were reviewed and complemented by interviews with case company representatives. This was followed by KJ Shiba exercises and the research was later completed by interviews with the board and questionnaires to employees in the organization. The schedule of the whole research can be seen in *Appendix 1*.

3.4.1 Semi-structured interviews

Interviews were the dominant data collection method in the *cross-sectional design* and in the *case study*; these were all of semi-structured character. The reason for conducting semi-structured interviews was that it enables a flexible interview process. The interviewer utilizes a list of topics and this list of questions is used as a template to guide the interview. Nevertheless, questions outside the template can be added as the interviewer during the interviews realizes issues and events that are of importance (Bryman & Bell 2007, p.475). The interview templates that were used in this thesis can be seen in *Appendix 2*. The data collected from the interviews were primary data of a qualitative nature and it concerned how internal factors have and in the future should be used within Findwise.

The sample population for the semi-structured interviews consisted of all current employees in Findwise's organization, from all of their four offices. The population

was divided into three sample frames: employees that previously have taken part in Findwise's expansion to other Scandinavian countries, employees that have the expansion ahead of them and plan to participate, and employees with good company knowledge and insight. The sampling was a non-probability sampling and the sampling strategy that was applied was snowball sampling (Bryman & Bell 2007, p.200). The sampling strategy was applied to the three different sample frames through dialogue with Findwise's board who suggested people that they believed had the wanted information. The suggested employees were contacted and personal or virtual meetings were booked depending on where the people are located. Five people were interviewed from the sample frame with employees that already have participated in the expansion. The aim with these interviews was to receive information about how they were compensated and how Findwise's internal resources were utilized during previous expansions. Three people who are planning to take part in the future expansion were interviewed as well in order to get information and insight about what incentives that are necessary as well as attractive to these employees. Eight people were interviewed from the sample frame that consisted of employees with good company knowledge and insight. The reason for interviewing these were threefold; to receive information about the current incentives in the organization, what kind of incentives and compensation they believe would be suitable for Findwise's expansion and which internal factors that are most valuable to the company. The three people that constitute Findwise's board were a part of the sample of people having good company knowledge. These three board members were interviewed in the final round of interviews and the findings from the previous interviews were therefore utilized to develop the interview template for the board members. This enabled the researchers to further investigate the internal factors identified as important during interviews with people from the other two samples; employees that previously have taken part in Findwise's expansion and employees that have the expansion ahead of them and plan to participate.

Semi-structured interviews were also conducted with people from the IT companies included in the *comparative case study*. These interviews were performed in order to validate and complement the findings from documents and publications. One person from each company was chosen based on their role and previous experience in the respective company. The three persons that were interviewed all possessed good and thorough knowledge about the company's expansion history. More information about the performed semi-structured interviews and the interviewees can be seen in *Appendix 2 and 3*.

3.4.2 KJ Shiba exercise

The KJ Shiba method was used in the *case study design* to help answering research question III. The method is of qualitative nature and can either be used for identifying a problem or to find a solution to a problem. In this research it was used as a problem-solving method in order to identify different incentives and to get the employees view on what incentives that are believed to be most important. The method emphasizes

interaction and involvement of the persons participating in the exercise and it enables a common view of a problem in order to reach a common solution. The exercise involves idea generation, common understanding of all ideas, grouping and prioritization of the ideas (Dolan & Shiba 1987). For an overview of the main elements of the KJ Shiba method see *Appendix 4*.

The sample population for the KJ Shiba exercise consisted of all current Findwise's employees at the offices in Stockholm and Gothenburg. The sampling strategies that were used to collect participants for the exercise were convenience sampling and snowball sampling. Hence, the sampling was a non-probability sampling (Bryman & Bell 2007, p.200). The reason for utilizing these sample strategies is that one of the key success factors in the KJ Shiba method is the selection of participants. The participants should have important knowledge about the problem and the chosen group should be cross-functional which means that the people have different functional expertise (Dolan & Shiba 1987). To find the right participants the board was asked to suggest appropriate employees with different knowledge but with understanding of the problem. From these suggestions the participants were chosen depending on their availability, as the time and date of the exercise needed to fit into the participants' business schedules. The KJ Shiba exercise was held at two separate occasions but in a uniform way as the same question was discussed in both: "What kind of incentives and compensation should be used to motivate employees to take a leading role in an expansion?". One exercise was held at the Stockholm office and one at the Gothenburg office. Eight people participated, four in each of the two exercises.

3.4.3 Public documents

The use of public documents is often of importance in business and management research (Bryman & Bell 2007, p.556). In this research such documents were also of high importance. The data in the *comparative case study* was collected from public documents, including annual reports, press releases, reports to shareholders, and public material available on the companies' webpage. The documents were utilized to provide background information about the companies and their history (Bryman & Bell 2007, p.566). The cases that were examined consisted of IT companies that had performed previous global expansions. Hence, it was foremost secondary data that were used in this design and it was of qualitative nature as thorough knowledge about the different cases was desired. The secondary data was verified by interviewing company representatives that had been involved in previous expansions.

Three different companies were chosen for the comparative case study. The selection of companies was based on their characteristics in terms of industry, company characteristics, life cycle stage, country of origin, and current office locations. In the selection the aim was to find IT companies operating in a growth stage and that previously had expanded to countries outside of Sweden as well as outside of Europe. A pre-study was made where eight different companies were identified and from

these three companies that best comported with the desired characteristics were chosen. The pre-study can be seen in *Appendix 6*. The companies that were investigated in the comparative case study were: *TradeDoubler*, *Cybercom* and *Sigma Kudos*. Focus when reviewing the documents was on getting an insight into the companies' expansion processes. The data that was collected concerned selection of entry modes, utilization of internal factors, and incentives for personnel taking part in the expansions. To make sure that all the necessary data was collected the different parts in the theoretical framework was used as an underlying structure in order to know what data to search for. The data that could not be found in documents were added through interviews with company representatives.

After collection of data for the three companies in the comparative case study it became evident that more information was needed on incentive models. The companies that were included in the comparative case study had different incentives for different employees. To get a more comprehensive understanding of incentive models and how they are used in larger companies a forth case was added with the purpose to only provide information about incentives. Hence, resources and organizational aspects were excluded. Previous publications on incentives were examined when choosing the forth case, in order to find a company with a well elaborated and structured incentive structure. In general it can be difficult to get access to companies' incentive structures but due to Skandia's history with bonus scandals there is much information available, which provided thorough knowledge and insight into the large company's incentive structure.

3.4.4 Questionnaire

During the case study of Findwise a questionnaire was sent to the employees. As there are currently not more than 63 employees⁵ in Findwise, the questionnaire was sent to everyone. The purpose with the questionnaire was to investigate if Findwise's personnel are interested in starting up a new Findwise unit abroad. Hence, answering research question IV. A questionnaire was utilized as research method since it allows for exploration of opinions within a greater population, in this case all employees (Bryman and Bell 2007, p.241). The questionnaire was developed through dialogue with the management and it resulted in one question: "Do you want to go abroad?". The questionnaire was designed as a pdf-document and sent by email to all employees (see *Appendix 7*). The document included background information about the thesis and the reason behind the questionnaire. The answers from the questionnaire resulted in a list of personnel that are willing to move abroad as well as some indications of preferable regions. The questionnaire was not anonymous since Findwise's board preferred having the employees interests documented in detail. An additional questionnaire was later sent to Findwise's employees whom showed interest in moving abroad. A subsequent questionnaire was needed in order to acquire deeper knowledge about the time period for which the employees are willing to move abroad

⁵ Number of employees at the time of the questionnaire, October 2011, excluding 3 board members.

and what role they are interested in taking during the expansions. The data gained through questionnaire number two was used to answer research question IV. The second questionnaire was sent by email using SurveyMonkey, a web-based survey provider (see Appendix 7).

3.5 Data analysis

The collected data was analyzed in different ways depending on research method and for which research question the data were collected. Three different analytical frameworks were used. Number one focused on Findwise's internal situation and intended to answer sub-questions I, III and IV. Framework two focused on analyzing the external cases in order to answer research question II. To answer the overall research question framework number three was used to compile and further analyze the results of analytical framework one and two. The last framework aimed at creating a concrete expansion strategy for Findwise including the three different components (see Chapter 1.3).

Analytical framework 1 includes the findings from the semi-structured interviews, the KJ Shiba and the questionnaires. A quantitative content analysis was used for analyzing the data collected by the questionnaires, as a content analysis can be used to quantify content into predetermined categories in a systematic way (Bryman & Bell 2007, p.304). In this case the content analysis was used for structuring the employees' willingness to participate in the expansion. The predetermined categories were: yes, no and only if. The data collected in the semi-structured interviews and in the KJ Shiba were analyzed by visual inspection. Visual inspection is useful when having thick descriptions on few instances and it was therefore used to compare the different interviews and to get deeper knowledge of similarities and dissimilarities between employees' opinions as well as to detect and identify different kinds of incentives. The content analysis in combination with visual inspection enabled findings of the different methods to be cross-checked and led to a synthesis of the internal factors shown to be of highest importance to Findwise (Bryman & Bell 2007, p.59).

Analytical framework 2 concerns the findings from the external cases, including semi-structured interviews with company representatives and public documents. The information that was gathered concerned selection of entry modes, utilization of internal factors and incentives for personnel taking part in the expansions. These factors were analyzed by visual inspection and compared between the companies in order to identify what internal factors that are important during expansions.

In *Analytical framework 3* the outcome of the analysis with framework one was combined with the analysis of framework two. The third framework focused on the overall research question and was therefore a crucial step in developing the three components of the expansion strategy. By visual inspection, the internal factors shown to be of highest importance to Findwise were compared to the internal factors that were identified as crucial in the external cases' expansions. Hence, it was

investigated which internal factors that was crucial to all companies. The analysis aimed to identify the internal factors that should be of focus for Findwise during upcoming expansions and how Findwise should expand, in terms of entry modes and incentives models.

3.6 Research quality

The concepts of validity, reliability and triangulation are applied in order to ensure research quality and trustworthiness (Bryman & Bell 2007, p.410). The research design affects the quality and by measuring and considering validity and reliability one can control that the research is providing accurate and correct answers. Validity refers to whether the research method is measuring the right thing and reliability refers to the consistency in using the research methods (Bryman & Bell 2007, pp.162-165). The concept of triangulation concerns utilization of more than one method or data source in order to get multiple references and get a holistic understanding of what is being studied. The purpose of triangulation is consequently that it helps increase the validity (Bryman & Bell 2007, pp. 412-413).

Validity and reliability is partly dependent on the type of collected data that can be either primary or secondary. Primary data is observed or collected directly by the researcher and secondary data is collected in the past or by other parties. With primary data the quality can be controlled while the use of secondary data implies larger risk of data errors and low quality (Bryman & Bell 2007, pp. 555-558). To increase quality in this research a combination of primary and secondary data has been used. See *Table 1* for an overview of the type of collected data.

Table 1: Type of data collected for each research question

Research questions	Primary data			Secondary data
	Questionnaire	Interviews	KJ Shiba	Documents
I. Findwise's internal factors		X		X
II. External companies		X		X
III. Incentive elements		X	X	X
IV. Willingness to move abroad	X	X		

3.6.1 Validity

Three aspects of validity have been measured; construct-, internal-, and external-validity. It is difficult to achieve high validity in all the different aspects; therefore a discussion about the possible limitations is included. The levels of validity for each research question are presented in *Table 2*.

Construct validity

Construct validity assess if the measurement is really measuring what is intended to be measured. Hence, it is the extent to what was to be studied was actually studied (Bryman & Bell 2007, p.41,165). Triangulation contributed to an increase of the construct validity for all research questions. Triangulation was obtained through use of multiple data sources as well as multiple research methods (Bryman & Bell 2007, pp.412-413). Deployment of triangulation in combination with a solid chain of evidence enabled the study to achieve comprehensive understanding of the background and the context. The construct validity for research questions I, II and III is therefore considered as medium, as triangulation of data sources and collection methods were achieved. Interviews were conducted with employees in different positions but the interviews were based on the same interview questions, which allowed for comparison of the different answers for research questions I, II and III. Further, all data is available through transcription and can therefore be analyzed again. Interview notes were sent to some interviewees to be reviewed (Bryman & Bell 2007, p.411). The construct validity could however been increased for the three research questions by letting all interviewees review the interview notes (Bryman & Bell 2007, p.411). This was however not prioritized due to time and resources constraints.

The construct validity for research question V is also considered to be medium as triangulation of data sources as well as research methods were accomplished. However, the questionnaires were pre-tested on a limited scale; a more comprehensive pre-test could further have increased the construct validity.

Internal validity

Internal validity refers to the concept of causality, meaning that the level of internal validity describes the confidence that can be placed in the cause-effect relationship of the study (Bryman & Bell 2007, p.41).

When collecting data for research question I, III and IV multiple sources were used. However, the same questions were asked to all interviewees in order to enable comparison of the findings and hence enable detection of level of internal coherency (Bryman & Bell 2007, p.411). The internal coherency of the findings for research question I, III and IV was high indicating medium to high internal validity.

The disadvantage with using secondary data, such as public documents, is that one cannot control the quality and the accuracy of the data sources. The data collection method, which included secondary data, can therefore have implications on the internal validity and the reliability. Consequently, to avoid errors and to increase the internal validity of research question II interviews were held with representatives from the case companies in order to confirm and support the findings from the public documents (Bryman & Bell 2007, p.567). As a result the internal validity for research question II is considered to be high.

When the study and the final report was finished it was distributed to all members of the investigated context, hence all Findwise's employees. The report was sent for respondent review in order to confirm that the researchers had correctly understood Findwise and its specific context. This further increased the internal validity of the research.

External validity

To what extent the findings in the study hold for another context or for the same context but at another time are referred to as external validity. In other words, it determines how generalizable the findings are and it outlines the boundaries of the results (Bryman & Bell 2007, p.42, 413). To achieve good external validity representative sampling is important. Hence, the sampling must consist of several entities representing several different contexts (Bryman & Bell 2007, p.42). However, in this study focus was on one specific context and high external validity was therefore not of high priority.

For research question I and IV the external validity is low since the focus of the study concerns Findwise's context. The findings to these questions have low generalizability and cannot be directly applied on other companies. However, for research question II and III the result might be applicable to other IT consultancy companies since the data is collected from multiple cases. The external validity for research question II and III is therefore considered to be low to medium. However, to increase the external validity of research question II and III more cases should be considered and studied.

Table 2: Status of validity and reliability of each research question

Research questions	Validity			Reliability
	Construct	Internal	External	
I. Findwise's internal factors	Medium	Medium/High	Low	Medium
II. External companies	Medium	High	Low/Medium	Medium
III. Incentive elements	Medium	Medium/High	Low/Medium	Low/Medium
IV. Willingness to move abroad	Medium	Medium/High	Low	Low

3.6.2 Reliability

Reliability is closely related to replicability which means to what extent the results of a study can be repeated. High reliability is achieved by having clear research questions and a well-documented research process (Bryman & Bell 2007, pp.40-41).

For qualitative research the reliability is often low since it is dependent upon a social setting which is dynamic and constantly changing (Bryman & Bell 2007, p.410). However, the reliability in this study is relatively high due to good documentation of

the research process and availability of data for secondary analysis. All interview templates and materials has been kept and attached to the final report in order to enable future replication of the study. In addition, all interviews have been performed and transcribed by the same two interviewers, which ensured inter-observer consistency (Bryman & Bell 2007, p. 163).

Research question I is considered to have medium reliability since the documentation is good but the data from the semi-structured interviews are dependent on the social setting within Findwise. The same data might therefore not be collected if performing the interviews at another period of time. Further, the reliability of research question II is considered to be medium. Public documents counts for high reliability since they are available in all time periods and their content will not be changed. On the other hand, the semi-structured interviews are dependent on the social setting, which might imply inconsistency of data over time. In research question III the reliability is considered to be low to medium. The semi-structured interviews imply medium reliability due to the dynamic setting while the KJ Shiba method implies low reliability. The reason for the low reliability is that the method is both context and person specific since there might exist a lack of consistency in the participants' behavior and opinions (Bryman & Bell 2007, p. 163). Hence, if the data collection is to be repeated, the exact same participants as well as moderator are needed. The reliability of research question IV is perceived as low. That question is heavily dependent on the feelings and attitudes of the present employees, which in return are dependent on the employee's private situation. Hence, the result is likely to differ due to employee turnover.

Since a large part of the study is performed in a social setting the issue of reliability has been considered throughout the thesis. It is difficult to exclude the social setting from affecting the data and the reliability of this study has therefore been identified as a disadvantage when considering repeatability. To counteract this disadvantage all collected data has been well documented in order to enable a secondary analysis of the findings. In addition, a higher reliability could have been achieved by using structured interviews to a larger extent than semi-structured as this allows for fewer adjustments of the interviews. However, thick descriptions were needed and this explains the choice of semi-structured interviews.

4. Empirical Findings

In order to answer the research questions a case study has been performed at Findwise. In addition four comparative case studies have been performed at external companies. The findings from the case studies are presented in this chapter. The structure of this chapter is in line with the structure of the theoretical framework and the findings from Findwise are presented first, followed by the external cases. The aim is to provide an empirical foundation which is compared with the theoretical framework in the analysis in Chapter 5.

4.1 Findwise

This section describes Findwise's business and its previous and upcoming expansions. The information in this section is derived from interviews, internal documents, workshops, informal discussions, and observations, if not otherwise stated.

4.1.1 Expansions and entry modes

Findwise was founded in Gothenburg in 2005 and opened their second office in Stockholm in 2007. The expansion continued to more nearby markets in Scandinavia; Denmark in 2010 and Oslo in 2011. Future expansions are planned to United Arab Emirates (UAE), United Kingdom (UK), Poland, and Australia. Findwise's previous establishments on new locations have been performed by setting up new ventures and Findwise has been growing 100 percent organically with the vision to continue being self-supported. The board has although been considering other alternatives than new ventures such as exploring the potential of acquisitions and joint ventures but no appropriate company has been found. An acquisition or joint venture would increase the speed of the expansion as one get access to an already established company. But since it is difficult to find the right unit to acquire another alternative that could increase the speed would be to let several people set up a new venture. That decision is however a matter of cost and it is therefore dependent on the results of other Findwise units since the company wants to be self-supported. The board tells that it do not exist an explicit strategy for how many people to send to a new location. But there is an underlying idea to first do sales and then start a company when a significant number of customers has been signed or when a specific turnover has been reached. In the interviews employees have insinuated that Findwise should be more aggressive in their expansion in order to get a foothold in the market and take market shares. To do this they suggest that the recruitment of local sales persons should be prioritized and that more than one sales person should be present. Since a more offensive expansion signifies larger investments discussions have been raised during interviews whether to bring in external investors or not.

Previous expansions

Findwise has expanded its business to currently include four different offices, Gothenburg, Stockholm, Copenhagen and Oslo. The expansions and openings of the three new offices have all been executed in the same way; by sending one individual

to the new location. The establishment of a new office has hence been centered around one individual acting as an internal Findwise entrepreneur who has had the main responsibility of the new venture. From day one the entrepreneur has been taking an important role as a sales person in order to establish the first customer relationships and selling the first projects in the new market.

The previous expansions have all started with the entrepreneur acting as a sales person and that person has then gradually been taking on other responsibilities as the business has grown. The business has hence been established and grown stepwise, starting with establishing the sales process since it in the early stage is important to create a revenue stream. In the establishment of the Stockholm office the entrepreneur was hired externally and took the sales responsibility during the initial phase. The entrepreneur had experience in the industry and used to work with enterprise search. He wanted to start his own consulting company specialized in search, but then he came in contact with Findwise which turned out to be a perfect match. He got the opportunity to do what he wanted, starting a new venture, but with the support from Findwise. In Copenhagen the first person in place was a current Findwise employee transferred from the Gothenburg office. As in the Stockholm case he took the sales responsibility and received technical support from a person hired locally. When establishing the office in Oslo, the person responsible for sales was not the same person having the main responsibility of the new venture. One of Findwise's board members is based in Oslo and has been working in that office since day one, he is therefore the one having the main responsibility in that unit but he is not responsible for sales. However, the first person that was recruited in Oslo was a local sales person. The offices in Stockholm and Copenhagen do now have all processes in place and are well established. In Oslo the organization is still growing and the production process is under development and not yet fully established.

The employees who are participating or who have been participating in earlier expansions have experienced some challenges. One major challenge that was identified was sales and to sign the first customer. This is a crucial step for Findwise in the early phases in a new market since the board does not want to do larger investments before the first revenue stream is accomplished. Another aspect that a Findwise entrepreneur has identified as a potential challenge when being responsible for the new venture is to confirm that the new market has potential. The Findwise employee feels that the revenue must be increased rather quickly in order to show the board and the company that the expansion decision to that market was a good. This primarily concerns the expansions where a market analysis has not been done in beforehand, as in the cases of Australia and UEA. Consequently, the entrepreneur needs to convince the board about the market's potential to make them willing to invest in the new location in order to get the new business operational. In addition, laws, regulations and bureaucracy differ between countries and can in some markets be challenging to handle and conform to.

Upcoming expansions

Upcoming expansions are planned to UAE, UK, Poland, and Australia. The expansions are planned to be executed in the same way as previous expansions, with one internal entrepreneur being responsible. The international expansions will mainly be financed by Findwise but the entrepreneur will also contribute to the financing of the initial phases by working 50% as a consultant for Findwise, the other 50% will contain the elaboration of the new market. Findwise believes it is important that there is a balance between the company's profitability and the identification of new high-potential markets and is therefore not willing to put too much risk into one new unit.

The expansion to UAE has already started. A Findwise employee originally coming from that region has moved there together with his family during his paternity leave. The reason is that he would like to establish a Findwise office in that market and in order to explore the market's potential he moved there to find customers and do initial sales. Hence, he himself chose the market to expand to due to personal interests and if the market appears to have great potential he will establish a new Findwise office. Before he left Sweden he developed a business plan for the next six months including a budget where 50% is to be financed by consulting hours for Findwise. The first six months will consist of an analytical phase where focus will be on making a more thorough market analysis which if it turns out well will evolve into the next phase of further business unit development. The same process is going on for the establishment in Australia; a Findwise employee chose Australia since he personally found it to be a pleasant country to move to. He is planning to move during summer 2012 and is now waiting for his working visa to be approved. A simple business plan has been written by him for his first half year in Australia and during the first six months he will perform a comprehensive market analysis. After the first phase of six months a new decision will be taken whether to continue the expansion or not. The Findwise employee has already been in contact with present Findwise partners in Sweden who also are doing business in Australia. From those contacts he has received valuable information about how consultancy works in Australia as well as news and contacts to industry events.

For the elaboration of the markets in Australia and UAE the employees moving there will start doing market analysis first when they are physically there. On the opposite, the market potential in UK and Poland has been analyzed on beforehand followed by a decision regarding if and when to establish a new office in those markets. The market in UK is already being processed by persons from the board. They have been participating in industry fairs and meeting potential customers in order to explore the market's potential before doing any major investments. As the market in UK and especially in London is very competitive, one employee indicates that an offensive start might be necessary for Findwise to get a foothold in that market. In order to ensure getting a foothold in the market the board is considering cooperation with a supplier in UK who at this point is missing an implementation partner. The employee

who started the Stockholm office will, if it turns out well, take a leading role also in the expansion to UK and he is preparing to move to London during next year.

The expansion to Poland has already started but differs a bit from the other expansions. In previous expansions the Findwise entrepreneurs have been employees already working for Findwise but for Poland the entrepreneur is coming from the external environment. A Polish entrepreneur who works within the search industry contacted Findwise and showed his interest in starting an office in Poland. He has performed a thorough market analysis and has written a well-developed business plan for the new venture in Poland. He started working as a Findwise employee the 1st of December 2011 and is now acting as an entrepreneur for Findwise in Poland. As in the other cases the Polish entrepreneur will partly work as a consultant for Findwise in order to minimize risks. Another factor keeping down his expenses is that he from the beginning will work from his home office.

The personal characteristics of the entrepreneur

The individuals that have been and who now are contributing to Findwise's expansion by acting as internal entrepreneurs are all people with a great interest in business development and entrepreneurship. The persons showing interest in working abroad are driven entrepreneurial persons looking for personal development in both their professional as personal life. Since Findwise's organization foster personal development and put much trust in the employees the persons who are driven, passionate and shows interest can get the opportunity to participate in the expansion. Apart from having entrepreneurial minds the people whom so far have been participating in the expansion all had a desire to get a new role within Findwise. Although the responsibilities in the beginning of a new venture in this case are focused around sales the entrepreneurs are likely to get more overall responsibilities of the new local unit in the long run.

Findwise's vision is to be a global leading company in their niche, search technology, but that can be difficult if the employees do not have the same ambitions to work internationally. It is therefore necessary to find the right person, who needs to have a balance between the right personality and the right experience. Such a person has by Findwise's employees been characterized as a person being driven and passionate, willing to put in the time and effort needed and willing to make personal sacrifices in the short-term that will be rewarded in the long-term. The entrepreneurial person should also have professional experience from previous business challenges that can be helpful when setting up a new venture. Hence, the person should have the right mix of personality, drive, and experience.

Employees' willingness to move abroad

In order to identify if there are any employees willing to move abroad to establish a new office two rounds of questionnaires were sent out asking for all employees' interests. The reason for the requests was that the employees had answered a similar question before but when being faced with a concrete opportunity such as an offer to

move to New York with a paid apartment on Manhattan no employee showed any interest. The first round identified that 30 people showed interest in going abroad to participate in the establishment of new Findwise units. But 10 people out of the 30 were unsecure about their ability to go abroad due to their family situation. The first questionnaire was then followed by another questionnaire that was sent out to the 30 interested employees. 23 people out of the 30 answered the three questions constituting the second questionnaire. A graphical compilation of the results can be seen in *Figure 8*.

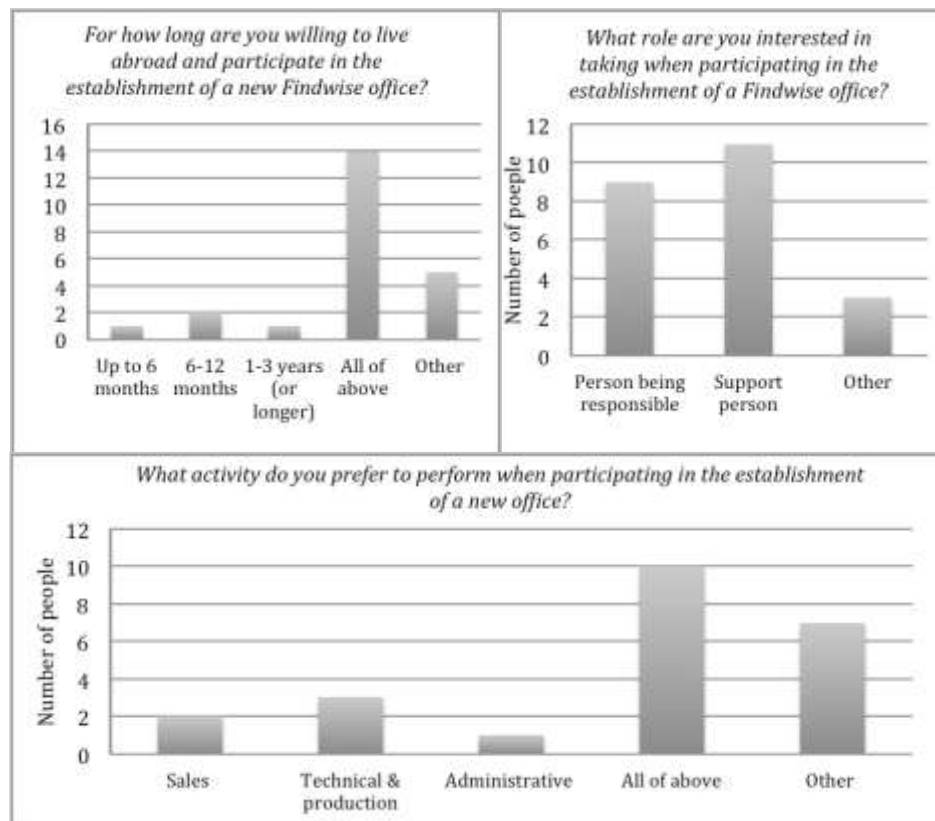


Figure 8: Visual presentation of the findings from the questionnaire

As can be seen in *Figure 8* 14 people were flexible with the length of their stay, and stated that they could consider living abroad for up to three years or even longer. 9 people were willing to take a leading role and be the main responsible for the establishment of a new office. While 11 people said that they were interested in having a secondary role, backing up and assisting the person having the main responsibility. Further, the employees stated which activities they wanted to undertake during the establishment of a new unit. 2 people wanted to perform sales activities, 3 people were interested in technical and production activities, while 1 person were interested in administrative work assignments. 10 people were however interested in performing all of the mentioned activities and 7 people had wishes on performing different combinations of activities, such as sales and production or production and administrative.

4.1.2 Resources

The collected data concerning Findwise internal resources are presented in this section. The resources relative importance have been discussed and stated by Findwise's employees.

Personnel

When hiring personnel Findwise believes it is important to find people that fits into the corporate culture and that are able to work in the environment created by the flat organization. This implies people that are driven, responsible and can work on own initiatives. The personnel have been identified by all interviewees as the company's most important resource. As the employees are such an important part of the company, Findwise puts great focus on talent management which is one of Findwise's three operative processes. The talent management process includes competence development, recruitment, social events, performance and benefits, and personal development.

During the case study of Findwise the interviewees pointed out that different roles are needed already in the first phase of expansion to new markets; as both sales and the technical aspects need to be covered. It was also identified that in the early phases of expansion it is important to have a person with local knowledge present as well as a person with good company knowledge. It is also of great importance that the person taking the leading role in the expansion has the right personality as well as experience and knows how to take a leading role and manage a new office. The person establishing Findwise in Poland is an example of a person having local knowledge as well as the right mix of experience and personality.

The recruitment of new personnel has been identified as a challenge for Findwise. In previous expansions it has shown to be difficult to find the right personnel and good local consultants with appropriate experience and knowledge. In Oslo it is both expensive and difficult to find people to recruit and the board articulates that this issue opens up for further discussions regarding the production structure as it indicates a need of moving some production to countries with lower costs. Findwise is facing similar situations at other locations. In Copenhagen they had to recruit developers through AcademicWork in order to staff their projects and in Stockholm it took six months before they found suitable persons to recruit. The situation has been improved since the company now is well established among customers as well as in the job market. In addition, the brand recognition and the university collaborations are stronger which also contributes to improving the recruitment situation. However, the recruitment is still a challenge to some offices. The salaries to employees in the Stockholm office had to be increased due to high competition from other IT companies trying to attract the same personnel. In Oslo the challenge concerns the availability of skilled personnel and the high salaries.

Capabilities and organizational processes

Findwise's main functions are organized along three processes: production, sales and talent management. Since most of the company's knowledge lies within individuals the interviewees have identified processes and structural capital as the third most important company resource. The structural capital in Findwise facilitates knowledge transfer that helps decreasing the dependency of individuals and they also provide uniformed ways of how to handle customers and execute projects. The board therefore believes that the structural capital is of high importance. Findwise is working in close relation with their clients and puts much emphasis in developing long-term relationships. For example, one of the first customers that Findwise started to work with in 2006 is still one of their largest customers. Even if the company's output is highly customer specific Findwise is attempting to increase their efficiency by working according to standardized processes. This is not possible in all cases but the intention is to reutilize the knowledge and code that already has been developed. A new digital strategy is under development and aims to set up a structured method for how to manage documentation and knowledge transfer. The goal is that Findwise's employees will use it as a tool for finding and reutilize the information and knowledge they need for a project. But for the digital strategy to be successful the documentation of performed work need to be done in a uniformed manner according to specified routines.

All offices have access to knowledge and information about different projects through the use of IT systems. Most of the communication in Findwise is also facilitated by IT systems and the communication with people located on other Findwise offices is primarily done by using online tools such as Lync, Boxnet, Dropbox, instant messenger services as well as their own developed intranet. A large variety of IT systems are today used in all units which are scalable to some extent as the expansion continues. But in the future Findwise will not be able to manage all IT systems themselves as the IT systems are likely to grow both in number and size.

A consequence of the use of several different systems is that data and information are saved in different places depending on person and project which makes it difficult for other employees to access it. The documentation process and structure is therefore being revised as a part of the new digital strategy. The goal is that a uniformed usage of IT systems will facilitate knowledge transfer and make everyone use the same methods for saving data, information, and knowledge, in order to increase the accessibility. Information and knowledge must be shared between units and it is important that the employees know where to find the information they are looking for to avoid the risk of duplication of work and repeated mistakes. When the business is expanding the access to information gets even more important. The number of employees will increase making the communication between individual employees at different offices more complex. Consequently, the information must be available in IT systems since people will no longer to the same extent know which person who holds what knowledge. Another aspect enhancing the importance of accessibility is the time

differences, if opening an office in Australia or USA the working hours will differ from the European units. Getting access to information via phone calls will hence not be as easy. There has however been a discussion within Findwise regarding if all offices should be forced to use a certain IT system or if they can choose among different systems that Findwise can offer. The reason is that in some cases one system does not fit all markets and the system therefore needs to be modified.

Findwise's vision is to use and establish existing structures and processes when setting up new offices. The interviews however showed that it is important to be responsive to the local market and its customers, since different countries differ in how to manage customer relationships and ways of doing business. For example, the market in Denmark differs from Sweden since the decision-making processes are much faster, the corporate culture is different and companies are in general more hierarchical. For that reason Denmark has had many on-site projects, where the consultant works at the customer's office instead of at Findwise's office. This adaptation and adjustment has been essential for establishing the first contacts with customers in Denmark.

Knowledge and competences

As stated above, the personnel and its competences is one of Findwise's key resources. It is therefore important to develop and create new knowledge as well as making the current knowledge and information available throughout the organization. To ensure that the right competences are available within the organization Findwise has included competence development as one part of their talent management process. The competence development function in Findwise lies within the talent management process and ensures that the right skills and knowledge exist for each technical platform.

Findwise's employee turnover is low but since the knowledge is centered around individuals the company must ensure that knowledge stays in the company although employees quit. This is done by documentation and through the structural capital as mentioned above and also through other knowledge transfer methods. One method that Findwise uses is rotation of employees between offices where one office execute a project with help from a resource normally based in another office. This is foremost applied when only some specific employees possess a certain expertise. Findwise also tries to transfer knowledge by internal projects with teams consisting of employees from different units and recently a software engineering group was introduced with the aim to share programming code and knowledge between developers in different units. For new employees the company has introduction courses that include the company's organizational building blocks, its processes, the IT systems and the corporate culture. The employees have further pointed out that there is a need of having an old Findwise employee at all locations, responsible for spreading the culture and making sure that the basic values as well as ways of working are in place.

The knowledge needed for delivering solutions to their clients is acquired through recruitment and through learning-by-doing; performing customer as well as internal projects. But there is also a great need of knowledge about the local markets that Findwise is operating in. To acquire market knowledge Findwise has performed market analyzes as well as hired local personnel that knows the market well and has experience from previous business in the market. In the establishments of the Stockholm and Oslo offices the first persons onboard were local persons having experience and specific knowledge about the markets and the business environments which helped the initial customer contacts and sales. Another possibility that can be utilized to acquire market knowledge is through existing partners or to partner up with a new actor. However, the acquisition of specific market knowledge is considered to be very important and due to many expansions ahead, Findwise is now developing a structure and template for how market analyzes should be performed. The reason is to get uniformed business plans including all necessary aspects about the new market.

Company reputation and brand

Findwise is strengthening its brand by participating in events, fairs, conferences and by collaborating with universities. The consultants are the company's primary ambassadors as the employees are continuously representing Findwise and its brand when executing customer projects. The goal is that Findwise's brand should be characterized by; technology front runners, zero unsatisfied customers, passion for search and findability, "everything we do will have customer benefits", and "eat our own dog food".

During the interviews one Findwise employee considered the brand to be one of the key resources. The company is operating in a niche market having a limited amount of competitors and Findwise has managed to take a unique position. In the markets where Findwise has been established for a period of time and where they have managed to built up a solid customer portfolio the brand and company reputation is strong. Findwise has managed to increase the awareness of enterprise search and other companies are aware of their presence and their business. However, in new markets the brand is not well recognized and potential customers do therefore not recognize the company.

4.1.3 Organization

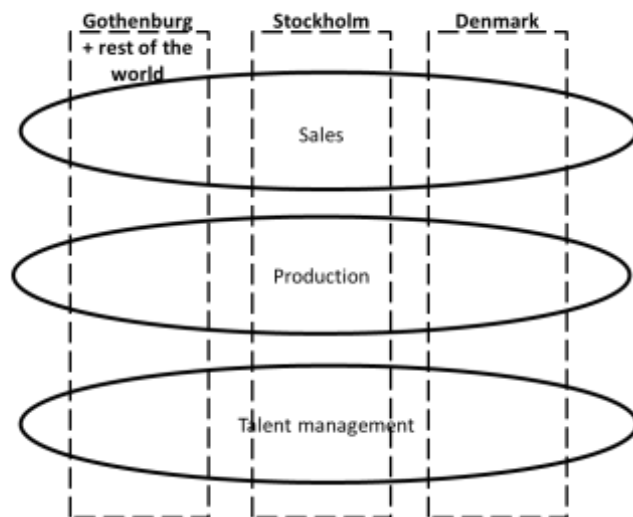
Findwise's organization is of a character that emphasize individuals to take own responsibility and initiative but at the same time the organization gives room for creativity and personal development.

Organizational structure

Findwise is organized in a matrix organization where one dimension is processes and the other one is locations, see *Figure 9*. The matrix includes the operative processes; sales, production, and talent management. These three processes are present at all fully established office locations, hence in Gothenburg, Stockholm and in Copenhagen. In parallel of the operative processes Findwise has supporting processes

and strategic processes. The supporting processes includes market communication, concepts and packaging, finance and administration, and IT and business services. All supporting processes are present in all locations, supporting the business globally. The strategic processes consist of new markets and business development, and business development is in turn divided into research and innovation. The strategic processes are centralized to cover the whole company and the people in the company board are the ones primarily running those processes. All units look the same in terms of organizational structure and all units have the same roles, offering the same services and contributing to Findwise's overall performance. The different units work uniformly according to the processes and uses uniform tools for sales and production planning.

Operative processes



Strategic processes



Supporting processes



Figure 9: The organizational structure of Findwise

The organization is flat which means that there is no hierarchy and hence no layers of managers. Instead the board gives the employees much responsibility and pushes out the decision-making in the organization. The board's role in Findwise is to take the strategic decisions while the employees are the ones who make sure the right activities are implemented in order to attain the strategic goals. As a result the employees have all control, except control over the overall strategy. The great responsibility is challenging and puts pressure on the employees' work. For that reason, all new offices have received coaching and support from the board that assist the work during the first important phases of a new establishment. The coaching is

seen as a necessity among the interviewees who believe it is important to feel that the board is supporting them in their work and gives them authority to take key decisions. This is considered to be specifically important in the early phases of the expansion. The coaching includes support in daily work as well as learning the importance and advantages of a process organization. Another necessity identified in the interviews is that the company should provide the internal entrepreneurs with relevant education such as sales courses.

The sales process is structuring the sales and it includes sales tools for documenting and informing the rest of the organization of current sales processes; how far the sale has come, if it is close to a contract and when a new project will be started. The production process works in a similar way providing a structure and common tools for planning the production occupancy between offices. Together with the talent management process the idea is to use the same processes and corresponding tools throughout the organization in order to get a uniform company. The three processes do not only provide uniform work structures across the company, it also helps facilitate the communication between employees as well as between units. For example there is one person at each office responsible for the production process. These persons have continuous meetings and reconciliations in order to distribute the resources efficiently. The communication along the production process minimizes fluctuations and unused resources and communication is considered to be a crucial aspect in order to get the knowledge transfer to work sufficiently.

At the beginning of previous start-ups the first process in place has been sales. The first projects have therefore been managed by using resources in the Swedish offices. But as the business has grown and there have been enough projects in the pipeline the production process has been added to the new unit. Later on, when the number of employees have increased to a certain level the next process, talent management, has also been established. Hence, when a new local office has been started different development phases have been experienced. A new office has automatically received a temporary parent office to share resources with before the production process have been fully operational. As the new business has been growing it has transcended to the next phase where more processes has been established. The new unit hence becomes more and more disconnected from the parent office.

All fully established offices have their own consultants to carry out the production needed for delivering client projects. In some cases there can however be a lack of resources or a need of a special competence at a specific office, in such a situation that unit can hire a consultant from another unit in order to fulfill the resource requirements for that project. When offices are sharing resources they follow an internal invoice system based on an 80/20-rule. This means that the selling unit gets 80 percent of the turnover and the buying unit 20 percent of the turnover. The buying unit is also the one paying the overhead expenses of 15 percent. Using this system it becomes expensive to share and hire personnel between offices. Therefore it

previously occurred that offices recruited new personnel instead of hiring internally which led to situations where one office was overstaffed while another was understaffed. For the overall company result the internal invoice system is not optimal and is therefore now being reviewed. But is not easy to develop a perfect internal invoice system and according to the board it is a well debated topic in most companies. Findwise's goal is to promote resource sharing between units and with the new model, where the overhead costs will be divided between the buying and selling units, it should become more profitable for both units to share resources. The internal invoice system is especially important during the expansion since a new unit is likely to only have the sales process in place in the beginning. Hence, the first projects have historically been staffed with employees from other offices. It is therefore crucial for the new unit to receive the necessary resource support in order to deliver its first projects.

In the current situation of Findwise there is no articulated plan to change the organization and its structure in the near future, the plan is instead to continue having all processes present at all locations. But during the case study interesting discussions arose regarding centralization of production. Due to the differences in price levels between countries it is common among companies to centralize production to low cost countries. A challenge regarding different national price levels has also been identified by the interviewees. It is not only the price of consultants that differ, also the price of the offered service and solution. If the service is sold to a much lower price in the new market than it is in Sweden, it would no longer be suitable to manage the first projects with resources from Sweden. The interviews did however show that the issue is not about deciding what processes to establish in every office instead it is a matter of where the resources should be located. All processes should hence be managed and planned locally with local responsibilities for that office's production, but the resources might physically exist elsewhere. Hence, outsourcing alternatives were mentioned by some employees during the interviews.

Findwise's employees are overall very satisfied with the organizational design and its flat structure but for the coming expansions they have recognized possible changes that could improve the situation. Everyone agrees that the absence of managers is positive, but as the company grows and more offices are being established in different countries the employees see a need of having a local manager or country manager having the overall location responsibility. The country manager should according to the interviewees have leadership skills as well as the technical competence that is needed. The board agrees and says that if Findwise will come to include many offices it might be necessary to introduce new roles. The board does not express a need of geographical management but instead introduce process owners. A process owner can be a person that has the main responsibility for the management and development of that specific process and its structure throughout the whole company. Another aspect which today sometimes is impeding the expansion and the establishment of new units is the availability of resources. As the new office in the beginning is dependent on

resource support from other offices the Findwise entrepreneur or local Findwise employee should, according to some interviewees, have the authority to start the recruitment of personnel as soon as this person feels that there are enough projects in the pipeline. The reason is that many interviewees think it is important to establish the production process in a new location as soon as possible since it has shown to be difficult to share resources from other offices especially since the company is growing rapidly and do not have much extra resources available.

Corporate culture

Findwise's culture is characterized by; great responsibility taking, team spirit, curiosity and entrepreneurship, flexibility, easy going people, daring to do mistakes, humbleness towards the undertaken tasks, and trust in the surroundings. Findwise seeks to build an organization where emphasis is put in every individual employee and where the employee has great opportunity to grow, develop and take an important role in the organization. To promote this culture the organization is founded on five core values; honesty, customer focus, seriousness, innovativeness, and driven.

The flat organizational structure that Findwise practices has great influence on the corporate culture and helps fostering the working environment. Findwise's culture has in the case study been identified as the second most important resource and it has been confirmed by the interviewees that the characteristics and core values of the corporate culture are strong. The emphasis Findwise puts in their employees has shown to be appreciated by everyone in the organization. During the case study it has also been observed that the working environment within Findwise is very open, prestige less and social. Every morning Findwise's employees have breakfast together, once a month they have a meeting followed by an event or dinner, and two times a year they have kick-offs where they generally travel together during a weekend.

The corporate culture is very important to Findwise but transferring the culture to new offices during their expansion has been identified as one of the major challenges. The biggest challenge is to spread the corporate culture and anchor it among the employees in the new unit as well as to establish the flat organization and all it entails. In some countries it is common with hierarchical companies and to have strict work constraints, in such countries people do not know how work should be performed in flat organizations and do not trust the situation without managers telling people what to do. The interviewees therefore believe that it will require extensive training and education in such situations, both for making the organization work and to teach people the advantages of flat organizations. So far the transferring and establishment of the Findwise culture in new offices has however been inadequate and incomplete. Different offices have been adapting the corporate culture differently to the national cultures in order to adjust to the specific market they are operating in. In Denmark the market differs a lot from Sweden and the corporate culture has therefore been slightly modified to fit the Danish customers in order to make them feel comfortable when

working with Findwise. For example the consultants in the Danish office work onsite to a large extent instead of working from the office as intended. Although there are visible differences when comparing the cultures in different Findwise offices with the originating office in Gothenburg the interviewees indicate that the basic values are in place. The interviewees also presented some observations of how offices are considering the “head office” in Gothenburg. Some of the interviewees believe that there exist different attitudes among the employees depending on which office the person works in, creating a “we” and “you” mindset. The employees in Gothenburg talk a lot about Findwise as “we” including all offices meaning that everyone works together towards a common goal. At the same time the employees in Stockholm talk more about “we” and “you”, implying that they are belonging to another separate entity. The board states that it is equally important that the new offices become own entities as well as being a part of the whole Findwise organization. Findwise is therefore working to improve the “we” think by having internal projects running across the different offices and including all employees.

To improve the transfer and establishment of the corporate culture at new locations the interviewees believe it is important to build the new office around a person who has been a Findwise employee for an adequate period of time and who therefore has the corporate culture well incorporated in his or her work and mindset. Some interviewees however find that the values and the “we” think are too diffuse and that it needs to be defined in a more clear and understandable way to easier be transferred and incorporated in new units.

4.1.4 Incentive structures

Findwise has three main owners, which are the founders who also constitute the board. These persons hold equal size of the company and together own the majority of all shares. The parent company is a Swedish private limited company and it includes all offices in Sweden. Findwise has also affiliates in Denmark and Norway, which both are private limited companies. The projects and operations executed in the international environment, such as UAE, Australia, and UK are being performed under the Swedish company. The ownership structure does, apart from the three founders, consist of the employees. Findwise’s personnel are after two years of employment given the opportunity to buy shares in the company to a beneficial and predetermined price. During recent years the profit has been distributed to the board and the shareholders but the main part has been kept in the company in order to finance the expansion. Findwise has strong non-financial incentives and motivational factors present in the organization; breakfasts, monthly meetings, kick-offs, massage, and wellness reimbursements. These activities create a community and culture in the company, which seem to be highly appreciated by most employees.

The compensation offered to Findwise’s employees is mainly a fixed base salary. The level of the base salary is dependent on the employee’s education and experience and the salary is also market oriented and adjusted to the location. Consequently, the base

salaries differ between offices and countries, for example the salaries are higher in Stockholm than in Gothenburg. Further, laws and regulations concerning pension systems and employment taxes differ between countries and hence affect the level of base salaries.

Employees having a leading role with more responsibilities have a fixed part as well as a variable part of their salary. In Findwise the persons being responsible for the production at each office receive additional variable compensation that is paid out each quarter as well as at the annual accounts and is based on the annual result. The variable compensation is measured on three factors: the unit's result, the unit's revenue, and the whole company's result. The unit's result and the whole company's result are measured per quarter as well as annually and one part is distributed quarterly and one part annually, the revenue is measured and distributed quarterly. For the commission to be paid out the result must exceed 10 percent of revenues.

The management's view on incentives

Interviews with the board members have shown that a suitable incentive model should consist of a fixed base salary, a variable commission and ownership. But it is important to find the right balance between the three components and there should exist short-term incentives as well as long-term incentives. In the interviews the board members discussed the importance of having a long-term plan, implying that they are not willing to send employees abroad if the time horizon is less than a year and they say that this also is the underlying reason for putting much emphasis in having ownership as an incentive and not only base salary and commission.

Findwise primarily wants to attract employees to go abroad with non-financial incentives, the person needs to have the right drive and should not need a huge financial incentive model to consider going abroad. It is however important that the employee is rewarded for the performed work and the produced result. In order to create endurance and a long-term perspective a concrete incentive model should be defined and offered to the employee on beforehand.

Findwise do not want to take too high risks and do not want to invest large amounts of capital in one individual during the expansion. The board therefore prefers to give the individual entrepreneur ownership in the new local unit instead of offering high salaries and bonuses. The parent company must own a minimum of 51 percent but the rest of the shares could be distributed to key employees in the local unit. The board however states that the ownership-incentive only is local and something additional is needed in order to promote the whole company's success and not only a single unit's success. The employee ownership is by the board considered as a lock-in effect making the employee commit to Findwise and its business. When the employee leaves the company the person must sell back the shares and this is done to a price based on the same valuation model that was used at the time of purchase. In the next new issue of shares the board will relinquish additional ownership. The board also

states that it is of high importance to set up a buy-out clause, both from Findwise's side and if the local entrepreneur would need to buy out the local company.

In early phases of an expansion and establishment of a new unit the board thinks it is important to keep down the fixed salaries. The entrepreneur needs to be willing to take some personal risks in the beginning, such as initially having a low base salary, which then will be rewarded in the long-term. The salary will however of course not be unreasonable, the employee should be able to survive on that salary and it should therefore be market oriented. If the person is not willing to take any personal risk or do any sacrifices the board does not think that it is the right person to send abroad. The person who will start working in Poland will from start work from home which according to the board indicates that he has the right attitude and do not take too much for granted.

The three variable factors used for Findwise's current variable compensation could be used also in the coming expansions as the board believes it is important to emphasize the overall company performance and not only unit performance. In the early phase of establishment of a new unit the board does not believe it should be any variable compensation since the unit in the beginning does not have a positive result or distinct revenue. When there exist a revenue stream a variable compensation could be offered based on revenue but it should later on shift towards being based on results. The board does however see a risk with using incentive models where large parts are variable. The entrepreneur might focus too much on the factors being measured which can imply sub-optimization of the own unit. To avoid this the board believes that it is important that Findwise's fundamental values and corporate culture are in place and they consider that to be of even greater importance when working with external entrepreneurs that they do not know in person.

Expatriate pay and practical incentives are according to the board hard to standardize since it depends on the employee's private situation and should therefore instead be developed on a case-by-case basis. The level of the non-financial incentives and practicalities should although be in line with industry standards and the employee's needs.

The employees' view on incentives

To get a picture of what Findwise's employees think about incentives and compensation two KJ Shiba workshops were held, one in Gothenburg and one in Stockholm. The question that was discussed in the workshop was "What kind of incentives and compensation should be used to motivate employees to take a leading role in an expansion?".

The employees participating from the Gothenburg office summarized the outcome of the workshop as: *Cornerstones for creating an interest for the expansion is motivation through rewards for successful expansion, and personal growth. This is enabled by a safe, social and economic foundation.* The Gothenburg employees' top three

incentives were commission, practicalities, and personal growth. Commission includes ownership in the new local unit as well as variable compensation. The variable compensation could according to the employees be based on profit or revenue. The commission was in the workshop considered to give opportunities to earn more money and get compensation directly affected by the new unit's success. Success should be measured according to Findwise's current measure of success; revenue, profit, customer satisfaction, and employee satisfaction. Practicalities are among the employees considered as support factors, which enable and simplifies for the person moving abroad. Examples are the opportunity to bring ones family, allowances covering travels, housing, bureaucracy, help to find a house or apartment, and help with taking care of the home-apartment. The last incentive in top three was personal growth, meaning that the employees' have a great willingness to develop their skills and knowledge as well as they see an opportunity of getting a different role than what would be possible in the home office.

The employees participating from the Stockholm office summarized the outcome of the workshop as: *It is important to get the support you need as well as compensation for the risk you take. However, it is difficult to agree on how to prioritize the incentives since different people value different things.* The participants did although in the end come up with a list of the three highest valued incentives; ownership, compensation when one has moved to the new country, and personal growth. Ownership could according to the workshop be either owning shares of the local company, a stock option program in the parent company, or a franchising solution where Findwise has the right to buy out the business based on predetermined parameters. The compensation includes Swedish pension agreements, base salary, compensation for overtime work, and free travels to the home country a couple of times per year. The Stockholm employees considered personal growth to include learning, education, specializing of skills, opportunity to learn a new language during working hours, and increased responsibility in a role. Another incentive, outside of the top three prioritization, that was highly valued was onboard help. Onboard help concerns financial support for moving an employee's family, housing, child-minding, and cleaning lady.

During the workshops it also showed that employees believe it is essential to have different incentive models for different roles. The person going abroad with Findwise can either take a leading role having the main responsibility for the expansion or the person can have the second responsibility and more like a support function. In addition, the person can work with sales, technical support or being responsible for transferring the corporate culture and structural capital to the new location. These aspects in combination with the employee's experience, if it is a junior or senior person, should according to Findwise's employees be taken into account especially when setting the base salary. For a full list of KJ Shiba results please see *Appendix 5*.

Findwise's entrepreneurs view on incentives

The employees who will participate in the upcoming expansions are the ones going to Australia, UAE, and UK. When the three of them were interviewed focus was on incentives that they wish to receive, incentives that they prefer to receive, and incentives that they will receive. The non-financial incentives are the most crucial incentives for the three employees in order for the whole expansion process to become successful. They need support from the board as well as authority to take decisions and drive the new unit forward. It is important for them to know that the board is willing to do the needed investments and that production and personnel support will be provided to them from other offices when necessary.

The incentive model is preferred to consist of three parts; a fixed salary, a variable part, and ownership. All three employees want large ownership in the local unit and they are willing to do private investments in order to get ownership. Ownership is valued higher than high fixed salaries and commissions since it gives a feeling of creating something own as well as long-term reward. One interviewee thinks that the entrepreneur's ownership in the local unit should be in the size of 30-50 percent. However, it is preferred among the employees that two different incentive models are presented; one for the initial phase when sales activities take place and one that becomes valid after a company has been formed. The interviewees' states that it is of great importance that the models are decided in advance and agreed upon before the entrepreneurs go abroad. Specifically the second phase model should be well developed since that is the one being valid in the long-run. The first model is preferred to include a higher fixed salary rather than commission since the units will not have a positive result in the beginning, and then with time and growth of the unit the model should shift towards lower fixed salary and a larger part variable compensation. That variable compensation is preferred to be commission on sales and revenue. In the second model the employees want all three preferred parts of the incentive model to be included. The interviewees all agrees that increased costs of living should imply increase fixed compensation but at the same time they think compensation should be based on standards and local price indexes. The size of the fixed salary and the variable part is considered to be dependent on the specific situation the entrepreneur is in.

The individual entrepreneur should according to the three employees have the drive and the will to participate in a new venture, but at the same time they consider a positive salary trend to be necessary since it otherwise would be too risky for the individual person to move abroad and do personal investments. One of the interviewees believes it is important to have a time horizon of at least 3-4 years when sending out an entrepreneur. If the person is willing to go abroad for several years it shows great willingness to commit and a great drive to complete the first phases of the new establishment. The importance of long-term commitment is one reason for why the interviewees consider ownership to be an important incentive, by having ownership in the unit the entrepreneur works hard and will be rewarded first in the

long-run, creating a commitment to stay with Findwise. Ownership is also considered to create a great sense of responsibility for the company's success and with a personal investment the motivation to put a lot of work and effort into the unit will be enhanced. The incentive models are not yet decided for the three employees. For the entrepreneur who already moved to UAE the first model is set but the second model will be developed at a later stage.

4.2 Case 1-Cybercom

Cybercom is an IT consulting company offering advanced IT and telecom solutions. The company's core business covers a broad range of services including Internet and Mobile Services, Security, Telecom Management and Embedded Systems. Telecom is the largest market in which Cybercom operates, followed by industry and the private sector. Cybercom was founded in 1995 in Sweden and the company was quoted on NASDAQ OMX Nordic Exchange in 1999. The company employs more than 1700 people and had a turnover of 1.5 billion SEK in 2010 (Cybercom 2010).

4.2.1 Expansions and entry modes

The company has since the start in Sweden in 1995 expanded to currently include 25 offices in 10 countries in Europe, Asia and the Middle East. The company has mainly expanded through joint ventures and acquisitions of other businesses, positioned in strategic locations around the world (Cybercom 2010).

The expansion to Asia started in 2005 when Cybercom acquired a company in Singapore and established an offshore subsidiary in India. The company has continued with offshoring and outsourcing to a large extent as this has been a key factor for the company to stay competitive⁶. In 2007 Cybercom started a massive geographical expansion and the number of employees quadrupled between 2007 and 2009, from 481 in early 2007 to 1982 at the end of year 2008. The large increase in employees was realized by several acquisitions through which the company became present in Finland, Rumania, Denmark, Poland and China (Cybercom, 2008). The acquisitions were a step in Cybercom's strategy to increase their delivery capacity, which enabled them to take on larger customer projects (Cybercom, 2007). In 2008 Cybercom further continued to develop the operations in Asia and established an office in Dubai in order to reach the emerging market of the Middle East. The company continued to grow rapidly and established in 2009 new sales offices in India, USA and new customer driven operative offices in India and Poland (Cybercom 2009). Later on in 2010 Cybercom divested their operations in Estonia and put more emphasis on their operations in Rumania (Cybercom 2010). According to Johan Wallin, the company did not have a predetermined strategy for the sequence of expansion, instead the company expanded when a good opportunity appeared that supported the operational strategy of the company. Although, Cybercom tries to be present in locations that are important for industries which they have close

⁶ Interview with Johan Wallin, Business Area Director at Cybercom, 2011-10-10.

collaborations with. Consequently, the company is established in Gothenburg and China as these markets are of importance to actors in the automotive industry⁷. Focus during the expansions has therefore been on increasing the international delivery capacity in order to follow the globalization trend and stay competitive on the market (Cybercom 2008). The expansion has enabled Cybercom to offer global sourcing, that allows the company to optimize and choose the best onshore, offshore, or nearshore options to fulfill customer requirements and needs⁷.

4.2.2 Resources

Cybercom's key resources include its personnel and its standardized delivery platforms that enable global coordination and collaboration. These two categories of resources facilitate delivery of solutions that are both highly customized and cost-efficient⁶.

Personnel

Cybercom has high competence and skill requirements on their employees. Features that are searched for in potential employees are: openness, engagement, and drive to develop the company, themselves and the customer (Cybercom 2010). Johan Wallin highlights the importance of having employees with the right skills as the employees, according to him, are one of the key resources in the company as they are the ones creating the services that the company offers⁷. Cybercom sees monitoring and development of employees' skills and competences as an important part in order to stay competitive. Development of the personnel's knowledge base is needed in order to make sure that the right competences exist in the company and that these can meet the customers' needs. The knowledge development further gives the employees an opportunity to grow and develop their skills in areas they have specific interest in. The development is facilitated through annual performance reviews as well as internal and external education courses (Cybercom 2009, 2010).

Cybercom starts a new unit or acquires a business where essential knowledge exist. For that reason, Johan Wallin states that Cybercom primarily use local personnel to employ the new office when expanding the business to new geographical locations. Finding local people with appropriate competences has therefore not been a problem for Cybercom during their international expansion. Johan Wallin believes however that it is important that the person being responsible for the new unit have good relations with the main organization since good communication and coordination must be established between the original offices and the new unit. The person responsible for the new unit further needs support and authority from the headquarters in order to empower the new unit and establish its operations⁷.

Capabilities and organizational processes

The organizational processes are very important to Cybercom and the most significant one is the companies standardized delivery platforms. These platforms have a central

⁷ Interview with Johan Wallin, Business Area Director at Cybercom, 2011-10-10.

role as they enable the company to ensure that services are delivered in the same way and with the same quality regardless of location of production, something that is important for companies that are present on several geographical locations and that have offshoring activities. Standardized work processes and delivery platforms further simplifies collaborations between offices since there exist a clear shared meaning of which activities to be performed and what objectives to deliver in different projects. The IT infrastructure and systems that enable communication between offices and dispersed employees are therefore of high importance to the company⁸.

Johan Wallin further emphasize the importance of being able to create and maintain long-term customer relationships. These long-term relations are important in order to develop a mutual trust which further can deepen the collaborations and generate more valuable solutions to customers and enhance Cybercom's capabilities⁸.

Knowledge and competences

Within Cybercom there exists a solid knowledge capital and the company continuously wants to develop that further in order to maintain their position among the best IT consulting companies. The company has for example established close collaborations with a university in Chengdu, China (Cybercom, 2008). The reason is that the location holds a large amount of potential employees as well as it is less costly compared to Shanghai and Peking where it is becoming increasingly expensive to establish operations⁸. Cybercom is also focusing on reusing knowledge and solutions between the different industries and locations they are operating in. The sharing and reuse of knowledge is enabled by a clear global methodology for how projects should be performed as well as by the extensive use of virtual teams and scrum-methods, which enable communication and exchange of knowledge between locations. Temporary exchanging personnel between offices further enhance knowledge sharing, as it allows the employees to acquire knowledge in one office and then bring the knowledge back to the home office⁸.

Company reputation and brand

Cybercom's objective is that the brand and its reputation should be well known among customers, employees and in the labor market. The company believes it is important to have a strong brand as this creates external respect among customers as well as internal pride among employees. The company also perceive that a good reputation assist recruitment, signing new customers and create good customer relationships. According to the CEO, Cybercom further wants to develop the brand and give the company a clearer position in order to stand out against competitors (Cybercom, 2010).

4.2.3 Organization

Cybercom is organized in a hierarchy structure. Traditionally, the company has been decentralized but during the last years there has been a shift towards becoming more

⁸ Interview with Johan Wallin, Business Area Director at Cybercom, 2011-10-10.

centralized in order to enable more efficient utilization of knowledge. The operations are divided into three different geographical segments: Nordic, Other Europe, and Asia and the US, see *Figure 10*. The company offers services within five main business areas but the organization is however structured according to geographical location and not product or service (Cybercom, 2010).

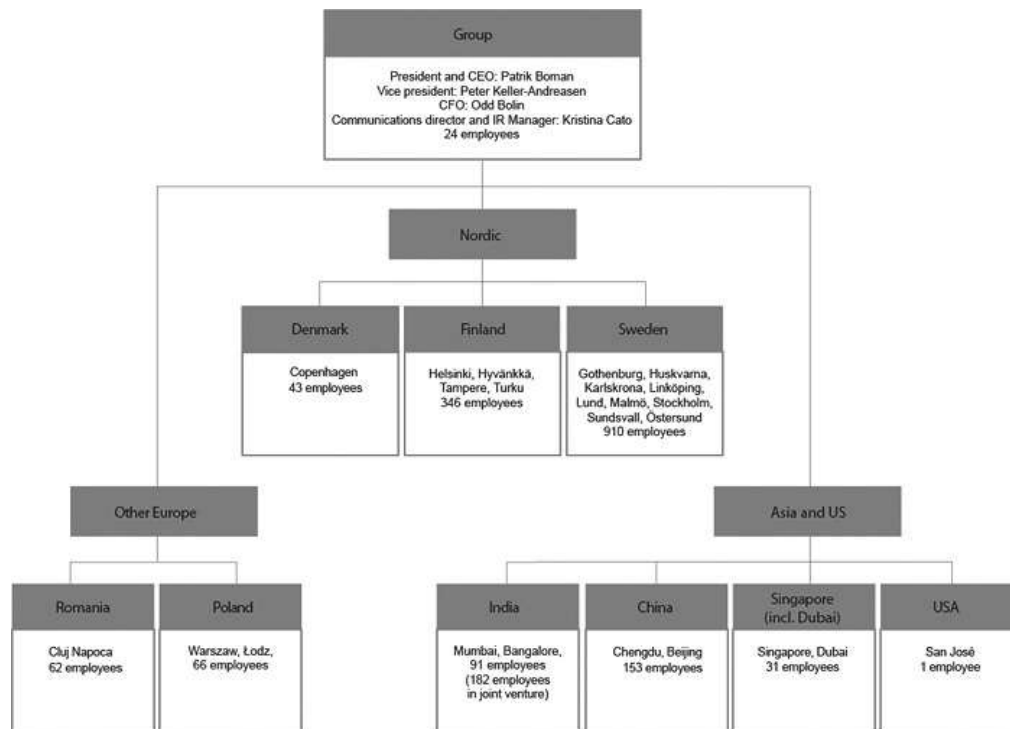


Figure 10: The organizational structure of Cybercom.

Cybercom's operations are organized so the company can combine local presence and adjustment to local customer requirements with cost-effective delivery capacity both through local and global operations. That is, the different units are collaborating to deliver projects and through the years the offices have become more integrated to more efficiently use the knowledge that resides within Cybercom. The offices in Romania, Poland and China are particularly structured to be able to offer cost-effective delivery enhancement (Cybercom, 2010). Hence, there exist to some extent specializations among different locations. The specialization is not only dependent on cost and knowledge level within the location but also the closeness to specific industries, with which the company collaborates⁹.

Corporate culture

Even though Cybercom is present in several different international locations, it is important for the company to keep being one unified entity. The corporate culture has an important part in this work as it is used in Cybercom to create common values covering all units of the company (Cybercom, 2010). Cybercom's corporate culture puts a lot of emphasize on the individual employees giving them freedom under

⁹ Interview with Johan Wallin, Business Area Director at Cybercom, 2011-10-10.

responsibility. The company hence wants to give the employees a chance to realize their professional as well as personal visions (www.cybercom.com).

Cultural differences are however also seen as a challenge for Cybercom when operating in a global setting. Different nationalities have different ways of working and communicating which can create problems when working in global teams through virtual environments. Johan Wallin therefore highlight the importance of keeping cultural differences in mind and be aware of the implications they might have, in order to successfully handle them¹⁰.

4.2.4 Incentive structures

No common incentive structure exists for employees going abroad with Cybercom, compensation is instead handled on a case-by-case basis. The compensation that is given to the employees going abroad is based on the person's living expenses in Sweden and the costs that appear in the new country is then added according to a price-index. Another situation arises when an employee goes abroad to a new office without any specific work assignments, for example when an employee want to transfer to another country for personal reasons. In such case the employee will be locally employed and hence no specific incentive model is used¹⁰.

Cybercom offers competitive incentive models to its senior management and key personnel in order to attract and recruit new people as well as to retain skillful people. The compensation to top managers and people in key positions is constituted of three parts (Cybercom, 2010):

- Fixed salary
- Variable remuneration; which is dependent on level of achieved operational goals, and the variable part cannot exceed more than two months' salaries.
- Pension and other benefits; including things such as car allowance

Stock options are not commonly used in Cybercom but it has occasionally been used, last time was in 2009. Johan Wallin highlights that the most important incentive when going abroad is to have challenging and interesting work tasks. Since he has worked abroad several times he argues that one of the main factors for why you go abroad is to experience a new culture and that you seek adventure and challenges. The non-financial incentives are therefore as important, if not even more, as the financial incentives¹⁰.

4.3 Case 2 - Sigma Kudos

Sigma Kudos is a wholly owned subsidiary of Sigma AB and Sigma Kudos was shaped in its current state in 2007 when Sigma Information Design acquired Kudos Information. The company is an international leading supplier of technical documentation and its services include: Information Management Systems, Engineering Services and Documentation Assignments. Sigma Kudos employs 500

¹⁰ Interview with Johan Wallin, Business Area Director at Cybercom, 2011-10-10

people and had a turnover of 250 million SEK in 2010 (www.sigma.se; www.sigmakudos.com).

4.3.1 Expansions and entry modes

Sigma Kudos currently has operations in seven different countries including Sweden, China, Finland, Hungary, Ukraine, India and Malaysia. Sigma Information Design was established in Sweden in 1994 but started its international expansion in 2006 when the company established a unit in Beijing, China and also acquired a Ukrainian company. The expansion was then intensified during 2007 when the company bought the European units of Kudos Information and became Sigma Kudos. With the new units the company received additional offices in Finland and Hungary. The focus in this case study is on Sigma Kudos's establishment in China as a strategy similar to Findwise's was used when establishing the new office. Hence, centered around a single employee. The person interviewed from Sigma Kudos was Fredrik Wenneberg, responsible for Global Projects and Asia and also the person establishing the Chinese office (www.sigmakudos.com).

The establishment of the office in China was centered around the employee Fredrik Wenneberg who moved to Beijing to set up the office. Sigma Kudos had considered other entry modes, but since no suitable candidate company was found for acquiring or entering a joint venture with, the company decided to establish a new venture. Fredrik Wenneberg moved to China in 2006 and was responsible for the establishment of the new office during the initial three years and he was the only one with previous Sigma experience in the beginning. Hence, the rest of the employees in China were local personnel¹¹. Sigma Kudos's decision to enter China was a part of their strategy to follow clients in their respective expansions as the company often works as an integrated part of their customers operations. Several clients such as Scania and TetraPak were establishing or expanding their business to China which in turn also created a market for Sigma Kudos's services in China. In addition, Sigma Kudos anticipated a future trend that international companies would start to demand international delivery of products and services concerning IT systems. This expectation was shown to be true as many companies today demand that a single business provides the same solution worldwide in order for the customer company to have a uniformed organization and systems. Sigma Kudos's expansion to China was therefore a strategic choice. Sigma Kudos does not see China as a pure cost-efficient production location, rather a market with high potential and many customers, both Chinese and international companies. As a consequence Sigma Kudos has chosen to have offshore operations and services foremost in Ukraine since the country has the same cost-level as China, a good knowledge base, but more importantly the same time zone as most European countries¹¹.

¹¹ Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10

4.3.2 Resources

Sigma Kudos is a knowledge intensive company and two important resources are therefore personnel and structural capital of knowledge that has been created and built up during the company's growth¹².

Personnel

Sigma Kudos's operations are based on knowledge and the access to skillful and qualified personnel is therefore a significant factor that affects the company's expansion. Sigma Kudos's ability to attract consultants as well as managers determines their ability to grow. Sigma Kudos has therefore a well developed process for recruitment of personnel and development of their competences. Key factors that Sigma Kudos consider when recruiting is if the person has an academic education, the right attitude and most importantly hold social skills. Hence, it is important that the personnel can communicate and share information between them but also to the customers (Sigma 2010).

In the establishment of the Chinese office, Fredrik Wenneberg was responsible for processing and refining the market. This responsibility entailed that he had to travel around China to find potential customers. Eventually he managed to sign the first customer and from there the development has continued. However, processing the market was more difficult than Fredrik Wenneberg first had thought and this led to the new unit being below sale forecasts and above the budget for the first two years. Fredrik Wenneberg stated that it is difficult to be a new actor on a completely new market as it takes time to get in contact with and convince customers to hire a new player without a track record in that specific country. In China Sigma Kudos had to partly educate the customers as the Chinese had different meanings of the word consultant which made the initial sales even more difficult. In China the word consultant is closely connected to strategic operations, Sigma Kudos therefore had to educate the consumers in what their more technical consultancy services included¹²¹².

The first projects that were sold to Chinese customers were staffed and delivered by local personnel, this was possible since three local consultants and one local sales person was hired as the first employees to the new office. Swedish consultants provided extra support and spent shorter periods in China to help deliver initial projects and to help transfer knowledge from the original organization to the new¹².

Capabilities and organizational processes

Sigma Kudos has great focus on creating structural capital and on creating long-term relations with their customers. The company's ability to create these relations takes place already in the sales process where Sigma Kudos emphasizes personal and long-term commitment in symbiosis with mutual trust. Sigma Kudos strategy to follow their customers in their expansion is further an aspect strengthen the company's personal relationship with key customers (Sigma 2010).

¹² Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10.

One of the main factors behind Sigma Kudos successful establishment in China is according to Fredrik Wenneberg the structural capital and established processes that exist within the company. The well established and documented production processes and service offerings were of great use in China as it enabled knowledge reuse as well as knowledge transfer to new employees. Knowledge and know-how were also transferred to China through exchange of employees, some Sigma Kudos employees worked in China during shorter periods, to transfer knowledge and the corporate culture. The new employees in China were also sent to Sweden in order to participate in shorter projects with the aim to increase and deepen their knowledge in the company's ways of working. The extensive existence of structural capital further decreases the dependability on personnel as the knowledge is transferred from individual level to process level within the company. The knowledge that is documented on process level can therefore easily be transferred and applied to new markets, which was the case in China¹³.

Knowledge and competences

Sigma Kudos is a knowledge intensive company and is therefore striving to get a balance of knowledge that covers different market segments. The knowledge about the customers' needs and requirements in combination with the personnel's skills enable Sigma Kudos to develop solutions that creates value for the customer and enable them to serve a broad customer base (Sigma 2010).

When Fredrik Wenneberg left the Chinese office after three years one challenge that occurred was how the knowledge transfer would proceed. It did however not become a problem since Fredrik Wenneberg has continued to work closely with the Chinese managers. In addition, the persons that are managers in China today were all working at the office when Fredrik Wenneberg still were the present manager in China, that enabled him to transfer knowledge to them before leaving. The knowledge that he transferred can now be transferred on to new employees through the Chinese managers. A lot of Swedish employees, including Fredrik Wenneberg, are still visiting the Chinese office several times per year to take part in different projects or events that further enhances knowledge transfer¹³.

Company reputation and brand

Sigma Kudos and its parent company Sigma highlight the importance of having a well-known brand with a good reputation. Sigma has therefore taken action in order to increase the brand identity and the company's market position. As from 2010 Sigma is the main sponsor of the sailing competition Stena Match Cup Sweden. The sponsorship is believed to help Sigma to create a more international awareness of the brand and the company's operations (Sigma 2010). Sigma Kudos is also working closely with a university in Peking as this is a good marketing channel as well as it gives access to a large pool of skillful people. Similar collaborations are also made with universities in Sweden and in Ukraine¹³.

¹³Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10.

4.3.3 Organization

Sigma Kudos has operations in several countries as well as continents, which puts a lot of demand on the company's organization and coordination of resources and processes. When the new office was established in China local staff were employed from the beginning. This made the office isolated from the Swedish operations as the Chinese projects were performed by local personnel. This was possible since Fredrik Wenneberg was working in projects and did not only handle the overall administration and managing of the new unit. He possessed the necessary technical skills since he started his career in Sigma as a technical consultant. However, the level of collaborations with Sweden and other units has now increased as the Chinese office has established its own knowledge base and operations enabling them to contribute to the whole organization. Sigma Kudos had not in beforehand decided how the first projects in China would be staffed as it is difficult to know which kind of projects that will be sold first and at what time. However, Fredrik Wenneberg knew from the beginning that he had full support from Sweden and that the offices in Sweden would send consultants to China if he needed assistance to deliver the projects¹⁴.

Organizational structure

Sigma Kudos has a flat organization according to Fredrik Wenneberg. The flat organization can be seen in that a lot of the authority is being transferred to the different units, which in return creates short decision routes. The organization can therefore be seen as decentralized. Fredrik Wenneberg believes that the drive and initiatives that are needed from employees in a decentralized organization might be difficult to create in other countries and cultures. The experience in China has shown that it can be challenging to implement the decentralized organization in more distant nations. In addition to having a decentralized organization, Sigma Kudos also aims at having a flexible and dynamic organization that quickly can respond to changes in the marketplace and in its surrounding environment¹⁴.

Sigma Kudos has offices in different countries, as the company believes it is important with customer proximity. Hence, the company has strong local presence even if parts of the projects are performed on other global locations. One reason for why Sigma Kudos has local presence is that there is no standard that fits all cultures. It takes time to create a global organization and a lot of adjustments are needed since the business needs to consider local characteristics and preferences that exist in different nations. It is not possible to view the global market as one entity, Sigma Kudos has therefore the aim that through its units take advantage of the local conditions and characteristic that exists on the global market. As a part of this organizational strategy, Sigma Kudos is utilizing an offshore strategy that entails that they can perform parts of their work in back-offices that are situated in regions having skilled personnel at low cost inferring a cost advantage. The back-offices' capabilities are utilized in projects where a part of the work can be separated from the local site. This however demands good coordination between the different units, which is

¹⁴ Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10.

enabled by the well-established structural capital. The company's different units do to some extent therefore have different roles and responsibilities which are utilized in combination to deliver projects within time and budget (www.sigmakudos.com; Sigma 2010).

Corporate culture

Sigma Kudos aims to create a good culture where everyone feels welcome. The company has successfully realized a good corporate culture since the company often is mentioned in publications as a caring employer. Sigma Kudos aims at creating a corporate culture that will create a balanced, open and dynamic working environment where everyone feels equally valuable. To create this culture and environment the company strives to have employees of both genders with diverse backgrounds, educations and age (Sigma 2010).

4.3.4 Incentive structures

In Sigma Kudos there does not exist a standard incentive model that is utilized when employees move abroad or take on new roles in the company. The question of incentives and compensations is therefore handled individually in a case-by-case manner. However, a general difference exists for incentives and is based on the length of the employee's stay abroad. If an employee goes abroad for more than 12 months, that employee will receive a more complete incentive package including expatriate pay. If an employee is abroad for less than 12 months, as when Swedish employees participate in projects in China, the employee receives compensation where the base salary is lower than when working in Sweden but travel costs and housing expenditures are covered by the company. Sigma offers this compensation deal as the company wants to attract employees with the opportunity to experience a new culture and not with financial incentives. It is therefore important that the employees going abroad are interested in the experience and in the job tasks and not only in increased income¹⁵.

Sigma's and Sigma Kudos's incentive models provided to managers, including regional managers and business area managers, aims to be market oriented to enable recruitment of competent personnel. The incentives to these managers can be divided into two main areas:

- Fixed part; that depends on the responsibilities and the experience of the manager in question.
- Variable part; that depends both on the level of goal achievement within the manager's specific unit but also on the company's development as a whole. The variable part cannot exceed 60 percent of the fixed salary.

Since personnel are a valuable resource to Sigma Kudos it is important for the company that the personnel enjoy working for them. Sigma Kudos enhances this by putting a lot of focus and efforts on individual's personal development and training.

¹⁵ Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10

The aim is to create and keep a high commitment among the employees and to fulfill the customers' increasing requirements on skills (Sigma 2008). Fredrik Wenneberg supports this view, as he believes that the most important incentive for taking part in an expansion is the personal challenges and the opportunity for personal growth. It is foremost these non-financial incentives that Sigma Kudos attracts people with. That is, the opportunity to spend time abroad on exciting and challenging projects¹⁶.

4.4 Case 3 – TradeDoubler

TradeDoubler is a performance-based digital marketing company. The company offers services within: Affiliate Marketing, Display and Performance-based Online Campaigns, and Search Management and Technology. The company was founded in Sweden in 1999 and has successfully expanded during the past 12 years to today have offices in 18 different countries¹⁷ in Europe. TradeDoubler has currently 561 employees and their broad geographical coverage of the European market has given the company a unique lead in international digital marketing knowledge. The knowledge is united with thorough country specific expertise, which has enabled the company to reach approximately 75 percent of Europe's Internet users. The corporate group is listed on NASDAQ OMX Stockholm Mid Cap and had in 2010 an annual turnover around three billion SEK (TradeDoubler 2010). In the comparative case study TradeDoubler's Nils Lindhe was interviewed. He is currently the Vice President of Strategy and Operational Excellence.

4.4.1 Expansions and entry modes

The founders of TradeDoubler had already from the start a clear vision that the company should become a global actor. A "born global" mindset therefore existed in the company. TradeDoubler's expansion was aggressive already from start and the strategy was facilitated by the company's available technology systems and interfaces. The founders had from the beginning developed the interfaces and systems to supported several different languages. Hence, when establishing operations in a new country the system- and platform support was already in place. However, the market did not exist in Europe when TradeDoubler started its operations. An important part of their expansion was therefore to work as evangelists educating the customers to create a market for the business concept of digital marketing, which has its origin in the US¹⁸.

TradeDoubler has foremost expanded geographically through establishment of new ventures. Acquisitions of other companies have also taken place but primary of the purpose to acquire new skills and knowledge, not to acquire access to new markets. Nils Lindhe points out that the limited use of acquisitions is due to the difficulties in making them work as almost 80 percent of all acquisitions fail. The new

¹⁶ Interview with Fredrik Wenneberg, resp. for Global Projects and Asia at Sigma Kudos, 2011-10-10

¹⁷ UK, Ireland, Sweden, Denmark, Norway, Finland, Poland, Russia, Lithuania, France, Germany, Switzerland, Austria, the Netherlands, Belgium, Spain, Portugal, and Italy.

¹⁸ Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

TradeDoubler units that have been established have been created around an entrepreneur who from the start gets the role of a national manager since this creates a stable and solid foundation to build and develop the new unit from. TradeDoubler has been choosing to utilize only local entrepreneurs, meaning that when setting up a unit in Italy the responsible entrepreneur and national manager is Italian. The company is using this strategy since it is believed to be too expensive to send a Swedish person on an expatriate contract and because it is considered as crucial to have good knowledge about the local market and its characteristics¹⁹.

In the beginning of the expansion TradeDoubler was more aggressive than later on, setting up units in countries where opportunities were identified. The company's approach was that there is no time to lose and the company therefore expanded quickly to several large European countries in parallel, starting with UK and Italy. The company is today more cautious and their expansion strategy emphasize to follow customers, as more customers demand TradeDoubler to deliver their solutions in several different markets. In addition, TradeDoubler see this strategy as a more cost-efficient and faster way to expand. The company is today focusing on the European market, as the company perceives the Asian market to be saturated and very competitive. The same is believed to be true for the US market, as the concept of digital marketing has its origin there¹⁹ (TradeDoubler 2010).

TradeDoubler's goal for future expansions is to reach scalable and profitable growth. The company will accomplish this by growing on markets where they are already present as well as by expanding to new markets with current offerings. TradeDoubler is looking at the opportunity to expand to the Iberian countries and Latin America, as well as expanding more in east Europe where the performance-based digital markets are growing fast (TradeDoubler 2010).

4.4.2 Resources

One important resource that has helped TradeDoubler to become successful is their personnel and local people have been utilized to expand the company beyond the Swedish borders. Hence, local market knowledge has been combined with technological skills of the company to create a strong global network**Fel! Bokmärket är inte definierat..**

Personnel

The continuous development of the digital marketing market creates a high demand on the personnel's competences. In addition, TradeDoubler's establishment in 18 countries demands local knowledge about each market and coordination between the different units. The company's success is therefore highly dependent on the personnel and to stay competitive the recruitment becomes crucial as well as retaining qualified employees. TradeDoubler has a strong position within the industry, but since the industry is growing fast it can be challenging to retain personnel as they possess

¹⁹ Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

unique competences and skills attractive to competing companies. To be an attractive employer TradeDoubler therefore puts much focus on personal development by creating a strong and attractive corporate culture that put a lot of faith into the individuals²⁰ (TradeDoubler 2010).

In TradeDoubler's expansions a lot of emphasis and trust have been put to the local individuals that are responsible for establishing and developing the different units. One key factor when selecting the local managers has been to ensure that they share the values and beliefs that TradeDoubler strongly holds, so that the new personnel fit into the corporate culture and the flat organization. According to Nils Lindhe, the company has been successful in finding the right persons to expand the company in a successful way. The local entrepreneurs were mainly recognized and recruited through founders' and other managers' professional networks. The company's top managers were also closely involved in the establishments of the units and had an important part in transferring the company's values and culture to the new units. Consequently, the top managers travel around between the offices to transfer the corporate culture and to coordinate the different units²⁰.

Capabilities and organizational processes

During the establishments of new units TradeDoubler gave a lot of responsibility to the local country managers concerning the design and structure of the company's internal processes. Hence, the new managers were given authority to develop the new unit with a great degree of freedom. This freedom has however generated a diversification in the units' way of working and TradeDoubler is now paying the price as the company currently is trying to implement unified work processes. Thus, great work lies ahead for TradeDoubler in implementing standardized processes to be more efficient and internationally coordinated. Standardized processes are considered to be necessary in order to have scalable processes that enable the company to take on larger clients. One step in this direction has already been taken as some technical activities have been centralized in a back-office serving all offices, enabling cost-efficiency as well as knowledge specialization.

TradeDoubler believes in developing good relationships with their customers and they have close collaboration with them in order to optimize the results of their digital marketing activities. The company can offer good results and hence a valuable service due to their ability to supply the customers with several different channels, a common technology platform and a central point of contact (TradeDoubler 2010).

Knowledge and competences

The company's success is built around TradeDoubler's technology and the company's knowledge in the technology. The company is competitive due to the high quality of their technology, as customers demand digital marketing technology that is stable and reliable. TradeDoubler's knowledge within its technology has enabled the company to

²⁰ Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

continuously improve and develop it, which in return has made the technology difficult to replicate²¹.

Company reputation and brand

TradeDoubler has created a strong brand, as the company was pioneers within the digital marketing industry in Europe. The company took part in creating the market and the brand is therefore closely associated with the digital marketing concept. The high quality and reliability of the company's technology has further generated a good reputation in the market place and among its customers²¹.

4.4.3 Organization

TradeDoubler presented a new strategic direction in 2010 where both personnel reductions and restructuring were included to foster further growth. The corner stones in the new strategy are high quality of products, increased internal efficiency and a strong sales culture²¹.

Organizational structure

The new strategy entailed implementation of a new organization, see *Figure 11*. In the new organization two management levels were removed in order to get the top managers, the decision-makers, closer to the market where the decisions are implemented. According to Nils Lindhe fewer levels in the hierarchy make the company more dynamic and its operations more transparent. The top managers further have an important role in evaluating the company's operations, something that becomes easier when being closer to the market units. The organization is divided into three main business areas: Network, Technology and Search. Network is divided into six different market segments that all report directly to the CEO, see *Figure 11*. In addition to the business areas the organization includes four support functions having one manager each (TradeDoubler 2010).

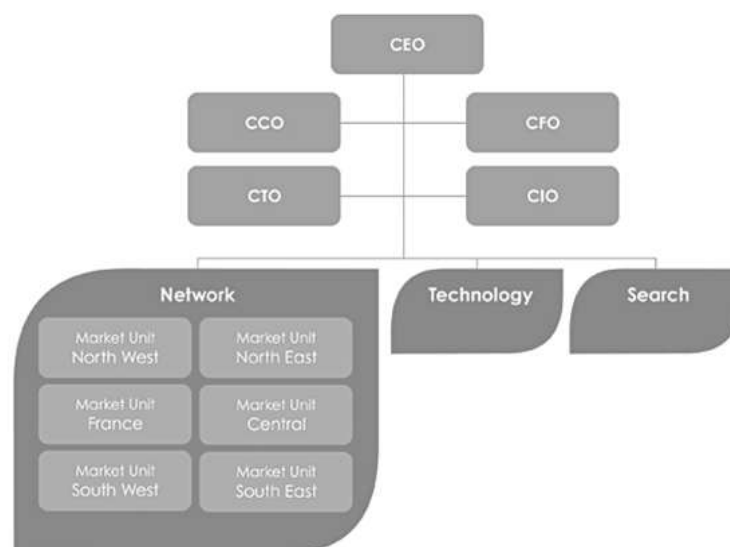


Figure 11: The organizational structure of TradeDoubler.

²¹ Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

In the new organization the market units holds stronger sales focus with clear goals for sales and profitability and the market units gets more responsibility for managing their relations with advertisers, agencies and publishers. The customer responsibility is placed in the market segments as it creates a clear focus on giving the international customers a competitive offer in all countries where they are present. On the contrary, production and support functions such as human resources, finance and law is handled more efficient and more scalable from centralized competence areas within the organization. An increase in centralization of processes has been made during the last years as some technical business functions and support functions have been centralized and automated in a back-office. The centralization has enabled higher efficiency and specialization. TradeDoubler is according to Nils Lindhe strongly process-driven as the company is highly dependent on its platform technology. However, Nils also points out that the company has strong values and that the operations to some extent are adjusted to the national differences through its sales focus. If TradeDoubler further develops this combination of having a strong process-driven foundation and a certain degree of national responsiveness, Nils Lindhe believes that it will be very difficult for other companies to compete with TradeDoubler²² (TradeDoubler 2010).

Corporate culture

TradeDoubler has a strong corporate culture, which is characterized by an open, driven and unpretentious environment. The company further has a strong faith in their employees and gives them a lot of responsibility and authority which entails that the employees has the drive to take advantage of this trust to develop both themselves and the company as a whole. The strong emphasize on individuals has contributed to TradeDoubler's low employee turnover. The corporate culture in TradeDoubler is built around four core values²² (TradeDoubler 2010):

- Build knowledge; the company's knowledge and expertise is the foundation of the business and growth is reached by sharing knowledge
- Take action; hold a "can do attitude" and strive to make things better
- Create value; the company emphasizes long-term relationships and is result driven
- Show passion; the company strives to be at the forefront, and think the unthinkable

4.4.4 Incentive structures

TradeDoubler has utilized local personnel to build up the new offices since the company believes that it is too expensive to send out Swedish employees on expatriate contracts. Moreover, TradeDoubler tries to focus on non-financial incentives in order to retain top employees. Focus is on creating incentives and employee commitment around three non-financial pillars: Autonomy, Mastering and Purpose. Autonomy refers to that people get a lot of freedom and responsibility to

²² Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

develop their interests within the company, while mastering entails that the company and the employees develop expertise knowledge and are in the forefront in their business area. Purpose concerns the creation of a shared understanding and vision throughout the organization which includes the values the company stands for as well as how to create value for customers and other stakeholders²³.

TradeDoubler has a performance- and results-based program for variable compensation to employees. Different quantitative and qualitative measures are present for different positions and the goals can be set according to individual, team or regional performance. The incentive model for TradeDoubler's higher managers aims to be competitive on the specific market where the person operates, as this supports recruitment and retainment of competent managers. The incentive model contains four different parts (TradeDoubler 2010):

- Fixed salary; should be market oriented and based on the manager's responsibility, experience, competence and performance
- Variable salary; should be market oriented and foster growth as well as work company uniting. The variable salary is provided with a cap in the range of 10 to 50 percent. The variable compensation is paid annually in arrears.
- Long-term incentive program; an important part for long-term commitment from the managers. The program will be performance-based or entail a personal investment as well as a demand on continuous employment. The program is currently under development and it is being designed either as a share-related program or as a cash-based program with a dividend cap of maximum 50 percent of the fixed salary.
- Pensions; the formation depends on the specific country in which the manager operates.

TradeDoubler has also implemented a new variable salary program that further encourages the employees to increase the company's sales and results, which are goals in line with the new strategy. In addition to the performance- and results-based program many employees have been invited to participate in earlier long-term incentive programs. However, only one previous long-term incentive program, similar to an employee stock option program, is still active within the company. The reason behind this is that TradeDoubler's board in February 2010 concluded that the two former option programs would not be utilized, as the performance requirements had not been met (TradeDoubler 2010).

4.5 Case 4 –Skandia

A company that was mentioned in several sources concerning incentive models was Skandia, a Swedish insurance company that is a part of the large international corporate group Old Mutual. Skandia's incentive structure has been widely debated as it received a lot of criticism for its bonus systems in the beginning of the 21st century.

²³ Interview with Nils Lindhe, VP Strategy & Operational Excellence, TradeDoubler, 2011-10-13.

The debate initiated a large restructure of the incentive structure and the transparency was increased. Skandia was chosen as a suitable case due to the recent modernization of their incentive structure as well as the high availability of information regarding their incentive models.

The Swedish Financial Supervisory Authority has developed general guidelines regarding remuneration policies within fund management companies, insurance companies and exchanges companies among others. These guidelines were partly created due to the scandals with high bonuses to executives and managers within financial companies during the beginning of the 21st century. The guidelines include advices on how a company should measure and govern the risks that incentive structures can create. Hence, be aware of and control how incentives impact key personnel's decisions about a company's operations and strategies. Consequently, the incentive structure within a company should be designed in such way that compensation to individual employees does not counteract the company's long-term interests and wellness (www.fi.se).

4.5.1 Incentive structure

Skandia has decided that their incentive models should be business driven, individual and differentiated. This vision is reached by having the incentives based on the following three principles (Skandia 2010):

- The market; entailing what other companies, who are operating on the employee's potential labor market, pay for similar work tasks
- Level of responsibility and difficulty; that resides within employees' work assignments
- The competence and the experience; that employees hold as well as the performance of the employee

The financial incentives that are offered to the employees can consist of one or more of the following incentives: fixed monthly salary, annual variable compensation (based on results in relation to expectation), long-term share-based incentive programs, pensions and other benefits including healthcare, wellness reimbursements and car allowance. The long-term share-based incentive program is utilized each year as a selected amount of employees receive stock options. The options can be exercised at the earliest three years after being granted. In addition, in order to be able to exploit the value of the assigned shares the employee need to continue working within the company for a minimum of three years (Skandia 2010).

Several of the employees within Skandia Nordic have a compensation that includes a variable part. In the company all performance-based remuneration are based on the performance on three levels. The levels are; performance of the specific employee, the profit center the employee belongs to, and the performance of the whole company. The variable compensation is measured by using detailed and individual scorecards. There should further exist an appropriate balance of the ratio between the fixed and

the variable part of the compensation. The variable part can be up to 50 percent of the fixed annual salary. Certain rules applies to people that affect the company's risk exposure, for example individuals taking important strategic decisions, and who have a variable compensation that exceeds 100 000 SEK. At least 60 percent of the payout for those certain individuals' variable compensation has to be postponed for three years and before it is paid out the amount need to be risk adjusted. Hence, it is controlled if the company has reached the performance that was set as a target. If not, the compensation is adjusted (Skandia 2010).

5. Analysis and Discussion

The empirical findings are analyzed by utilizing the theoretical framework in order to address the research questions. The chapter thus includes a thorough analysis of Findwise's internal factors and a comparative analysis of the case studies. This is followed by a comparison of incentive models. Moreover, the chapter includes an analysis of the employees' interest in moving abroad and it ends with discussion about potential entry modes and their suitability for Findwise.

5.1 Findwise's internal resources and organization

How can Findwise utilize their internal factors in the expansion?

5.1.1 Resources

One of the three cornerstones in the theoretical framework is resources and these are hence an important internal factor. Resources include personnel, capabilities and processes, knowledge and competences, and brand.

Personnel

All interviewees have identified personnel as Findwise's most important resource and according to Greenwood and Empson (2003) it is often the case for service and consultancy companies. Bartlett and Ghosbal (1987) state that the main reason is that the personnel possess most of the knowledge within the company and this is also Findwise's view. The board therefore believes it is important with well-developed structural capital, to transfer knowledge and to minimize dependency on individuals. Sharma and Johanson (1987) argue that personnel is a highly flexible and transferable resource since it is not a fixed asset, which hence supports the board's view on the importance of structural capital. In the interviews it was identified that different roles are needed when expanding to new areas since both sales and technical aspects need to be present. The needed roles could entail a sales role and a project responsible. The person having the sales responsibility is preferably someone with knowledge about the local market or with previous sales experience and sales interest, while the project responsible is a Findwise entrepreneur. Both roles could imply having the main responsibility of the new venture. The Findwise entrepreneur is a person with great knowledge about the company and the technology and who therefore can help transfer the way of working as well as the corporate culture to the new unit. In theory several authors (Erramilli 1991; Johanson & Vahlne 1990; Barringer & Greening 1998) discuss the importance of having both market and company experience and knowledge in the new geographical location. If looking at previous expansions Findwise has managed to cover both knowledge areas; company and market. However, market knowledge will be increasingly important as upcoming expansions will be focused on areas more geographically and culturally different. So far Findwise's geographical expansions have been centered around one individual and that person has in most cases been a Findwise entrepreneur. This method, moving managers or employees from the original organization to a new location, has

according to Hitt et al. (2006) been increasingly common among growing companies. Findwise's utilization of personnel has hence been in line with theory recommendations. This is further strengthened by Clercq et al. (2005) who argue that existing employees are useful in international expansions as they with their company knowledge and experience can establish routines for companies' different processes and activities.

Capabilities and organizational processes

Processes and structural capital was identified as the company's third most important resource. The well-established processes in Findwise facilitate knowledge transfer which helps decrease dependency of individuals as well as it provides uniformed ways of how to handle customers and execute projects. Findwise's capabilities are non-location bound and can easily and at low cost be transferred, meaning that the processes are suitable for global utilization (Harzing 2002). Findwise is attempting to increase their efficiency by working according to standardized processes which according to Cooper et al. (2000) in Hitt et al. (2006) can be done even if the output is highly customized and demands good communication between the company and its customers. The standardized processes can hence go hand in hand with Findwise's business to deliver customized solutions with much emphasis on developing long-term customer relationships, which is seen as a key capability for professional service companies (Cooper et al. 2000 in Hitt et al. 2006). Findwise's vision is to establish and use existing structures and processes when setting up new offices. However, the interviews showed that it is important to be responsive to the local market and its customers, since countries differ in terms of customer relationships and ways of doing business. Good communication between Findwise and its customers is vital in order to develop customized output and market responsiveness is therefore considered as essential. During the interviews it was identified that IT systems, processes and structural capital facilitate both communication and knowledge transfer between employees and different offices. As an organization grows and more personnel are involved at more dispersed locations Harzing (2002) emphasize that it becomes even more important with well-functioning communication channels to assist information and knowledge sharing. Findwise is currently recognizing this aspect and is further improving their IT systems by developing a new digital strategy. The purpose with the new digital strategy is to enhance the communication and knowledge transfer by using uniform methods for saving data, information, and knowledge, in order to increase its accessibility.

Knowledge and competences

As the personnel and its competences is one of Findwise's key resources it is important to develop and create new knowledge as well as make the current information and knowledge available throughout the organization. This is of even greater importance when a company grows, all business units must have access to necessary information (Sanchez & Heene 2004, p.83; Barkema & Vermeulen 1998; Hall 1993; Barringer & Greening 1998). It is according to Sanchez and Heene (2004,

p. 83) important to transfer skills and knowledge from individual level to company level in order to make the knowledge accessible to everyone in the organization and thereby create competences. Findwise's structural capital and processes are thereby essential for the company. Findwise although still have some weaknesses in their competence level, i.e. company level. The new digital strategy will however, together with introduction of a software engineering group and use of production owners, strengthen knowledge transfer and the structural capital can in the future become a strength for Findwise. In addition, the transfer of knowledge will be enhanced by uniformed documentation routines as well as rotation of employees and use of mixed teams. As Findwise still is dependent on individuals it is vital that knowledge stays in the company although employees quit. This aspect further emphasizes the importance of knowledge transfer and information access. Specific knowledge required in the company is attained by recruitment and through the execution of projects, while local market knowledge is attained through market analysis and by hiring local personnel. Market knowledge is especially important to companies during their growth and expansion but this knowledge is not always easy to gain (Morosini et al. 1998). Findwise is now developing a new structure for how to perform market analyzes and the purpose is to gain the knowledge necessary for expansion decisions and for starting the expansion. In some cases Findwise has performed market analyzes in advance and in other cases the analysis has been done when a Findwise employee is physically present at the new location. The timing of the market analysis can be considered as a tradeoff, it can be good and less risky to analyze the market before transferring a person but on the other hand it is hard and more difficult to perform an accurate and thorough analysis of a market when not being there. It is specifically difficult to perform an analysis if the person doing the it not originally comes from the investigated country. In such a situation it might be essential to have an employee present in the market of exploration.

Company reputation and brand

Findwise has managed to increase the awareness about the concept of enterprise search and other companies in the IT industry are aware of their presence and their business. However, in new markets Findwise's brand is not well recognized and potential customers do therefore not recognize the company. Findwise's brand can today therefore not be considered as firmly entrenched and hence neither a strength. However, Findwise is currently strengthening its brand by participating in events, fairs, conferences and by collaborating with universities. Hall (1993) identifies a company's brand name and corresponding reputation as a company's most important intangible resource. Findwise's efforts in strengthening the brand are therefore considered assisting their future success.

5.1.2 Organization

The second of the three cornerstones in the theoretical framework is organization, which includes organizational structure and corporate culture.

Organizational structure

Findwise has organized their resources in a matrix organization which implies a mix of two different task allocation approaches; functional division and geographical division. Since it consists of a combination of two task allocation methods Findwise enjoy the benefits of both methods; efficiency in processes as well as the possibility to adjust the processes to regional preferences and local market conditions (Sanchez & Heene 2004, pp. 88-92; Robbins & Judge 2008, pp.230-238). In addition, Findwise also enjoys the benefits of a boundary less organization since the company is characterized by low formalization and a free flow of information. Findwise's organization is flat with no hierarchy and hence no layers of managers (Robbins & Judge 2008, pp. 239-243; Ashkenas 1999). Further, it is important to break down the value creation process and assign responsibility to different individuals (Sanchez & Heene 2004, p.87). In Findwise much emphasis is put in individuals who are given great responsibilities and room for own initiatives, which fosters creativity and personal development. Hence, Findwise's employees have the authority to make decisions regarding tasks they are responsible for in order to perform these in a satisfying manner and in line with business objectives. According to Sanchez and Heene (2004, p. 94) this kind of authority distribution is essential for a company to secure and distribute its resources efficiently.

Findwise should review its management structure when expanding globally to ensure efficient coordination and management between the different locations (Bartlett & Ghosbal 1987; Barringer & Greening 1998). Findwise is strong in two of three management approaches presented by Ghoshal and Bartlett (1987). The functional management consists of process responsible persons who facilitate coordination and worldwide knowledge sharing while the business management consists of Findwise's board. The board takes the overall strategic decisions, ensures that the different units are integrated and that employees work towards common goals. However, the third level of management, geographical, is missing in Findwise. That is considered as a weakness since it is vital for an international growing company to have management support on all three levels to ensure successful utilization of benefits from international presence and global integration (Andersson & Svensson 1994; Bartlett & Ghosbal 1987). In addition, Findwise's employees identified the need of additional management as the expansion demand higher levels of coordination between units. Martinez and Jarillo (1989) and Harzing (2002) presents four different control mechanisms and Findwise's board exploits three of them to ensure that all units work towards the same goal. Expatriate presences are highly utilized in all locations except in Denmark and Poland. Further, Findwise has a well communicated method of how to measure company's success. The measure is in terms of revenue, profit, customer satisfaction, and employee satisfaction, which make up the company's output control. Control by socialization and networks is also strong since Findwise has a rooted corporate culture which is appreciated by all employees in the organization. The forth control mechanism is rather weak as employees work on own initiatives, and no clear documentation processes exist. Hence, the bureaucratic formalized control is not

supposed to be strong since that is not the way Findwise wants to control its business. Although, the digital strategy that is under development will help facilitate more standardized structures for documentation, which will enhance information availability and knowledge sharing. Hence, it will to some extent strengthen the bureaucratic formalized control. But in general, a result of the flat organization is that all control lies in the employees and their ability to make control mechanism work to ensure that the whole organization works according to the strategic decisions taken by the board.

Today all Findwise's offices look the same in terms of organizational structure, except for the strategic and supporting processes that are foremost centralized in Gothenburg. The three main processes (production, sales, and talent management) provide uniform work structures across the organization and help facilitate communication. Hence, the control is mainly localized and during the internationalization a key decision that needs to be taken is whether the control should be centralized or localized in the future (Sanchez & Heene 2004, pp.197; Bartlett & Ghoshal 1987). Centralization emphasizes global efficiency while localization emphasizes national responsiveness, so the decision Findwise needs to take is which of these strategies to focus on (Harzing 2002). If looking at Findwise's previous start-ups the establishments have passed different phases. In the beginning the control has been centralized since the availability of local resources have been limited, the market preferences have been unknown, and the demand for customer support has been low. But later, as the customer base grows, more personnel is hired and market preferences are known, the control of the new venture becomes incrementally more localized.

Findwise tries to avoid sub optimization of units by having incentives based on the overall company performance as well as by applying an improved internal invoice system, which promotes resource sharing between units. The internal invoice system is improved as it occurred that offices in the past have recruited new personnel instead of hiring personnel internally from other offices. The previous behavior has led to situations where one office was overstaffed while another was understaffed. It is therefore vital that the internal invoice system works well and really promotes resource sharing, as resource support is crucial for a new unit to be able to deliver its first projects. Resource sharing is especially important if the control of new units is centralized in the beginning. If the internal invoice system and resource sharing do not work sufficiently the control must be localized already from the start. Hence, for production owners to be a strength the production control should be localized, so that the employees who work with production is able to take decisions regarding the process. However, during expansions where the employee is working in an entirely new environment, great responsibility and decision-making has shown to be especially challenging. Therefore, it is necessary that all new offices receives coaching and support from persons in Findwise's board who can assist the work during the first important phases of a new establishment.

Corporate culture

The organization helps to shape the culture and Findwise's flat organization has created an explicit corporate culture (Schein 2010, p.8). Findwise's culture has been identified as the second most important resource and it can be considered as a competitive advantage since it attracts and retains personnel (Hall 1993; Robbins & Judge 2008 p. 250). The emphasis on individuals and their opportunity to grow characterizes Findwise's culture and has large impact on the employees' behavior. The employees believe that the core values of the corporate culture have been successfully implemented throughout the organization and Findwise's culture is hence considered to be strong. There has been a visible difference between the corporate cultures in different offices, although the main basic values are in place. One difference was found when studying the employee turnover, as a strong culture helps to retain employees (Robbins & Judge 2008 pp. 248-250). The employee turnover has been larger in Stockholm than in Gothenburg and one reason can be that the corporate culture have not been fully established and incorporated in the Stockholm office. Findwise's culture foster a "we" mindset but it is clear that the employees in Gothenburg and Stockholm have embraced the culture somewhat differently. The employees in Stockholm talk more about "we" and "you", implying that they are an entity separate from the headquarter in Gothenburg. In addition, some interviewees believe that the company's values and the "we" think are too diffuse and should be more clear and understandable.

The interviews showed that transfer of the corporate culture to a new location is a major challenge and Findwise's offices have been adapting the corporate culture to the national cultures. In theory this is one of the negative aspects of having a strong corporate culture, it is difficult to transfer and implement in new ventures as well as it can create conflicts in an acquisition or joint venture (Barringer & Greening 1998; Hall 1993).

5.2 Internal key factors identified in IT consultancy companies

What internal company factors are important for IT companies when expanding to new geographical areas?

5.2.1 Expansions and entry modes

Cybercom has performed an incremental geographical expansion as the company first expanded to nearby countries, Denmark and Norway, and later in parallel expanded to Asia and Europe. Both TradeDoubler and Sigma Kudos expanded to several countries concurrently and the companies did not start by expanding to countries that are geographical and culturally close to Sweden. Consequently, only Cybercom followed the expansion strategy proposed by Erramilli (1991), where companies first expand to markets that are physically and culturally close and later incrementally enter more different markets as experience is gained. In addition, TradeDoubler and Cybercom executed an aggressive expansion strategy where the companies entered several different countries in parallel.

Different entry modes were used by the three companies. Cybercom expanded mostly through acquisitions as the company wanted access to strategic markets and resources including offshoring and outsourcing capabilities. The reason for Cybercom choosing acquisitions as entry mode is in line with the advantages presented in the theory by Andersson and Svensson (1994) and Woodcock et al. (1994). TradeDoubler, on the contrary, expanded through new ventures as they had the needed technology and no suitable companies existed for potential acquisitions (Barkema & Vermeulen 1998). TradeDoubler started their expansion early since their founders had a global vision already from start. In fact, new venture is considered as a useful entry mode for young service companies having a limited budget, as a new establishment in the beginning entails lower costs and resource commitment compared to acquiring a company (Erramilli 1991; Woodcock et al. 1994). Sigma Kudos combined the two entry modes, utilizing both acquisition and new ventures. Acquisitions were utilized where attractive objects could be identified while new ventures were performed where no attractive companies existed. Further, Cybercom and Sigma Kudos were both well established companies when their expansions started which implies that they had the managerial and organizational resources needed to buy and align the existing company with a new one (Andersson & Svensson 1994; Woodcock et al. 1994). Consequently, no specific entry mode can be identified as more common or successful than another. However, what can be said is that contractual modes have not been used at all and that the availability of suitable companies to acquire as well as the age of the current company affects the choice of entry mode.

Sigma Kudos and TradeDoubler used a similar strategy when establishing new ventures as both companies created the new unit around a single employee, who had main responsibility for the development of the new unit. Sigma Kudos utilized a Swedish employee who moved abroad while TradeDoubler started their new ventures around local persons. Both methods have its advantages since both company knowledge and local knowledge are important to possess during the establishment of new units (Erramilli 1991; Johanson & Vahlne 1990; Barringer & Greening 1998). Theory highlights the importance of having managers with experience whom through previous experience can establish routines for activities and processes (Clercq et al. 2005). Neither Sigma Kudos nor TradeDoubler expanded through experienced managers, which might explain TradeDoubler's problem with not establishing unified processes in the company and Sigma Kudos's problem with slow market processing. Looking at theory and the cases, better knowledge about the market through local managers might have helped Sigma Kudos to speed up the new establishment (Morosini et al. 1998). TradeDoubler and Sigma Kudos also had another aspect in common; both companies had to educate the market about their offerings which entailed extra resource commitment as well as good knowledge about the company's offerings and the market characteristics. A key issue to consider when expanding is therefore to determine which balance of market and company knowledge that is

needed within the new establishment (Erramilli 1991; Johanson & Vahlne 1990; Barringer & Greening 1998).

5.2.2 Resources

All external case companies considered personnel and standardized processes to be their key resources, since these enable transfer of knowledge and information as well as it works as control mechanisms.

Personnel

All of the case companies highlight the importance of having employees with the right skills and competences, as they are the ones creating and delivering the value. Common features that the companies are looking for when hiring personnel are engagement, having the right attitude to develop the company and themselves, as well as having good communication skills and being able to share information in the company and with customers. This view is supported by theory as it stresses that the personnel have a key role in holding and applying knowledge (Hitt et al. 2006; Lepak & Snell 1999). Further, Sigma Kudos, TradeDoubler and Cybercom stated that the availability of skillful personnel and knowledge have affected their choice of expansion locations. All three companies have employed the new office with local personnel, even though the manager was Swedish in Sigma Kudos expansion to China. The utilization of local personnel in the new units enables the companies to acquire local market knowledge (Barringer & Greening 1998). Managers were on the other hand utilized to establish company knowledge and corporate culture in the new units. In Sigma Kudos case the Swedish manager for the China office transferred company knowledge while managers from the headquarters travelled frequently to the international units of TradeDoubler and Cybercom. The company's top management had therefore an important role in transferring company knowledge, corporate culture and ways of working to the new units (Barringer & Greening 1998; Hitt et al. 2006). All of the companies consequently relied on local personnel for market knowledge and on current company managers for transferring company knowledge to the new subsidiaries.

Personnel are a flexible resource that relatively easy can be utilized on different locations but companies can relatively easy loose valuable knowledge when an employee leaves the company (Barringer & Greening 1998). TradeDoubler and Sigma Kudos has therefore created a strong corporate culture and the companies put large emphasis on the individuals to create a strong mutual commitment that prevents employees from leaving the company. Both TradeDoubler and Sigma Kudos believe that a strong corporate culture is an efficient way for retaining employees and this view is shared by Robbins and Judge (2008 pp. 248-250).

Capabilities and organizational processes

All three companies believe it is important with long-term customer relationships and this view is shared by Cooper et al. (2000) in Hitt et al. (2006). As a result, all

companies agree that it is important to be established in geographical locations that are close to key customers since customized output demands close collaborations. The capabilities to create and maintain long-term relationships are therefore to some extent location bound, as customer proximity is desirable (Harzing 2002). Sigma Kudos and TradeDoubler has an expansion strategy that focuses on following their key clients in their respective expansions since both companies have experienced that multinational companies demand international delivery of IT services. Hence, the IT service provider must be able to deliver the service in different nations and the companies therefore follow their customer into new geographical areas. In addition, following already established customers ensures that the company has a customer in the new location, which implies a smaller risk when establishing a new unit, at least according to TradeDoubler.

Another capability that was considered to be important by all of three companies was the establishment and utilization of structural capital and standardized work processes as well as delivery platforms. These processes and capabilities are considered to be non-location bound as they easily and at low cost can be transferred to different locations (Harzing 2002). Both Cybercom and Sigma Kudos emphasize the importance of having standardized operational processes and delivery platforms in place at all units. Looking at the investigated cases and the theory, structural capital and standardized processes are considered necessary to ensure that services are delivered with the same quality regardless of location and to enable collaborations and knowledge transfer between different units (Harzing 2002). On the contrary, TradeDoubler did not focus on establishing standardized processes during their expansion as the company gave a great degree of freedom to the country managers concerning the units' internal processes. As a result, TradeDoubler is today struggling with the implementation of uniformed work processes throughout the company. All investigated companies agree that structural capital and standardized processes are needed to establish a global organization that is unified and efficient in reusing and sharing knowledge. The structural capital and the uniform processes can therefore be seen as a type of bureaucratic formalized control (Martinez & Jarillo 1989; Harzing 2002).

Knowledge and competences

It is important to transfer knowledge to the new units in order for a company to work in a uniformed way towards common goals (Harzing 2002). Cybercom and Sigma Kudos temporarily exchanged personnel between different offices and projects during the early phases of a new unit. The exchange assisted knowledge transfer and helped to establish communication and relationships between the new unit and the rest of the organization, which is important in the creation of a new subsidiary (Sanchez & Heene 2004, p.83; Barkema & Vermeulen 1998; Hall 1993; Barringer & Greening 1998). In, addition, the exchange of personnel worked as an control mechanism ensuring that the new unit worked in line with the rest of the organization (Martinez & Jarillo 1989; Harzing 2002). The temporary transfer of original personnel was

specifically important for TradeDoubler as their new ventures were established solely around local personnel. On the other hand, the companies cannot rely only on knowledge transfer through exchange of personnel and the availability of good communication channels is therefore important. Cybercom highlighted their extensive use of virtual teams and scrum-methods to communicate between locations while Sigma Kudos and TradeDoubler in their expansions relied heavily on documented processes and knowledge that could be reached through common IT systems. Information technology therefore had an important role in enabling communication, documentation and collaborations between different dispersed locations. Hence, it enabled the personnel's skills to become capabilities and competences for the whole company (Sanchez & Heene 2004, p.83). Knowledge about the companies' offerings and the underlying technology is seen as a key resource by all companies. As a result, all companies believe that it is important to continuously improve their knowledge base. Both Sigma Kudos and Cybercom are developing their knowledge through close collaborations with universities as it gives them access to new knowledge as well as to a large pool of potential employees.

Company reputation and brand

All companies believe that a strong brand and a good reputation is important. Cybercom believes that a strong brand creates respect among customers and internal pride among employees. This view is supported by Sigma Kudos and TradeDoubler who believes that a strong brand assist the signing of new customers as well creating an awareness about the companies' offerings. Good positioning and differentiation is further seen as an important aspect in order to stand out in the competition of IT companies. However, the companies believe that a strong brand might not be as important during the early phases of geographical expansion, as no track record exist within that specific context. Instead market processing is needed in order to create awareness about the new company and build brand equity in the new market (Byers et al. 2010, p.259). TradeDoubler believes that they have been able to create a well-known brand with strong brand equity since they were the first digital marketing company in Europe and thus created the European market. Strong brand equity might therefore in some cases be created and enhanced from a first mover advantage.

5.2.3 Organization

The investigated companies have different organizational structures. Cybercom has a hierarchy organization, with focus on centralization in order to enable efficient utilization of knowledge. Sigma Kudos has on the other hand a flat organization where decisions and responsibilities are decentralized to the different units. TradeDoubler has as Sigma Kudos a flat organization since the company recently removed two layers of managers, to get the decision-makers closer to the market. Authority is distributed to the local units and their respective country managers, which creates a decentralized organization with a strong localization strategy (Sanchez & Heene 2004, p.197; Bartlett & Ghoshal 1987). TradeDoubler is now however starting to centralize some activities and processes. Sigma Kudos is likewise

Cybercom performing an offshore strategy which entails that the companies can perform part of their work in back-offices and hence offer more cost-efficient solutions. Both companies have therefore expanded to regions that have skilled personnel but an overall lower cost level. Both Sigma Kudos and Cybercom believe however that it is also important with a strong local presence to enable adjustments to local preferences. All of the investigated companies are therefore trying to combine centralization and localization strategies, in order to deliver customized projects in a standardized and efficient way (Harzing 2002; Sanchez & Heene 2004, p.197; Bartlett & Ghoshal 1987; Cooper et al. 2000 in Hitt et al. 2006).

Another aspect that all of the companies have in common is the establishment of geographical management (Barringer & Greening 1998). All the companies' units have a country manager who has the main responsibility for the unit and its operations. The country manager receives support and authority from the business management, which has been important when establishing a new unit and its operations in order to allow for a certain level of local adjustment.

Corporate Culture

Of all the companies, TradeDoubler is perceived to have the strongest corporate culture and it is characterized by a sales focus as well as an openness and a strong faith in their employees. Cybercom and Sigma Kudos have similar values, focusing on empowering the employees and giving them the opportunity to realize their professional and personal visions. Nevertheless, all companies see difficulties with these authorizing cultures, as they demand that personnel have the drive to take initiatives, something that might not come easy in all national cultures. The companies therefore highlight the importance of keeping national and cultural differences in mind, as these can become challenges when trying to implement an empowering and open corporate culture in more culturally different nations (Barringer & Greening 1998; Hall 1993). Due to TradeDoubler's strong culture they have been very selective when appointing country managers. The company has hence ensured that the new managers share the values and beliefs that TradeDoubler strongly holds, making the strong corporate culture widely dispersed in the growing organization (Robbins & Judge 2008 pp. 248-250).

5.3 Comparison of identified incentives

What elements should be included in an incentive model?

5.3.1 Incentives in Findwise

The incentive structure that Findwise mainly use consist of a fixed base salary. The focus on base salary is common among companies as it is the key component in the employment contract indicating a guarantee of future salary increases. Consequently, risk-averse people often prefer a fixed part over variable parts (Murphy 1998). A few people within Findwise has incentive models that include a variable part and people that have been employed for more than two years gets the opportunity to buy shares in

the company. The people responsible for the production process in the different offices are the ones having a variable part in their incentive models. These employees receive a commission-based part in addition to the fixed salary. The commission is based on three financial factors (revenue, profit on unit, and profit on company level) that are measuring performance on both unit and company level in order to boost the overall company profitability. This way of measuring performance on different levels encourages coordination between units to work towards a uniform strategy. Hence, it prevents sub-optimization (Beer & Katz 2003). Findwise wants their employees to optimize efficiency of their respective unit but at the same time cooperate with the rest of the organization, which explains the utilization of three different measures (Hill 2009, p. 468). Another aspect to consider is timing; when the reward should be handed out. The tradeoff between timing and measurement is handled by distributing the variable part in two ways. Findwise distributes the variable compensation quarterly as well as annually in order for the employee to understand the connection between his or her reward and performance (Andersson & Mattsson 2001).

The part of the commission that is based on profitability can be compared with the financial incentive profit-sharing. As the commission partly is based on the whole company's profit it brings the employees with variable compensation together to work toward common goals and focus on profitability. It is clear that the measure of company profitability is beneficial for Findwise since the responsible persons together plan the production each month and have regular meetings to increase efficiency. Profit-sharing focuses only on the goal of profitability and this can make other company objectives omitted. Therefore, it is good that Findwise also has one measure based on revenue. In addition, the utilization of three different financial measures decreases radical fluctuations in employees' compensations (Blasi et al. 2010).

Findwise use of variable compensation in terms of commission can be associated with theory of annual bonus systems. Findwise do not have a widespread bonus system since it is only a few employees who receive variable compensation. If comparing the parts of the variable compensation distributed annually with the concept of annual bonus plans the different parts of *Figure 6* can be identified. Findwise's performance measures are profitability and revenues where profitability is the largest part. The performance threshold is in the case of Findwise the same as the performance standard; profit must exceed 10 percent of revenues (Murphy 1998). Hence, the target bonus is paid out when the performance standard is achieved but it cannot exceed the preset bonus cap. The targets for the variable compensation are decided by the board but in dialogue with the employees in order for the targets to be reachable. As a result it is not likely that the employees hold back efforts due to high targets that cannot be reached (Murphy 1998). Findwise's pay-for-performance structure that determines how the bonus plan is being paid out does not follow the most commonly used structure of "80/120" (Murphy 1998). Instead, the company only pay out parts of the profit if the performance standard is reached, but if the standard is exceeded the amount of the reward is increased to a maximum level of the bonus cap. The theory

argues that a lower level of performance also should be rewarded in order to create a proper incentive zone. For Findwise that could entail a performance threshold that is lower than the performance standard (Murphy 1998). There are however conflicting views in theory regarding pay-for-performance. Murphy (1998) argues that bonuses effects employees behavior and performance while Baker et al. (1988) and Beer and Katz (2003) discuss results of studies which showed that pay is not closely related to performance. According to Beer and Katz (2003) Findwise's use of profit-sharing in the variable compensation is likely to have positive effect on the employees behavior and decision-making. Findwise is still a relatively small organization indicating that employees' performance in a more direct way can be visualized in the overall company performance making pay-for-performance more suitable since it in Findwise case is an easy objective measure. If the employees with variable compensation plan the production well more projects can be executed implying that the revenue increases and costs decreases.

The management's view on incentives

Findwise's board does not want to risk too much capital on one employee since their goal is to be self-supportive in their expansion. The board therefore prefers to use ownership as an incentive instead of a high base salary. The board wants the base salaries to be set according to the conditions in the local market which is the method that most companies use to set their base salaries (Hill 2009, pp. 640-641). In Findwise current situation the board owns the majority of the company while the employees only possess a smaller part, as they after two years of employment are able to buy shares. During the expansion the board is willing to change the ownership structure regarding the new units. Since ownership is preferred, the board is willing to own 51 percent of a new unit while letting the entrepreneurs and local personnel own the remaining 49 percent. By letting employees own shares in the company the board have great opportunities to align their interests with the employees' interests as direct ownership is the most powerful link between stakeholders (Jensen & Murphy 1999). In addition, the shared ownership influences the employee to act in the best interest of themselves as well as of the other owners in the company. Hence, it decreases the principal agent problem (Jensen & Meckling 1976).

Since the board is risk-averse employee stock ownership is considered to be a good choice of incentive as the compensation varies with the company's success. If Findwise is successful and the value of the company increases the employees will receive greater compensation. It can although also be the other way around, which increases the employee's financial risk. Therefore it is important that the stock ownership is of adequate size in order for the ownership to reward good performance but at the same time have consequences for poor performance. Findwise's board have taken a decision to have a minimum limit on the amount of shares that the employee is allowed to invest (Baker et al. 1988).

The board is also very distinct when discussing the importance of finding the right person to act as a Findwise entrepreneur. The person should be motivated and have the right drive and this is identified in theory as an important aspect since money has a limited motivational effect as people tend to quickly adjust to new levels of pay. The use of ownership instead of high base salaries can for that reason have a positive effect since the reward does not end at one single point. People might hence have a more constant performance instead of being driven by salaries and bonuses (Andersson & Mattsson 2001).

The employees' view on incentives

The results from the interviews and the KJ Shiba workshop identified ownership, commission, practicalities and personal growth as the most important factors when discussing incentives. The results were hence in line with theories that suggest that an incentive model should involve both financial and non-financial incentives (Barkema & Vermeulen 1998). The employees want to be rewarded for their performance and ownership and commission was therefore considered to be important as they reward the actual performance of the company. The variable compensation was mainly important due to the increased work effort that is needed from an employee when setting up a new venture. Further, ownership was seen as essential as it creates a sense of belonging and development of something own.

The non-financial incentives that showed to be important were practicalities and personal growth. During the interviews and workshops the practicalities that arose were ones that generally are included in an expatriate pay contract; housing, pay for increased cost of living, insurances, education for children etc. (Hill 2009, pp. 642-644). However, the use of expatriate pay is decreasing since it is very costly to a company but many employees although see it as a necessity for moving abroad (Hill 2009, p. 642). Personal growth is a desired incentive and is according to Andersson and Mattsson (2001) one of the most important incentives. Some employees are perfectly satisfied with their current situation but many employees have the ambition to develop themselves in their professional situation and this indicates that they are driven and motivated to perform extravagant work. The board wants employees that have this drive and by expanding through internal entrepreneurs the employees are given the opportunity to develop themselves and more likely stay with the company (Andersson & Mattsson 2001). In addition, the employees at Findwise think that the incentives are dependent on the employee going abroad and that person's specific situation. Having different incentives with opportunity for individualization was therefore the base when developing the underlying structure for Findwise future incentive models.

5.3.2 Incentives in the case companies

The incentives identified in the external companies differ and similarities and dissimilarities are analyzed in order to detect applicable key components. Both non-

financial and financial incentives have been identified and these are analyzed separately.

Non-financial incentives

All of the investigated companies stressed the significance of non-financial incentives and one aspect that was of great importance for the person going abroad where the mindset and attributes of the person in question. Hence, it was not financial incentives that were most important, instead the case companies focused much on non-financial incentives. The main incentive for going abroad should therefore be the challenge and adventure that comes with the opportunity to live in another country and experience another national culture. In addition, the person should be interested and have the drive to take on a new role, including new work assignments and more responsibility. The companies therefore agree with Armstrong's theory (1999 in Andersson & Mattsson 2001) that responsibility, influence and personal growth are strong incentives, as they empower the personnel and enable people to further develop their skills and competences.

Sigma Kudos and TradeDoubler put much emphasis on the importance of utilizing non-financial incentives to attract and retain personnel. This view is supported by Andersson and Mattsson (2001) who states that driven and dedicated people are likely to leave the company if there is no room or structure for personal development. Sigma Kudos is therefore focusing on individuals' development through both training and promotions to more qualified work tasks. Especially promotion is seen as an important incentive in theory, as it enables employees to have and reach concrete goals (Baker et al. 1988). However, promotions as an incentive can only work well in companies that grows or have an organizational structure with many different hierarchy levels (Baker et al. 1988). Moreover, TradeDoubler is trying to create employee commitment and development by having three key aspects in their personnel's work tasks; autonomy, mastering and purpose. These three aspects can be associated with Armstrong's (1999 in Andersson & Mattsson 2001) three factors; influence, responsibility and achievement.

Financial incentives

All three investigated companies agree however that financial incentives are needed in combination with non-financial to efficiently motivate employees. The combination of financial and non-financial incentives is further stressed by Barkema and Vermeulen (1998) as these researchers believe that both financial and non-financial incentives are needed to fulfill the needs of a human being. Cybercom, TradeDoubler, and Sigma Kudos do not have a standardized incentive model for compensating employees who are going abroad. The incentive models are instead designed individually based on the characteristics of the person and the specific situation. The individual design is supported by theory, as people perceive things differently and hence prefer and value different incentives (Andersson & Mattsson 2001). Cybercom's compensations are based on the person's living expenses in Sweden and the cost that appears in the new country is then added according to a

price index. On the contrary, TradeDoubler has been precautionary about sending personnel abroad since it is expensive to send out employees on expatriate contracts. This aspect is shared by theory, which states that the use of expatriate contracts is decreasing due to the high cost it implies for the company (Hill 2009, p. 642).

Cybercom and Sigma Kudos send employees abroad during both longer and shorter time periods, and different incentives are utilized accordingly. If employees from Cybercom want to be transferred to another office, then the employee will be locally employed at the new location and hence no specific incentive model or expatriate pay is offered. Theory implies that expatriate pay and foreign service premium should be used as an incentive to get the employee to accept a transfer (Hill 2009, pp. 642-644). The theory hence supports Cybercom's decision to not offer expatriate contracts to people requesting a transfer. In Sigma Kudos the employee will receive a more complete incentive package, including expatriate pay if the time abroad exceeds 12 months. If the employee on the other hand is away for less than 12 months the person will receive a compensation that include a base salary that is slightly lower than the persons general salary when working in Sweden. However, travel and housing expenses are paid for by the company. The strategy of adjusting the base salary to the market is discussed in theory as companies often have their base salaries set according to the conditions on the local market (Hill 2009, pp. 640-641). The reason why Sigma Kudos offers a slightly lower base salary is to attract employees who are interested in the opportunity and the challenge to experience a new national culture and not driven by financial incentives. Hence, during shorter periods and during requested transfers to another country the employee will receive a compensation that is closely linked to the conditions in the local market of transfer.

Offered incentive models

When examining and comparing the incentive models of the different companies, it became evident that they all included a similar pay mix as most of the incentive models included; short-term bonuses, long-term incentives and a base salary (Gerhart & Milkovich, 1990). A comprehensive overview of the companies pay mix can be seen in *Table 3*. All case companies offer a base salary that is market oriented and based on the person's responsibilities, experiences and competences. To set the base salary according to market conditions is in line with theory which states that base salaries often are decided through competitive benchmarking with similar companies (Murphy 1998). The base salary does in addition affect other components in the pay mix as these often are measured and expressed relative to the fixed part (Murphy 1998). This holds true also for the case companies, as all four of them offer variable compensation that have a bonus cap that range from 2 months salaries to 60 percent of the fixed salary. The variable compensation is both short-term and long-term. All of the four investigated companies offer short-term bonuses to people in essential positions such as functional managers and regional managers. Theory is therefore in line with the empirical findings as it emphasizes the communality of pay-for-performance incentives among for-profit companies (Murphy 1998). The variable

compensation in Sigma Kudos, TradeDoubler and Skandia depends on the performance of the unit that the person is responsible for but also on the performance of the whole company. Hence, financial performance is measured on different levels in the company and this is becoming increasingly common in order to enhance company efficiency and create cooperation (Murphy 1998). Theory therefore supports the measure on different levels, as it counteracts problems that might arise when managers prioritize own unit's performance on behalf of the whole company (Beer & Katz 2003). Three of the investigated companies do also offer a long-term incentive, as these are believed to create a long-term commitment among the managers. These incentives are stock-options and are considered to be a good way to align managers' and shareholders' interests and values (Jensen & Murphy 1999). Common factors for the stock-option programs in the case companies are that they demand a personal investment, since the shares have to be bought, as well as continuous employment within the company. In the case of Skandia, the stock-option can be exercised after three years, implying that the employee has to stay within the company for that time.

Table 3: Summary of the case companies pay mix

	<i>Fixed</i>	<i>Short-term bonuses</i>	<i>Long-term bonuses</i>
Cybercom	Market oriented, based on responsibility & competences	Variable, depending on level of achieved operational goals. Cannot exceed 2 months' salaries.	Stock options (occasionally used)
Sigma Kudos	Market oriented, based on responsibilities & experience	Depending on level of fulfilled goals in the specific unit & in the company as a whole. Cannot exceed 60 % of the fixed salary.	
TradeDoubler	Market oriented, based on the managers responsibility, experience, competence	Variable salary in the range of 10 to 50 % of the fixed salary, paid annually in arrears and performance measured on individual, team or regional level.	Performance-based or employee stock options
Skandia	Market oriented, fixed monthly salary. Depend on competence, experience, responsibility	Annual compensation based on employee, company unit and company performance. Variable part cannot exceed 50 % of the fixed annual salary.	Employee stock options

5.3.3 Combining the incentives of Findwise and the external cases

Both Findwise and the external case companies highlight the importance of offering both financial and non-financial incentives and these two aspects will consequently be covered in the development of an incentive model for Findwise. The non-financial part is mainly related to the employee's new role and responsibility, while the financial part on the other hand will include the pay mix that should be offered. One similarity identified in Findwise and in the external cases is the lack of a standardized incentive model. The reason for not having a standardized model is that incentives are believed to be dependent on the person going abroad. Consequently, different incentives models are needed in order to allow for individualization.

Identification of factors influencing incentive models

Factors that affect the design of an incentive model were identified by drawing on similarities between Findwise's and the external case companies' incentives. Three groups of factors emerged: situation specific, performance measures and incentive elements. The three groups can be seen in *Figure 12*. The situation specific factors vary with the employee's characteristics. Hence, when considering these factors incentive models can be personalized (Anderssson & Mattsson 2001). The second group, performance measures, includes different financial elements that measure performance of the new unit and thus decide the financial value of the incentives. Several different performance measures are present in this group as theory and the investigated companies stresses the importance of having performance measures on different levels and on diverse financial figures in order to foster collaboration and efficiency within the whole company (Hill 2009, p. 468). The last group is constituted of the different elements that can be included in a pay mix. The investigated companies and Findwise's board have all emphasized the importance of having both short-term and long-term incentives. The short-term incentives are needed to create a clear connection between performance and reward (Hill 2009, p. 467). The long-term incentives are on the other hand needed to commit the employee to the company as well as foster a strive for future performance (Anderssson & Mattsson 2001). Both variable and fixed elements are needed in order to offer the employee the security of a fixed salary as well as the possibility to earn more when the company is performing well (Murphy 1998). The combination of fixed and variable components is further useful for companies as they then pay higher labor cost when their ability to do so is high (Gerhart & Milkovich 1990). The key similarities between Findwise and the external cases are consequently the need of diverse incentive models and a focus on both financial and non-financial elements. Further, an incentive model needs to have short- and long-term incentives as well as a pay mix of fixed and variable elements.

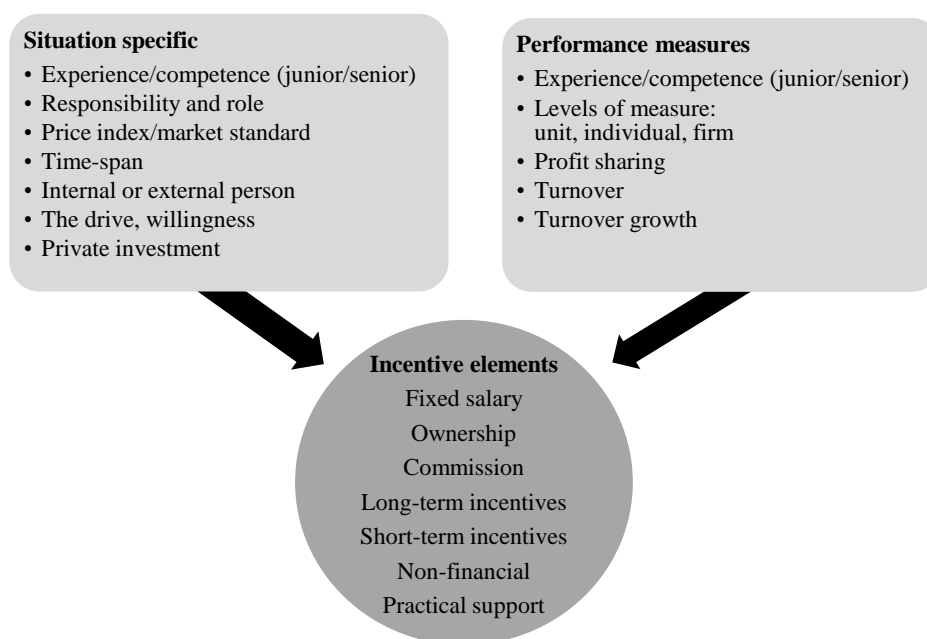


Figure 12: Presentation of factors affecting the design of an incentive model

Tool for deciding on appropriate incentive models

Seven incentive models have been developed by creating different combinations of the factors in *Figure 12* and the models are presented in detail in *Appendix 8*. The seven models have been created for the different roles in the tool in *Figure 13*. By combining the situation specific factors and performance measures different incentive elements have been chosen for each role and model. Some situation specific factors are seen as more significant when choosing incentive model, and these are included in the tool and presented in more detail below. First, there is a need of having different incentives for different time spans. Models have therefore been developed for employees going abroad for less than 12 months as well as for employees going abroad for more than 12 months. The incentive models are further divided into external and internal employees, entailing that the person who will move abroad to start a new Findwise unit is either a current employee or a person hired from the external environment. If the time period is less than 12 months it is assumed that it is an internal Findwise employee going abroad to support and help the early phases of the new unit. These shorter stays abroad should foremost be encouraged by personal drive, willingness to gain personal development, and the opportunity to experience the adventure. Hence, strong financial incentives should not be needed to attract the employee who cannot go abroad for longer periods of time. The incentive models for time periods longer than 12 months have two different phases; the first phase starts when the person moves to the new location while the second phase starts when the market has shown potential and a local company is registered. The company is started and hence registered when the unit has accomplished some financial goals, for example a revenue goal, profit goal, or reached a specific number of employees. The financial goals, that must be reached before a company is started, has to be decided by the board and should be set according to Findwise's internal measures of success. The aim of having a second phase is to commit the employee to Findwise for a longer time period as well as making the employee work towards the overall company success and not only the unit's success. The incentives in the second phase do therefore include more long-term rewards such as ownership.

Development of different incentive models

Different models are being created for internal and external people as a person hired from the external environment more likely needs to be attracted by heavier financial incentives than an internal person. The reason is that an internal person is assumed to have the drive and the willingness to take on a challenge as well as a stronger commitment to Findwise's organization. The internal employees who decide to go abroad are recommended to be persons having the desired characteristics; drive, interest, and strive for personal growth. Further, the people participating in the expansion can take on different roles which in turn imply different incentive models. Four different roles are included in the decision tool as these have been identified to be wanted in the establishment of a new unit. The first role, sales, entails responsibility for processing the market, selling projects and hence establishing a customer base. In addition, if the person having the sales role is the first employee

presents in the new location this person will also have the main responsibility for the new unit. The second role is the project responsible, that role involves managing the processes and administrative tasks. The project responsible will also be responsible for the whole unit, if that person is the first employee present in the new location, and the sales role then is staffed locally. The third possible role is a secondary role which means that a current Findwise employee moves abroad to support activities as well as enhance the transfer of knowledge and corporate culture to the new location. The secondary role does not involve the main responsibility of the unit. Finally, the fourth role is a general consultant role. Hence, the consultant is an internal employee going abroad for shorter periods of time to help and support the work in specific projects. Consequently, the developed incentive models do only concern people who will take on much responsibility in the new unit or internal employees who will temporary support the activities in the new unit. The employees with much responsibility will therefore be offered generous long-term incentives since those persons will have a significant impact on the unit's success. Roles not covered in this section are assumed to be staffed by local personnel who in turn will be compensated by local incentive models similar to those offered to Findwise's employees today.

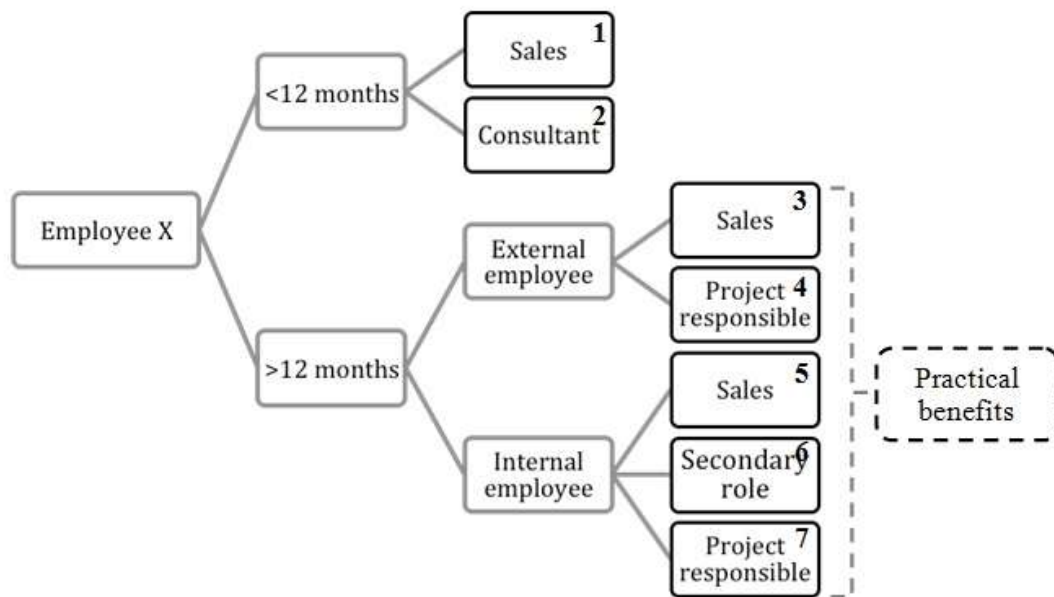


Figure 13: The decision tool for choosing incentive model for an employee going abroad

The sales role and project responsible role cannot be present at the same time as there can only be one person having the main responsibility of the unit. Hence, only one of model 3), 4), 5) and 7) can be exist at one single point in time and the main responsible is consequently held by either an external or an internal employee.

From the empirical findings it became clear that either commission or ownership needs to be offered to the people taking a leading role in an expansion. The participants in the workshops identified ownership and commission as important financial incentives and the board further emphasized the importance of ownership to get a longer commitment between employees and the company. In addition, all

external cases offered a variable incentive that was dependent on the results of the unit as well as the result of the entire company. The importance of having ownership or commission in incentive models can therefore not be overlooked. However, the performance measures that the commission is based on differ between the roles, although all roles do have a variable part included in the incentive model. The sales role have commission based on revenue while the project responsible has commission based on the unit's as well as Findwise's overall profitability. Moreover, the developed incentive models for time spans longer than 12 months include both ownership and commission, since the employees will have much responsibility in the unit. The commission act as a short-term incentive while the ownership creates a long-term commitment and reward. The level of commission and ownership is related. Hence, the two incentive elements cannot both be large and the person cannot be offered both incentives in the early stage. Either the commission part or the amount of ownership will be significant, depending on the employee's ability to make investments and the person's willingness to take risks. However, the longer the person stays within the company the more the person moves into having both ownership and commission in the incentive model.

Non-financial incentives

Several desired practicalities were identified in the case study of Findwise and those were in turn benchmarked against the external case companies in order to get an understanding of the most common and important ones. For employees going abroad for less than 12 months the practical support includes paid travels and housing, alternatively help with taking care of the home apartment. For employees going abroad for more than 12 months the practical support will have to be decided on a case-by-case basis since all employees' personal situation and needs differ. The decision should be taken by the board but in dialogue with the employee. Common for all employees going abroad for more than 12 months is that they will get the travel to the new country paid as well as help to find housing for the first month. During that month the employee will have the opportunity to find a more permanent solution for the housing situation. However, before deciding on practical support the board should make sure that the employee wants to move abroad and that he or she has the drive and interest in taking on the challenge and hard work that it entails. The employee must be willing to make some personal sacrifices, specifically if the employee is bringing the family. In such a situation the employee can receive greater practical support but on behalf of lower financial compensation.

5.4 The expansion interest among employees

Are the present employees willing to move abroad and expand Findwise?

In Findwise's previous geographical expansions the new unit has been established around an individual. A prerequisite for the expansion to continue in the same way is therefore that there exist entrepreneurial persons that have the drive and interest to participate in upcoming expansions. The right persons can either be found within

Findwise or in the external business environment, both alternatives come with advantages and disadvantages.

If a company establish a new office where one internal employee is transferred to the new location this will naturally entail that good company knowledge is attained in the new unit (Barringer & Greening 1998). This is an advantage as the person can be seen as a tool that assists the transfer of company specific knowledge. Moreover, if the employee having the main responsibility is a senior person with much experience and company knowledge that person can help establish routines for different processes and activities (Clercq et al. 2005). It is hence in many cases beneficial to move experienced employees from the original organization to the new location during the start-up phase (Hitt et al. 2006). Another advantage could be that less financial incentives are needed, a person working within the company might to a larger extent be motivated by more responsibility as well as getting opportunities to influence the business by receiving a new role in the company and hence gain personal development (Andersson & Mattsson 2001). A disadvantage with sending out an internal employee to a new location could however be that he or she does not have much knowledge about start-ups or about the local market and its characteristics.

Building a new office by hiring a person from the external environment can be more difficult since the Findwise prefers to find a person with not only the right competences but also the right mindset. The advantage is although that if the person is hired from the local context he or she will most likely possess necessary knowledge about the local market which in turn will benefit the early stages of the new venture. Responsibility, influence and personal growth might be enough for attracting a person from the external environment but it is likely that the person will have to be attracted to the company by higher incentives than an internal employee, specifically if there exist many other similar jobs on the market. This is a disadvantage for Findwise since it might be more costly than sending out an internal employee.

5.4.1 The interest among employees to move abroad

In order to decide which expansion strategy that is most suitable for Findwise's future the willingness to move abroad and the interest among the employees had to be investigated. Consequently, two questionnaires were sent to all employees in the organization asking for their interest to participate in an expansion. The first questionnaire was answered by 30 employees who showed interest in participating in the expansion and hence to move abroad. That result was however questioned since the employees have been asked the same question before and answered in a similar way but later when an opportunity to go abroad appeared, no one was interested. For that reason, a second questionnaire was sent out to the 30 interested employees to get a deeper understanding of their thoughts and interests. In the second round the employees were asked what kind of role they would like to take in the expansion, what kind of work tasks they preferred doing, and what time-span they were willing to spend abroad. 23 employees answered the second questionnaire and the result

showed that most people want to take a supporting role. Hence, not being the person having the main responsibility. There is however no work tasks more preferred than others and many employees are willing to move abroad for a longer time period.

The result shows that there are interested employees who are willing to take the leading role. These employees are also willing to be abroad for a longer time span; up to three years or even longer. An issue is however that the results from the questionnaires are similar to the results of the board's earlier investigations. One must therefore further discuss the truth and weight of the employees' interests to move abroad.

5.4.2 Why entrepreneurs might not be interested in a leading role

The questionnaire showed that most employees prefer having a secondary role rather than having the main responsibility of the new unit. This result can be connected with the findings about the preferred characteristics of an employee going abroad. In the interviews with Findwise's board and employees the characteristics of a suitable Findwise entrepreneur was identified. The person is considered to have great interest in business development and entrepreneurship, he or she is driven, passionate and shows interest in the company's growth and is willing to do some personal sacrifices in terms of leaving the home country as well as maybe accept a lower salary in the beginning. An underlying reason for why employees do not want to take a leading role might therefore be that they do not have the identified personality and characteristics. All persons do not have an entrepreneurial mindset and might therefore not consider themselves suitable for having the main responsibility in an expansion, even though they might be a good candidate for the job.

People without former experience can be rather risk-averse. Hence they do not want to take on the challenging tasks that a start-up implies. In previous expansions there has only been one person from day one working with establishing the new unit. In such a situation interviewees argued that the first person in place needs to know how to do sales and also be driven, social and outgoing. These characteristics and competences has been identified as necessary since that person is the one who is responsible for getting a foothold in the new market and communicating Findwise's concept and brand to the new external environment. Hence, the person having the main responsibility must be able to take on several different roles. Findwise's employees are aware of this situation since they have seen colleagues participate in previous expansions. This can be one reason for why employees are not willing to take the leading role; they might not be comfortable and do not believe that they have the right characteristics and competences.

5.5 Evaluation of potential entry modes for Findwise

Findwise's internal strengths, the key factors identified in the case companies and theory are combined in this analysis in order to evaluate different entry modes as well as to develop the first part of the expansion strategy for Findwise.

The strategic choice of entry mode is complex as it is influenced by many different factors, both industry- and company-specific. The scope of this study does only include company-specific factors implying that the result must be weighted also against the industry-specific factors such as industry growth and industry concentration before choosing what market to enter (Woodcock et al. 1994). The company-specific factors that have been taken into consideration when analyzing different entry modes are resources and organization which are included in *Figure 2* (Woodcock et al. 1994). In addition, two perspectives have shown to be of extra importance when performing the case study at Findwise, one concerns Findwise's strong culture and the other the organizational design. To improve the transfer and establishment of Findwise's culture at new locations the interviewees believe it is important to build the new office around a person who is a current Findwise employee and has the corporate culture well incorporated in his or her work and mindset. The flat organization has been taken into consideration as it is today, even though interesting discussions arose during the case study of Findwise regarding centralization of production. The reason for not investigated this aspect further is that Findwise has no articulated plan to change the organizational design and structure in the near future.

5.5.1 Comparison of entry modes

In the theoretical framework four different entry modes are included; new venture, acquisition, joint venture, and contractual modes. A cost-benefit analysis has been made on each alternative where theory, findings and the above analysis have been taken into consideration.

New venture

For professional service companies the establishment of a new venture entails a lower initial cost compared to acquisitions, since the resource commitment can be small in the beginning and then increase as revenues rise (Erramilli 1991). Expanding through a new venture is therefore an option for Findwise as the company wants to minimize the risk and the costs in the beginning of an expansion. Further, establishing a new venture gives the company a strong control over their competences and enables them to exploit their company-specific advantages (Woodcock et al. 1994; (Hill 2009, p. 500). Findwise has a strong knowledge base and are offering unique IT-solutions. Consequently, the company has the needed competences that could be utilized to exploited new markets and these therefore need to be protected. When starting a new venture one has to establish the corporate culture and the company's work routines in the new unit. This is believed to be easy in new ventures as the company can replicate its current corporate culture to the new unit (Andersson & Svensson 1994). Findwise has a strong culture and a flat organization that hence could be implemented without any major adjustments. However, corporate culture and routines are not transferred automatically but rather through transfer of original personnel to the new unit (Andersson & Svensson 1994). Findwise's employees therefore need to be willing to move abroad in order to be able to transfer the company's knowledge and corporate

culture to the new units. A disadvantage with establishing a new venture is thus that the company is dependent on the employees that transfer the company's processes, culture and organization. In addition, it takes time to establish a new unit as the operations are built-up from the ground and resources are committed incrementally (Hill 2009, pp. 500-504). This entry mode is hence not recommended if you are looking for a rapid rate of return (Hill 2009, pp. 500-504). Findwise are planning to self-finance their expansion, which might imply that revenues from earlier expansions will be needed to finance future ones. Hence, a more rapid return on investment might be needed for Findwise to expand faster or to establish new units in parallel. Increasing the speed and be more aggressive in the expansion was also insinuated as important by Findwise's employees, as they believe that the firm can reap important first-mover advantages. Further, all the investigated IT companies have started new ventures when expanding to other geographical areas, implying that the entry mode is suitable for growing IT-companies.

Acquisition

Acquisition is a good expansion strategy when a company wants to get access to new resources or want to protect its resources from being shared to another company as in the case of a joint venture (Woodcock et al. 1994). Findwise has a rich knowledge structure and well established work processes. The company has therefore not identified a need of acquiring additional resources in their current state. On the other hand, a company acquires another businesses in order to create synergies between the two companies' resources and capabilities (Morosini et al. 1998). When entering new markets Findwise will have to obtain new customers as well as knowledge about the local market. Acquisition of a local company can therefore be performed in order to secure these elements and hence create a synergy between Findwise's technology based services and the local company's market knowledge and networks. However, acquiring another company requires a large investment and as Findwise's board want to self-finance their expansion, the capital needed to buy an established company might not exist. Consequently, the quick access to a new market and to an established customer base comes with a large price.

Acquisitions are also performed in order to buy rival companies and hence eliminate competition (Hill 2009, pp.503-504). Findwise is offering IT-solutions within a specific niche and there exist only a limited amount of direct competitors which indicates that there exist a small need of eliminating competitors. Another issue that has to be taken into consideration is the post-merger integration phase where the companies' corporate cultures and work processes need to be matched and adjusted in order to create a new unified company (Morosini et al. 1998; Barkema & Vermeulen 1998). Findwise has a strong corporate culture and a flat organization, which implies that conflicts might arise if they need to adjust these to another company's. Acquisitions are therefore not a preferred entry mode when looking from an organizational and cultural standpoint. This is further strengthened by the case

companies' use of acquisitions; only the mature and well established companies have utilized acquisition for entering new markets.

Joint venture

The benefits of entering a new market in a joint venture are shared resources, shared costs and access to market knowledge (Woodcock et al. 1994; Hill 2009, p.499). If Findwise was in need of complementary resources this entry mode could have been an option but the company already holds the necessary resources. However, the access to market-specific knowledge is attractive but a joint venture also comes with disadvantages. A company must comply with the interest of the other company and this is not in line with the board's vision to keep control of the company and to continue executing the strategy to become a global pioneering company within search solutions. Further, other disadvantages include: shared ownership, control issues, and higher costs than for example the new venture mode (Hill 2009, pp. 499-500; Woodcock et al. 1994). Since Findwise is self-supporting and do not want external owners the shared ownership implies that the joint venture mode is excluded from being a suitable entry mode. To strengthen that argument the case studies of external companies shows that none of the three investigated companies have used the joint venture entry mode. However, in some cases a joint venture might be the only feasible alternative to enter a market. Such case can be when political constraints, restrictions and regulations hinder the company from entering the market. Through collaboration with a local company these constraints might be overcome (Hill 2009, pp. 499-500).

Contractual modes

Licensing and franchising are two types of contractual modes considered as potential entry modes. The benefits of this kind of entry mode are that the company does not have to be physically present in the new location and large investments are not needed (Erramilli 1991; Hill 2009, pp. 496-497). The disadvantages of using contractual modes are that the licensing company has low control and a coordinated strategy does not exist. Findwise is dependent on the knowledge possessed by their individual employees and knowledge sharing has hence showed to be an important factor for the business. If the licensor and the licensee do not have uniformed strategies knowledge sharing will be impeded. There are also several factors that oppose the benefits and thus contribute to the negative aspects of contractual modes. Findwise wants to work close to their customers and the owners wants to be able to control the quality of the service and solutions that the company delivers, this is not possible if entering a market by contractual agreements. The low demand of capital is however good since Findwise do not want to make large investments, but as the company do not have any intangible property it will be even more difficult to control the output quality. Another important aspect that points against the choice of using a contractual mode is that the board is not willing to let go of more than 49 percent ownership of a new unit. Franchising or licensing are hence not an option since that implies that more than 50

percent are owned by the licensee. This is further strengthened by the fact that none of the case companies have used contractual modes when entering new markets.

5.5.2 The most suitable entry mode for Findwise

When comparing the different entry modes above the joint venture mode and the contractual modes were excluded from being potential entry modes for Findwise. Joint venture entail that Findwise need large amount of capital as well as they might need to adjust their corporate culture. In addition, the contractual mode implies a minority ownership and decreased control. Therefore, new venture and acquisitions are the two entry modes to consider for Findwise.

Two major differences exist between acquisitions and new ventures; level of resource commitment as well as the time it takes to establish the new company unit. A new venture entails smaller resource commitment in the beginning but the time it takes to establish the office is longer. Acquisitions on the other hand demand a large amount of resources in the beginning but the acquired company has an established organization implying that the acquiring company does not have to start from scratch. Consequently, there exists a tradeoff between speed and resource commitment in the two entry modes. Findwise's board is risk-averse and wants to self-finance their expansion, the resources needed for acquiring another company might not exist and new venture is therefore more suitable due to the company's limits regarding resource commitment. In addition, Findwise has a strong corporate culture and a flat organization which further recommend the utilization of new venture rather than acquisition. The culture and the organizational structure can be implemented in a new venture while the same factors have to be adjusted to fit the other company in an acquisition. The interviews at Findwise showed that the employees strongly value the corporate culture which implies that it should not be changed. However, if Findwise's board is willing to adjust the organization or its culture, acquisitions can be suitable as well. On the other hand, an acquisition can only take place if there exist an appropriate company to purchase and it can therefore be difficult and costly to search for potential companies. Findwise has previously not found a suitable company to acquire and a reason can be that the company operates in a niche market with a limited amount of companies having a similar business. Acquisition is therefore not seen as the preferred entry mode for Findwise at the moment but it can potentially be used in the future. Findwise might in the future find a company that is well suited for acquisition or they might find a company that is willing to enter a joint venture with a minority ownership.

A new venture is often established by sending out current employees to new locations. The current employees create the new office by transferring and implementing the corporate culture, processes and routines. An important aspect when expanding through a new venture is therefore to make sure that there exist employees who are willing to move abroad and help establishing a new office. The case study done at Findwise identified that there do exist some people within

Findwise who are willing to take on this role. However, even if there are not enough internal employees willing to move abroad another alternative has been identified. That other option is to establish a new venture through the use of external persons which is a method that has been used in one of the case company's expansions and which has shown to be as successful as sending an internal employee abroad.

New venture can be identified as the most suitable entry mode for Findwise as it enables the company to keep its strong culture and flat organization as well as it entails an initial small resource commitment followed by incremental investments. The new venture entry mode is further appropriate since it allows Findwise to keep control over the new units and the entry mode is feasible, as there exist employees within Findwise who are willing to contribute to the establishment of new offices. However, it is important to keep in mind that other entry modes can become suitable depending on how the company's resources change. Findwise therefore has to be open to the potential use of different entry modes in the future, but given the current situation the most suitable entry mode is new venture.

6. Conclusions

The analysis is in this chapter summarized to give clear answers to the four different sub research questions. The analysis of Findwise is here combined with the analysis of the comparative case studies.

How can Findwise utilize their internal factors in the expansion?

Findwise's internal resources have great potential and are considered to be appropriate for international and geographical expansion, which is essential in order for a company to be successful in a global setting. The company's most important resource is the personnel who possess the needed knowledge and Findwise has so far utilized their personnel in a good way since much emphasis is put in the individual (see *Chapter 5.1.2*). Findwise has in previous expansions temporary been moving existing employees to establish structures in the new locations and this has shown to be a successful way to utilize personnel. Therefore, *transfer of personnel should be a recurring activity* in upcoming expansions. Findwise has a lot of knowledge within the company and it is essential that the knowledge is accessible throughout the organization. Findwise's structural capital minimize individual dependency and facilitates knowledge sharing which is essential for the company's long-term success. Communication and knowledge sharing will be important when growing, since more offices and more employees will be included in the organization. Findwise should *improve the documentation routines* in order to secure the knowledge base and *continue focusing on creating a solid structural capital*. The new digital strategy therefore plays an important role in the improvement of the company's structural capital. Hence, Findwise should *continue the attempt to work according to standardized processes*. In addition, Findwise's *brand has great potential* and it can in the future become a strong resource due to the company's strong and unique position in a distinct niche.

Even though Findwise aims to establish existing structures in the new locations (see *Chapter 5.1.1*) it is essential to be responsive to the local markets. Findwise's matrix organization allows for this as it creates efficiency in processes as well as it enables the company to adjust to regional preferences and local market conditions. The *low formalization, free flow of information and the high degree of authority distribution is essential* for Findwise and enables them to secure and distribute their resources in an efficient way. Findwise has roles responsible for the company's processes and overall business strategy but the company is *missing geographical management*, which is considered to be a weakness. The company controls the different units through the utilization of the control mechanisms; expatriate presence, and socialization and networks. The former increases efficiency and make sure all units work towards a common goal and the latter is a consequence of the strong corporate culture. *Resource support is crucial for a new unit* to be able to deliver its first projects and it is therefore *vital that Findwise's internal invoice system works well* and promotes resource sharing. If the internal invoice system is not utilized in an optimized way the

control over resources must be localized already from the start of a new establishment in order to enable delivery of customer projects.

Findwise's employees consider the culture to be a positive factor since it is influencing the whole organization's work in a good and desirable way. It is identified as the second most important resource as it creates a competitive advantage by attracting and retaining personnel. The strong culture and the main basic values are in place, but *differences occur between offices* and the "we" think is considered to be too diffuse (see *Chapter 5.1.2*). Hence, *the beneficial culture could be utilized to a wider extent* by Findwise if communicating the "we" mindset in a more clear and understandable way. Conflicts can arise if units adopt and adjust the corporate culture differently but by increasing the understanding of the culture and values such conflicts can be avoided.

What internal company factors are important for IT companies when expanding to new geographical areas?

The three cornerstones of internal factors presented in the theoretical framework are according to previous theory important for growing companies. Hence, these factors are considered to have significant effect on the execution and success of companies' geographical expansions. One of the cornerstones is resources which consist of four factors. These factors are of general importance to companies, but two of the factors are by theory considered to be especially important for consultancy companies. Those are personnel and capabilities and organizational processes. From the analysis of the case companies it became clear that several internal factors in the theoretical framework were important to all IT companies during their expansions. The internal factors with most significant importance were: *personnel*, *organizational processes*, and *corporate culture*. Consequently, not all factors that are considered to be important according to theory were important for the IT companies in their expansion. In addition to the three groups of factors presented in the theoretical framework other factors were identified as essential for IT companies' expansion. These were *IT systems*, *geographical management*, *market processing*, and utilization of *combined centralized and localized processes*. Hence, the contribution to academia is identification of factors specifically important for IT companies' expansions, which is a mix of previously identified factors generally applicable for growing companies as well as factors specifically important for IT companies. The factors that are important for IT companies when expanding to new geographical areas are presented below.

All case companies emphasized the importance of having a *combination of both company employees and local people in the new unit*. The companies relied on local personnel for market knowledge and on previous employees for company knowledge. Another factor that was seen as essential was *temporary exchange of personnel* between the new office and the original ones. The exchanges assist knowledge transfer by establishing relationships and communication channels between offices. Further, the companies that expanded through new ventures did not build the new

units around experienced managers which created problems such as lack of standardized processes and slow market progress. As a result, the case companies stress the *importance of relying on people that have relevant experience*.

Another aspect to consider when expanding geographically is the *establishment of structural capital and standardized processes*. The case companies state that these internal factors are important to efficiently share and reuse knowledge. Standardized processes further works as control mechanisms that ensures that solutions and services are delivered with the same quality regardless of location. *Common IT systems* are therefore vital as it enables sharing of processes and knowledge between dispersed locations. The case companies further emphasize the importance of *being present on locations that are close to key customers*, as customized solutions demands close collaborations. The case companies do also agree that when entering a new market the company must be *prepared to educate the market* about the company and its offerings. This process might be costly and time consuming and it demands thorough knowledge about the local market as well as about the company's offerings. Further, all of the investigated case companies have *centralized and localized processes* as this enable them to deliver customized projects in an efficient way. This demands collaboration between the different units and the companies have therefore another internal factor in common, the appointment of *geographical managers in the units*. The geographical manager is responsible for the unit's operations and its role within the whole organization. Finally, a *strong and empowering corporate culture* was identified as an important internal factor as it helps the company to attract and retain personnel through a sense of belonging.

What elements should be included in an incentive model?

The comparison of incentives showed that both Findwise and the external case companies highlight the importance of offering both financial and non-financial incentives to their employees as well as both long- and short-term compensation. Three different groups of factors emerged in the analysis as these factors affect the design of the case companies' incentive models as well as Findwise's incentive models. The first group is situation specific factors, which include factors that are dependent on the characteristics of the person going abroad and the time-span for which the employee will be abroad. The second group is performance measures and includes factors that determine how to measure and how to define the progress of a new unit. The third group is incentive elements and these are used individually or combined in different ways to together constitute an incentive model. The different incentive elements identified in the study are: *fixed salary, ownership, commission, long-term incentives, short-term incentives, non-financial, and practical support*. The choice of incentive elements for an incentive model is affected by the situation specific factors and the performance measures and consequently different incentives models are needed in a company in order to allow for individualization of compensations and rewards (see *Chapter 5.3.3*).

Are the present employees willing to move abroad and expand Findwise?

Out of Findwise 63 employees, *30 people have declared interest* in going abroad to participate in the establishment of new Findwise units. However, a majority of the interested employees want to take a supporting role and only *nine people are interested in being the person holding the main responsibility* for the establishment of a new unit. The employees are further willing to take on a diverse set of activities during the establishment of the new unit including sales, production and administrative tasks. Consequently, *no work activities are preferred over others*. The employees who are interested in moving abroad are also flexible about the duration of their stay at the new location. Most of the interested employees state that they are willing to spend a longer time period abroad, up to three years or more. The opportunity to move abroad have however been presented to the employees before, but when faced with a concrete offer they were no longer interested (see *Chapter 4.1.1*). This research result therefore has to be validated through further conversations with the employees who at this time have announced interest.

7. Recommended Expansion Strategy for Findwise

The recommended expansion strategy includes three parts; a presentation of internal factors which are essential for Findwise to consider when expanding to new geographical areas, a recommendation of the most suitable entry mode with regard to Findwise's internal factors, and a tool for deciding on appropriate incentive models for people participating in Findwise's expansion. The expansion strategy is a synthesis of the answers to the four sub research questions which further answers the overall research question: What will be the most suitable expansion strategy for Findwise?

7.1 Internal factors essential to consider when expanding

From analyzing the internal factors in the external case companies and in Findwise it became clear that some factors are more important than others. Those factors should be considered when expanding geographically in order to reach a sustainable advantage and utilize resources efficiently in the long-term perspective. Findwise is recommended to consider the following internal factors in both the short-term and in the long-term perspective.

Short-term recommendations

- *Original personnel and local personnel* should both be present during the first years at the new location. Transfer of personnel from original offices should be recurrent in order to transfer corporate culture, processes, and company knowledge. Local personnel provide Findwise with market knowledge.
- A *new role* should be appointed: local/country manager. Because when the number of offices grows the demand on efficient coordination of activities increases. The country manager should have the overall responsibility to; manage coordination between the unit and the rest of the organization, ensure high degree of authority distribution among employees, and keep emphasis on low formalization in the organization.
- Be accurate and careful in the *selection of employees whom will participate in the expansion*. The employee being sent to the new location should have the right characteristics and previous experience of start-ups or of the local market is preferred. If the person does not have the right experience but the right characteristics the board must ensure that sufficient support is offered.
- Establish *the structural capital and standardized processes* at an early stage of the expansion. It facilitates efficient knowledge sharing, reuse of knowledge and works as a control mechanism to ensure that solutions and services are delivered with the same quality regardless of location.
- Keep the strong corporate culture, but *define and communicate the culture* and its values in a clearer and more understandable way. The “we” mindset should be more tangible; improve the relations between old and new units to create a sense of belonging.

Long-term recommendations

- Increase *collaborations between offices* in order to enhance knowledge transfer, communication, and the creation of a common corporate culture. This could be done by using mixed teams such as the software engineering group or by temporary exchange personnel between units.
- Initiate *common IT systems* for all Findwise units to further strengthen communication between dispersed locations, and to improve documentation routines and access to knowledge. Continue development and implementation of the new digital strategy to secure the knowledge base.
- Review the *internal invoice system* to ensure that new units have access to production resources. Personnel in other offices should be available and willing to support the new unit in its early phases.
- As Findwise continue to grow the *organizational structure* should be reviewed. Opportunities and possibilities of centralizing some processes should be considered to increase cost-efficiency and specialization.

7.2 A recommendation of the most suitable entry mode

Different entry modes were evaluated by benchmarking Findwise's expansion situation against the external case companies' previous expansions and their respective contexts. With regard to Findwise's internal factors a cost-benefit analysis resulted in a clear recommendation to choose new venture as entry mode. Today no suitable company to acquire exists and there is no urgent need for Findwise to get access to new knowledge or capabilities. In addition, the board wants to keep control over the company. Hence, acquisitions, joint venture and contractual modes are not considered to be suitable.

Short-term recommendations

Findwise is recommended to expand through new ventures, since:

- There *exist employees* within Findwise that are willing to assist in the establishment of new offices abroad.
- The entry mode provides the employees with the *opportunity to gain personal development*. The board is therefore recommended to continue the discussion with employees that have declared an interest to move abroad and participate in the establishment of new Findwise units.
- Findwise has *good structural capital*, which facilitates transfer of knowledge and processes to new units, enabling Findwise to replicate current units.
- Findwise *possess comprehensive knowledge and competences* within search technology that is applicable and scalable globally.
- The entry mode initially *requires small resource commitment*, followed by incremental investments as the unit grows. Thus, large amounts of capital are not needed.
- The entry mode enables Findwise to *implement the strong corporate culture* and flat organization in the new location without major adjustments.

- The entry mode allows Findwise to *keep control over the new units*, as the company remains being the majority shareholder.

Long-term recommendations

Findwise's internal situation as well as the external environment is dynamic and thus continuously change. The recommendation to expand through new ventures is therefore based on Findwise's current situation. The company is therefore recommended to *be open-minded to the possibility of utilizing other entry modes in the future*, as the prerequisites change. The entry mode aspect should also be a recurrent activity in the new market analysis structure. Findwise must hence be *receptive to changes* and with time review the choice of entry mode in order to be competitive in the long-term. Findwise has first mover advantages, as there are not many direct competitors on their niche market. The advantages might however vanish as larger competitors are likely to enter the market when it is well established and seen as profitable. It will then be more difficult to control market shares. Findwise is therefore recommended to *reap the advantages* of being a first mover while it is still possible by becoming more aggressive in future expansions.

7.3 A tool for deciding on appropriate incentive models

The study has shown that there is a need of offering different incentive models. The reason for not having one standardized incentive model is that incentive elements should be adjusted and dependent on the following factors:

1. Time span

Incentive models have been developed for employees going abroad for less than 12 months as well as for employees going abroad for more than 12 months. If the time span is longer than 12 months two different phases are presented in the model, the first with short-term incentives and the second including also long-term incentives.

2. Current employee or not

The incentive models are developed differently depending on if the person is an external or internal employee, the person who will move abroad to start a new Findwise unit is either a current employee or hired from the external environment.

3. The role

The incentive models differ between roles. Hence, different models are applicable to sales roles, project responsible, secondary roles and to consultants.

Findwise is recommended to use the following tool to decide on which incentive model to offer an employee participating in the expansion. Seven different incentive models have been created and they are developed with regard to the three situation specific factors presented above. The remaining situation specific factors presented in *Chapter 5.3.3* and *Figure 12* are also included in the incentive models although those affect the size of the incentive elements and not the composition of the incentive elements. The tool can be seen in *Figure 14* and a description of the incentive models can be found in *Appendix 8*.

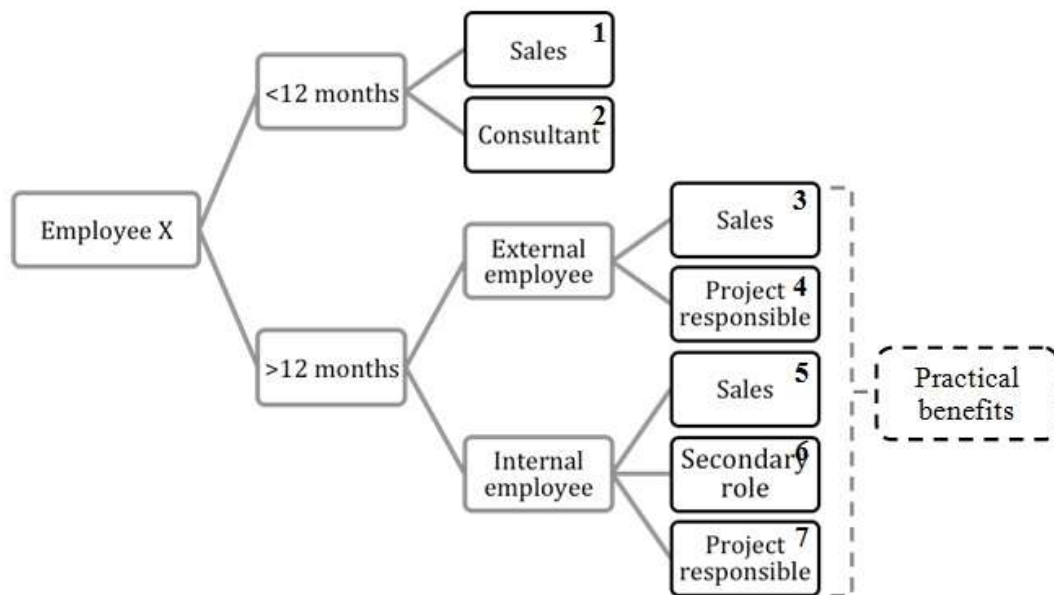


Figure 14: The decision tool for choosing incentive model for an employee going abroad

Explanations of the recommended tool and its corresponding incentive models:

- The incentive models for time spans less than 12 months are recommended to concern only internal employees since there should not be a need to do external hires for such a short period of time. The two incentive models include only short-term incentives, thus no ownership element is included.
- Incentive models for time spans longer than 12 months are recommended to include two phases. The second phase should start when the market has shown potential and a local company is registered. The company should be registered when some predefined financial goals have been accomplished, for example a revenue goal or a specific number of customers. The board should decide these goals on beforehand and the decision is recommended to be taken in dialogue with the person who is going abroad.
- The incentive models are recommended to have different measures for commission depending on the role. For sales roles, the commission is based on the new unit's revenue while the commission for the project responsible is based on the results of both the new unit as well as Findwise's overall result.
- All five incentive models for time spans longer than 12 months are recommended to include both commission and ownership. The commission act as a short-term incentive while the ownership creates a long-term commitment and reward. However, both elements cannot be large. It is recommended that either the commission part or the amount of ownership will be significant, depending on the employee's ability to make investments and willingness to take risks.
- It is important that the whole profit is not distributed since Findwise do not want to take in external investors. Hence, it is recommended that the commission should not be too large.

Figure 14 shows that the incentive models are recommended to include practical benefits. Employees going abroad for less than 12 months are recommended to receive practical support that includes paid travels and housing, alternatively help with taking care of the home apartment. In addition, Findwise is recommended to consider the following aspects when deciding on practical offers to employees going abroad for more than 12 months:

- Common for all employees is that they should get the travel to the new country paid as well as help to find housing for the first month.
- Decision on a case-by-case basis, as all employees' personal situations and needs differ.
- Decision should be taken by the board but in dialogue with the employee.
- The following practicalities are often offered by global companies and are also desired among Findwise's employees, therefore are these recommended to be discussed:
 - Education or day care center expenses for children.
 - Support the move and cover expenses related to the relocation.
 - An increase in base salary if the husband/wife is not allowed to work in the new country. The family should be able to live on one salary. It could for example cover housing, bureaucratic expenses, travel to the home country, and cleaning.
 - If an employee wants increased base salary that should be on behalf of the variable part which in turn decreases.

8. Further Research

During the master thesis work other areas than those within the scope were identified as potential areas for further research. The main areas of interest are external factors such as local price levels and recruitment of personnel, alternative ways to expand, and improvement of the internal invoice system.

Different nations have different price levels and this has been identified by the interviewees as a challenge since it is not only the price of consultants that differ but also the price of the offered services and solutions. Findwise might therefore have to adjust their offer and prices in order to be competitive in markets where the prices are higher. Hence, the costs might be increased entailing that an increase in revenue will be crucial for the success of the company. Another external aspect, recruitment of personnel, was also identified by Findwise as a challenge. The reason is that it in previous expansions has shown to be difficult to find the right personnel and good local consultants with appropriate experience and knowledge. The availability of local personnel must therefore be considered before entering a market and can thus also influence the choice of entry mode.

The focus of this study was geographical expansion but the study team cannot conclude that a geographical expansion is the best way to expand or if an additional expansion strategy would increase the growth and profitability of the company. If it turns out not to be possible with geographical expansion through new ventures or acquisitions further research should be performed with focus on other expansion strategies. Another expansion alternative that might be interesting for Findwise was identified during the interviews; to expand through diversification of the company's product and service portfolio. This option has been discussed before in an internal project at Findwise in which the discussion revolved around whether to spin-off a part of the company or keep the new diversified offering under the Findwise brand.

Shortcomings have been identified in the internal invoice system which hence further should be studied and developed in order for Findwise to optimize the benefits of their organizational structure and utilize resource sharing in a more efficient and profitable way.

References

Published documents

- Andersson, T. & Svensson, R., 1994. Entry Modes for Direct Investment Determined by the Composition of Company-Specific Skills. *Scandinavian Journal of Economics*, 96(No. 4), pp.441-560.
- Andersson, C. & Mattsson, A., 2001. *Incentive Structures for Innovation - How Incentives and Rewards can promote Creativity*. Chalmers University of Technology.
- Armstrong, M., 1999. *Employee Reward*, London: Chartered Institute of Personnel and Development.
- Armstrong, M., 1993. *Managing reward systems*, Buckingham: Open University Press.
- Ashkenas, R., 1999. Creating the boundaryless organization. *Business Horizons*, 42(5), pp.5-10.
- Baker, G.P., Jensen, M.C. & Murphy, K.J., 1988. Compensation and Incentives: Practice vs. Theory. *The Journal of Finance*, XLIII(No.3, JULY), pp.593-615.
- Barkema, H.G. & Vermeulen, F., 1998. International Expansion through Start up or Acquisition: A Learning Perspective. *The Academy of Management Journal*, Vol. 41(No. 1, Feb.), pp.7-26.
- Barringer, B.R. & Greening, D.W., 1998. Small business growth through geographic expansion. *Journal of Business Venturing*, 13(6), pp.467-492.
- Bartlett, C.A. & Ghosbal, S., 1987. Managing across Borders : New Organizational Responses. *Sloan Management Review*, 29(No.1), pp.43-53.
- Beer, M. & Katz, N., 2003. Do Incentives Work? The Perceptions of a Worldwide Sample of Senior Executives. *Human Resource Planning*, Vol. 26, pp.30-43.
- Benito G., Lunnan R. & Tomassen S., 2011. Distant Encounters of the Third Kind: Multinational Companies Locating Divisional Headquarters Abroad. *Journal of Management Studies*. 48:2 March 2011.
- Blasi, J. & Freeman R., Kruse, D., 2010. *Shared capitalism at work: employee ownership, profit and gain sharing, and broad-based stock option*. University of Chicago Press: Chicago.
- Bleijenbergh, I., Korzilius, H. & Verschuren, P., 2011. Methodological criteria for the internal validity and utility of practice oriented research. *Qual Quant.* (2011) 45:145–156, 45, pp.145-156.

- Bryman, A. & Bell, E., 2007. *Business Research Methods* 2nd ed., Oxford University Press, USA.
- Byers, T., Dorf, R. & Nelson, A., 2010. *Technology Ventures: From Idea to Enterprise*, Singapore: McGraw-Hill Science/Engineering/Math.
- Clercq, D.D., Sapienza, H.J. & Crijns, H., 2005. The Internationalization of Small and Medium-Sized Companies. *Small Business Economics*, 24(4), pp.409-419.
- Dolan, P. & Shiba, S., 1987. *The steps of the KJ Shiba method*, A working paper.
- Erramilli, M.K., 1991. The Experience Factor in Foreign Market Entry Behavior of Service Companies. *Journal of International Business Studies*, 22(No.3), pp.479-498.
- Gerhart B., & Milkovich, G., 1990. Organizational Differences in Managerial Compensation and Financial Performance. *The Academy of Management Journal*. Vol. 33(No.4), pp. 663-691
- Greenwood, R., & Empson, L., 2003. The Professional Partnership: Relic or Exemplary Form of Governance? *Organisational Studies*, Vol 24(6), pp.909-933.
- Hall, R., 1993. A framework linking intangible resources and capabilities to sustainable competitive advantage. *Strategic Management Journal*, 14(8), pp.607-618.
- Harzing, A.-W., 2002. Acquisitions versus greenfield investments: international strategy and management of entry modes. *Strategic Management Journal*, 23(3), pp.211-227.
- Hill, C.W.L., 2009. *International Business. Competing In The Global Marketplace (7th Edition)*, McGraw-Hill.
- Hitt, M.A. et al., 2006. The Importance of Resources in the Internationalization of Professional Service Companies: The Good, The Bad, and The Ugly. *The Academy of Management Journal*, Volume 49 (No. 6), pp.1137-1157.
- Jensen, M.C. & Meckling, W., 1976. Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, October 1976, V.3(No.4), pp. 305-360.
- Jensen, M.C. & Murphy, K.J., 1999. CEO Incentives: It's Not How Much You Pay, But How. *Harvard Business Review*, May-June (No. 3), pp.138-153.
- Johanson, J. & Vahlne, J.-E., 1977. The Internationalization process of the firm - A model of knowledge development and increasing foreign market commitment. *Journal of International Business Studies*, 8(1), pp.23-32.
- Johanson, J. & Vahlne, J.-E., 1990. The Mechanism of Internationalisation. *International Marketing Review*, 7(4).

- Lepak, D.P. & Snell, S.A., 1999. The Human Resource Architecture: Toward a Theory of Human Capital Allocation and Development. *The Academy of Management Review*, Vol. 24(No. 1, Jan), pp.31-48.
- Lu, J.W. & Beamish, P. W., 2004. International diversification and company performance: The scurve hypothesis. *Academy of Management Journal*, 47(No.4), pp.598-609.
- Martinez, J.I. & Jarillo, J.C., 1989. The Evolution of Research on Coordination Mechanisms in Multinational Corporations. *Journal of International Business Studies*, Vol. 20 (No. 3, Autumn), pp.489-514.
- Morosini, P., Shane, S. & Singh, H., 1998. National Cultural Distance and Cross-Border Acquisition Performance. *Journal of International Business Studies*, 29 (No.1, 1st Qtr.), pp.137-158.
- Murphy, K.J., 1998. EXECUTIVE PAY - Executive Compensation. *Handbook for Labor Economics*, 3.
- Murphy, K.J., 2002. Explaining Executive Compensation: Managerial Power versus the Perceived Cost of Stock Options. *The University of Chicago Law Review*, 69(3), p.847.
- Robbins, S.P. & Judge, T.A., 2008. *Essentials of Organizational Behavior: Global Edition* 9th ed., Pearson Education.
- Sanchez, R. & Heene, A., 2004. *The New Strategic Management: Organization, Competition, and Competence*, Wiley.
- Schein, E.H., 2010. *Organizational Culture and Leadership (The Jossey-Bass Business & Management Series)*, Jossey-Bass.
- Sharma, D.D. & Johanson, J., 1987. TECHNICAL CONSULTANCY IN INTERNATIONALISATION. *International Marketing Review*, 4(4), pp.20-29.
- Schilling, M., 2009. *Strategic Management of Technological Innovation* 3rd ed., McGraw-Hill/Irwin, Singapore.
- Sirmon, D.G., Hitt, M.A. & Ireland, D.R., 2007. Managing Company Resources in Dynamic Environments to Create Value: Looking Inside the black Box. *The Academy of Management Review ARCHIVE*, Volume 32 (Number 1), pp.273-292.
- Yin. R., 1981. The case study crisis: Some answers. *Administrative Science Quarterly*. Vol. 26, No. 1. (Mar., 1981), pp. 58-65.

Woodcock, C.P., Beamish, Paul W. & Makino, S., 1994. Ownership-Based Entry Mode Strategies and International Performance. *Journal of International Business Studies*, Vol. 25(No. 2), pp.253-271.

Electronic documents and websites

Bodwell, D., 2003. *It's all about business –Expanding an existing business*. Available online: <http://itsallaboutbusiness.com/Expand.htm> [2011-09-01]

Cybercom, 2011. *Growing with Cybercom*, Available online: <http://www.cybercom.com/Careers/> [2011-10-19]

Cybercom, 2008. *Annual Report 2007*. Available online: <http://www.cybercom.com/Investor--Press/Financial-information/Annual-reports/> [2011-10-25]

Cybercom, 2009. *Annual Report 2008*. Available online: <http://www.cybercom.com/Investor--Press/Financial-information/Annual-reports/> [2011-10-25]

Cybercom, 2010. *Annual Report 2009*. Available online: <http://www.cybercom.com/Investor--Press/Financial-information/Annual-reports/> [2011-10-25]

Cybercom, 2011. *Annual Report 2010*. Available online: <http://www.cybercom.com/Investor--Press/Financial-information/Annual-reports/> [2011-10-25]

Finansinspektionen, 2011. *General guidelines regarding remuneration policy in insurance undertakings, fund management companies, exchanges, clearing organizations and institutions for the issuance of electronic money*. Available: <http://www.fi.se/Folder-EN/Startpage/Regulations/Regulatory-Code/FFFS-20112/> [2011-11-10]

Sigma, 2011, *About Us*. Available online: <http://www.sigma.se/en/The-Challenge/Company-presentation/> [2011-10-15]

Sigma 2011, *Annual Report 2010*. Available online: <http://www.sigma.se/Global/RapporterPress/Rapporter/> [2011-10-18]

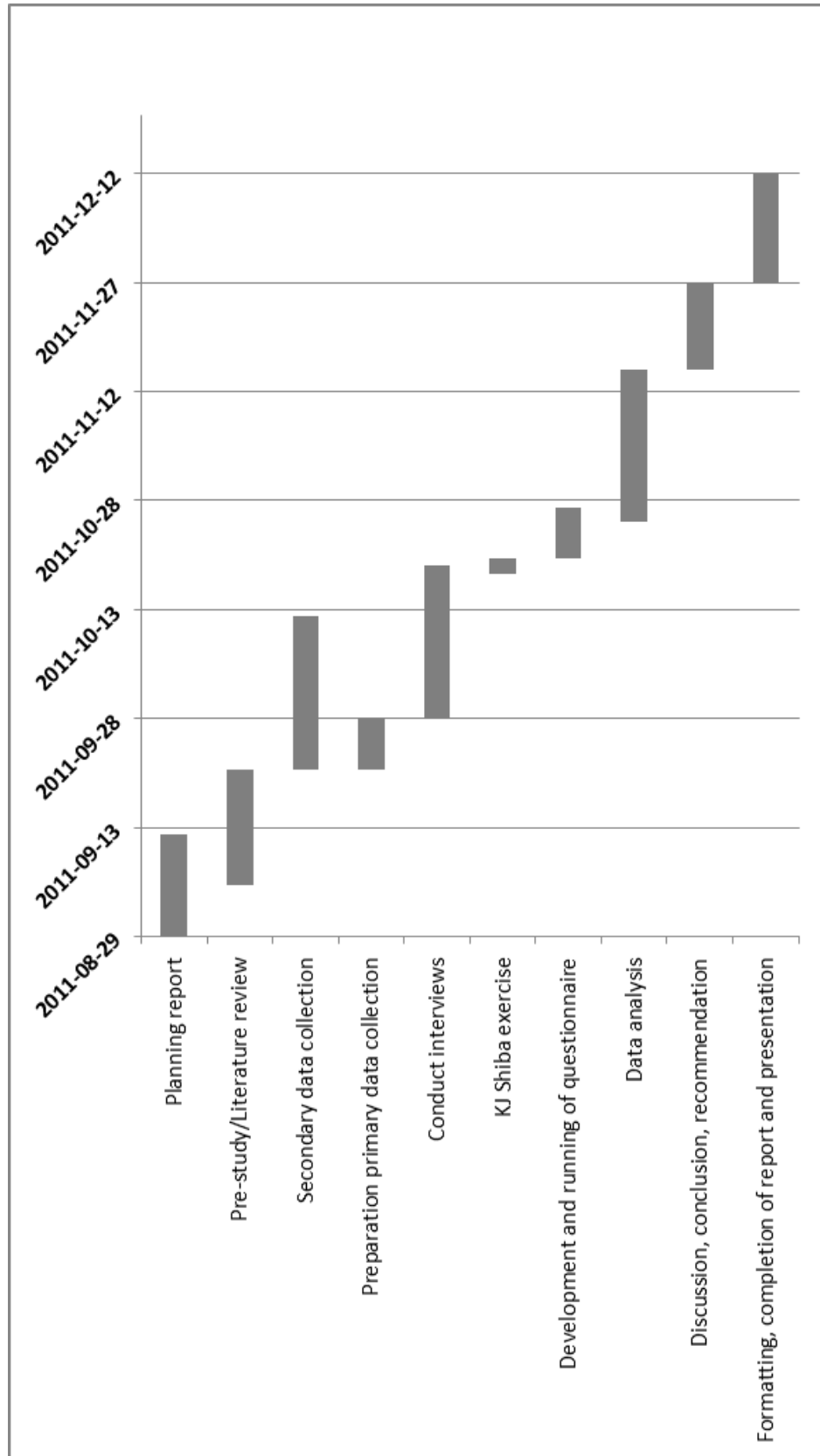
Sigma 2009, *Annual Report 2008*. Available online: <http://www.sigma.se/Global/RapporterPress/Rapporter/> [2011-10-18]

Sigma Kudos, 2011. *What we've done*, Available online: <http://www.sigmakudos.se/what-weve-done/history> [2011-10-15]

- Skandia, 2010. *Remuneration in Skandia*, Available online:
<http://www.skandia.se/hem/Om-Skandia/Om-Skandia/Finansiell-information/>
[2011-10-25]
- Spaeder, K., 2004. *Entrepreneur -10 ways to grow your business*.
Available online: <http://www.entrepreneur.com/article/70660> [2011-09-01]
- TradeDoubler, 2011. *Annual Report 2010*.
Available online: <http://financials.tradedoubler.com/> [2011-10-24]

Appendices

Appendix 1 –Gantt chart



Appendix 2 –Interview templates

Interview template 1: Findwise's board

Resurser

1. Vilka resurser och tillgångar anser du vara viktigast för företaget? (brand, personal, produktion och processer, kunskap, företagskultur, organisationsstruktur)
1. Vilka är viktigast att få med sig vid en expansion?
2. Hur anpassade ni Findwise resurser till den lokala marknaden? (då framförallt i Danmark och Norge)
 - a. Har ni fått med er de viktigaste?
 - b. Har ni fått med er företagskulturen och varumärket?
 - c. Hur för ni över detta till nyanställda?
3. Hur försåg ni er med kunskap om den nya marknaden och dess karaktär? (rekrytering, partners, kultur)
 - a. Hur gör ni detta med marknader som ni planerar att etablera er på?
4. Hur förser ni er med kunskap om nya marknader och deras karaktär? (rekrytering, partners, kultur)
 - a. Hur gör ni detta med marknader som ni planerar att etablera er på?
 - b. Universitetssamarbeten?
5. Vilken etableringsform vill ni använda? (new venture)
 - a. Om new venture inte fungerar, vilka åtgärder kommer då att tas? (acquisition, joint venture, licensing)
6. Har ni funderat på att skicka mer än en person? (för att starta upp)
7. Är det något du i dagsläget vet kommer bli svårt och utmanande? Något redan identifierat problem för expansionen.

Organisation

8. Hur fungerar kommunikation och koordinering med övriga kontor?
9. Hur kommer relationen till huvudorganisationen se ut till en början vid ny expansion? (dela resurser: sälj, produktion, vilka funktioner skulle komma in i vilka skeden, tidskillnaden, vad är planen)

Incitament

1. Nu har vissa personer provision baserat på 3 delar (resultat och omsättning), varför ändra från oms till omsättnings tillväxt?
2. Kommer 80/20 modellen som används för intern fakturering behöva ändras ytterligare? (påverkar provision för både person som säljer och för ”entreprenören” i fall då denne måste köpa in konsulter från annat kontor)
3. Vad tror du kommer att krävas från Findwise sida för att motivera anställda att delta i expansionen?
 - a. Har ni funderat kring ägandeskapet? (bonusar, provision, profit-sharing; relation till huvudorganisationen) Är ni villiga att släppa en del av ägandet?

- b. Vill ni tillämpa samma provisionsmodell som ni har nu? (3 delar)
 - c. Vilka icke-finansiella incitament anser du vara viktiga vid expansion? (promotion, expatriate pay etc.)
- 4. Hur ser kontrakten ut för de som åker utomlands, vilka delar ingår?
 - a. Hur långsiktigt kontrakt skriver ni?
 - b. Är en privat investering ett måste? (Går de in med en personlig insats, risk)
- 5. Hur gör ni skillnad på kompensation mellan länder? (olika prisnivå, olika standard etc.)
- 6. Tror du att det finns tillräckligt med entreprenörer inom företaget för att expansionen ska kunna ske på samma sätt som nu, fast i större utsträckning?
 - a. Alternativ om man ej har entreprenörer inom företaget?

Interview template 2: Employees who will go abroad to start new Findwise units

- 1. Berätta lite om vad du ska göra
- 2. Har du tänkt i dessa banor innan, varit intresserad av att starta upp något från scratch?
- 3. Vilken tidsram handlar det om? Hur länge ska du vara på plats?

Resurser

- 4. Vilka resurser och tillgångar anser du vara viktigast för företaget? (brand, personal, produktion och processer, kunskap, företagskultur, organisationsstruktur)
- 5. Vilka är viktigast att få med sig vid en expansion?
 - a. Har du redan nu tänkt efter vilka delar du känner är väsentliga, som du vill ha med dig? I form av funktioner och support.
- 6. Vilken etableringsform kommer användas? (new venture)
 - a. Om new venture inte fungerar, vilka åtgärder kommer då att tas? (acquisition, joint venture, licensing)
- 7. Vilken roll vill du ha?
 - a. Hur många kommer att arbeta tillsammans med dig?
 - b. Har du identifierat några nyckelpersoner på plats i regionen?
- 8. Hur kommer relationen till huvudorganisationen se ut? (dela resurser, tidskillnaden)
- 9. Är det något du i dagsläget tror kommer bli svårt och utmanande? Något identifierat problem för expansionen.

Incitament

- 10. Vad kommer krävas från Findwise sida för att du ska bli motiverad att delta i expansionen?
 - a. Har du funderat kring ägandeskapet? (bonusar, provision, profit-sharing; relation till huvudorganisationen)

- b. Vilka icke-finansiella incitament tycker du är viktiga? (promotion, expatriate pay etc.)
- 11. Hur kommer kontraktet se ut, vad ingår?
 - a. Hur långsiktigt kontrakt kommer ni skriva?
 - b. Vem har utformat det?
 - c. Går du in med en personlig insats? (risk)
- 12. Finns det tillräckligt med entreprenörer inom företaget för att expansionen ska kunna ske på samma sätt som nu i större utsträckning?
 - a. Alternativ om man ej har entreprenörer inom företaget?

Interview template 3: Employees in financial and administrative roles

- 1. Presentera vad vi gör, vad vi ska kolla på.
- 2. Hur ser Findwise ägandestruktur ut?

Kompensation

- 2. Hur ser kompensationsmodellen ut idag? (Löner, provisioner)
- 3. Ser den olika ut för olika roller? (pay-for-performance, processägare, säljare etc.)
- 4. Hur långsiktig är den, hur långa kontrakt skriver ni?
 - a. Hur ser utvecklingen ut med åren?
- 5. Är det skillnad mellan länder eller används samma kompensation?

Incitament och motivation

- 6. Vad görs med vinsten? Finns det en policy (investeringar, buffert, utdelning etc.)
- 7. Finns det någon incitamentsmodell utöver den vanliga kompensationen? (Bonusar, stock options, profit-sharing)
- 8. Hur distribueras incitamenten? (årligen, efter projekt, par-for-performance)
 - a. Mellan vilka och hur fördelas de?
- 9. Vad är dina tankar kring expansionen och kompensation och incitament?
 - a. Kommer ni kunna utgå från samma modell? Vilka förändringar tror du är nödvändiga? (Expatriate pay)
- 10. Vilka icke-finansiella incitament finns inom företaget?
 - a. Hur bidrar ni till de anställdas personliga utveckling? (promotions)

Resurser

- 11. Vilka av följande resurser och tillgångar anser du vara viktigast för företaget? (brand, personal, produktion och processer, kunskap, företagskultur, organisationsstruktur)
- 12. Vilka är viktigast att få med sig vid en expansion?
- 13. Är det något du i dagsläget tror kommer bli svårt och utmanande för Findwise vid utlansetableringen? Något identifierat problem för expansionen.

Interview template 4: Employees participating in Findwise's previous expansions

1. Presentera vad vi gör, vad vi ska kolla på.
2. Berätta lite om vad du gör inom Findwise
3. Hur länge har du arbetat på Findwise och deltog du i expansionen?

Resurser

14. Vilken roll hade du?
 - a. Hur rekryterades du? (anställd innan, eller just för expansionen)
 - a. Hur många var ni från början? (hur rekryterade de)
 - b. Vilka hade nyckelrollerna?
15. Vilken etableringsform användes? (new venture, acquisition etc.)
 - a. Var det planerat redan innan? (eller visade det sig mest lämpligt under tiden)
16. Hur såg relationen till huvudorganisationen ut i början? (delade resurser, sälj, produktion, vilka funktioner skulle komma in i vilka skeden)
17. Vad var mest utmanande och problematiskt?
18. Vilka resurser och tillgångar anser du vara viktigast för företaget och hur fick ni med er dessa? (brand, personal, produktion och processer, kunskap, företagskultur, organisationsstruktur)
19. Hur anpassade ni Findwise resurser till den lokala marknaden? (då framförallt i Danmark och Norge)
 - a. Har ni fått med er företagskulturen och varumärket?
 - b. Hur för ni över detta till nyanställda?
20. Hur försåg ni er med kunskap om den nya marknaden och dess karaktär? (rekrytering, partners, kultur)

Organisation

21. Hur fungerar kommunikation och koordinering med övriga kontor?

Incitament

22. Vad fanns det för incitament från Findwise sida för er som deltog i expansionen?
 - a. Hade du funderat kring ersättning och kompensation redan innan? (ägarbeslut, bonusar, provision, profit-sharing)
 - b. Fanns det även några icke-finansiella incitament som lockade dig? (promotion, expatriate pay etc.)
23. Hur såg kontraktet ut, vad ingick?
 - a. Hur långsiktigt var kontraktet?
 - b. Vem hade utformat det?
 - c. Gick du in med en personlig insats? (risk)
24. Tror du att det finns tillräckligt med entreprenörer inom företaget för att expansionen ska kunna ske på samma sätt som nu, fast i ännu större utsträckning?
 - a. Alternativ om man ej har entreprenörer inom företaget?

- b. Skulle du kunna tänka dig att göra samma sak igen? (om personen i fråga varit med från början innan)

Interview template 5: External case companies

1. Presentera vad vi gör, vad vi ska kolla på.
2. Berätta om din roll i företaget och vad du arbetar med
3. Hur länge har du arbetat på här och vilka expansioner har du deltagit i?
4. Har företaget en uttalad strategi för hur expansioner ska gå till? (utvärdering vid JV och acquisitions, val av områden, marknader, länder)

Resurser

5. Vilken roll hade du?
 - c. Hur många var ni från början? (hur rekryterade de)
 - d. Hur många hade nyckelrollerna? (svenskar eller lokalbefolkning)
6. Vilken etableringsform användes? (new venture, acquisition etc.)
 - a. Var det planerat redan innan? Hur togs det beslutet? (eller visade det sig mest lämpligt under tiden)
7. Vad var mest utmanande och problematiskt?
8. Vilka resurser och tillgångar anser du vara viktigast för företaget? (brand, personal, produktion och processer, kunskap, företagskultur, organisationsstruktur)
 - a. Hur fick ni med er dessa?
9. Hur anpassade ni era företagsspecifika resurser till den lokala marknaden?
 - a. Har ni fått med er de viktigaste?
10. Hur förser ni er med kunskap om den nya marknaden och dess karaktär? (rekrytering, partners, kultur)
 - a. Universitetssamarbeten?

Organisation

11. Hur såg relationen till huvudorganisationen ut i det tidiga skedet av expansionen? (delade resurser, sälj, produktion, vilka funktioner skulle komma in i vilka skeden)
12. Hur fungerar kommunikation och koordinering med övriga kontor? (dela resurser, tidskillnad)
 - a. Samarbetar ni mycket eller är ni oberoende?
 - b. Hierarki, matris, platt osv. Vilken typ av organisation och befogenheter har de olika enheterna?
13. Har det skett någon omorganisering eller omstrukturering i företaget?
14. Personalen på plats på den nya marknaden, är det lokal personal eller personal som förflyttats från sverige?

Incitament

15. Hur ser er kompensationsmodell ut? Finns en standardmodell som används i alla regioner?
 - a. Uppmanar denna att delta vid en expansion och att bli förflyttad?
16. Vad fanns det för incitament från företagets sida för er som deltog/deltar i expansionen?
 - c. Hade du funderat kring ersättning och kompensation redan innan?
(ägarbeslut, bonusar, provision, profit-sharing)
 - d. Fanns det även några icke-finansiella incitament som lockade dig?
(promotion, expatriate pay etc.)
17. Från dina erfarenheter, vilka incitament är mest nödvändiga för att du ska upprepa samma process igen?
18. (Är du intresserad av att som entreprenör åka utomlands och starta upp något från scratch?)

Appendix 3 –List of interviewees

Findwise	Position	Template	Place	Date
Bengt Rodung	Management	1	Gothenburg	19 October 2011
Urban Hedström	Management	1	Gothenburg	17 October 2011
Helge Legernes	Management	1	Telephone	21 October 2011
Erik Brunnegård	Sales	4	Copenhagen	25 October 2011
Sean Bronée	Production manager	4	Copenhagen	28 October 2011
Christian Ubbesen	Talent management	2+4	Stockholm	14 October 2011
Mickel Grönroos	Production manager	3+4	Stockholm	14 October 2011
Mattias Brunnert	Consultant	2+4	Gothenburg	29 September 2011
Mohammad Shadab	Consultant + sales	2	Gothenburg	14 September 2011
Ludvig Johansson	IT, Business Services		Gothenburg	24 October 2011
Linda Eklöf	Finance & admin.	3	Gothenburg	29 September 2011
KJ Shiba exercise	Position		Place	Date
Daniel Johansson	Consultant+ Talent management		Gothenburg	11 October 2011
Karl Johansson	Consultant		Gothenburg	11 October 2011
Sture Svensson	Consultant		Gothenburg	11 October 2011
Andreas Franzon	Consultant		Gothenburg	11 October 2011
Joel Westberg	Consultant+ Innovation process		Stockholm	13 October 2011
Mats Rydsbo	Sales		Stockholm	13 October 2011
Håkan Kjellman	Consultant + project leader		Stockholm	13 October 2011
Anders Rask	Consultant		Stockholm	13 October 2011
Cases	Position		Place	Date
<i>Sigma Kodus:</i>	Manager Global	5	Gothenburg	10 October 2011
Fredrik Wenneberg	Projects and Asia	5		
<i>Cybercom:</i>	Business Area	5	Gothenburg	10 October 2011
Johan Wallin	Director (former Vice President)			
<i>TradeDoubler:</i>	Vice President	5	Stockholm	13 October 2011
Nils Lindhe	Strategy & Operational Excellence			

Appendix 4 –Main elements of the KJ Shiba method

1. Define and redefine the question
2. Answer the question individually on post-it notes
 - Write down ideas and opinions
 - One idea per note
 - Write clearly!
 - Full sentences
 - Use "language of reports", not affective language
3. Discuss the meaning of each note
 - All participants read their notes out loud
 - All notes should be understood unambiguously by all members of the group
 - If ambiguous formulation, discuss, rephrase and rewrite the note until all participants understand
 - It does not matter if everybody agrees with the note or not, the important aspect is that all understand what is meant by the
4. Group and classify notes
 - Notes that belong together are grouped
 - Maximum 3 notes per group
 - Grouping entails abstract reasoning and creative thinking
 - All participants should be active, no individual decides on the correct grouping
 - Any participant can move notes that others put together
 - Notes that do not fit with any other notes are so called "lonely wolves" and are left alone
 - Do not aggregate too much – avoid too abstract groupings
 - An appropriate number of groups is around 4-6 exclusive the "lonely wolves"
 - If more, go for a 2nd round of groupings
5. Naming of groups
 - The participants name the different groups appropriately
 - Do not name the notes on a too abstract level
6. Identify relations among groups
 - One group or lonely wolf depends on some other group or lonely wolf
 - The participants draw arrows between the groups to show their dependence
7. Voting and ranking
 - After grouping, naming and identifying relations, the participants votes on the relative importance of the groups
 - Every participant have 6 points to distribute, chose the three most important groups and/or lonely wolves

- 3 points for the most important, 2 points for the 2nd most important, 1 point for the 3rd most important
 - Do not deviate from this voting procedure as someone may put all markers in one place and “kidnap” the result
8. Synthesize the result
- The participants together write one sentence, that describes what they have found

Appendix 5 –Results from the KJ Shiba workshops

KJ Shiba –Göteborg 11 oktober

Sammanfattande mening:

Grundpelare för expansionintresse är motivation genom belöning för lyckad expansion och personlig utveckling, detta möjliggörs av trygg, social och ekonomisk grund.

Prioritering:

#1. Provision (9 poäng)

#2. Praktikaliteter och Personlig utveckling (7 poäng vardera)

#3. Trygghet att misslyckas (1 poäng)

Grupp 1 –Grund lön

- Lön bör inte vara lägre än nuvarande lön plus landets traktamente
- Lön anpassad efter kostnad på ny plats, om plats har högre kostnad än tidigare (högre levnadsomkostnader)

Grupp 2 –”Lonely wolf”

- Expandera till platser med intressanta kulturer och marknader

Grupp 3–Praktikaliteter

- Understöd för att familj eller ensamstående skall kunna leva på det nya stället (boende, byråkrati, resekostnader)
- Möjlighet att ta med respektive/familj (hjälpa till att hitta boende, jobb etc.
- Hjälp med förvaltning av hemma-lägenheten
- Stöd med praktiska detaljer, göra det lätt att flytta till ett annat land (boende etc.)
- Hjälp att hitta boende (samt andra praktisk detaljer)

Grupp 4 –Provision

- Deläggande genom aktieinnehav
- Möjlighet till större delägarskap i nya kontoret/bolaget
- Kompensation med avseende på enhet man startar i form av ägandeprocent. Framgång mäts enligt Findwise mått för framgång.
- Kompensation med avseende på enhet man startar i form av procent av vinst. Framgång mäts enligt Findwise mått för framgång.
- Möjlighet att tjäna mer pengar och direkt få effekt av sina eller det nya kontorets framsteg, dvs provision.
- Högre lön relaterat till framgång för expansionskontoret
- Utrymme att tjäna bra om man jobbar bra

Grupp 5 – "Lonely wolf"

- En trygghet för misslyckande. Om expansionen misslyckas ska man ha möjlighet att gå tillbaka till tidigare uppgifter och jobb.

Grupp 6 – Personlig utveckling

- Tydligare fokus på sälj (man ska ha en uttalad uppgift, och inte behöva göra allt som har med marknadsbearbetningen att göra)
- Utveckla sina ledaregenskaper
- Möjlighet till annan roll en vad som är möjligt vid sitt nuvarande kontor

Grupp 7 – Frihet och ansvar

- Mer utrymme för personlig utveckling och självständighet
- Själv välja nivå av töd och frihet från Findwise (befogenhet att ta egensinniga och ibland även kontroversiella beslut)

Relationer:

- Provision gör att man utvecklas.
- Provision ger ansvar som ger utveckling
- Grundlön ger trygghet
- Intressant kultur ger personlig utveckling
- Anpassad grundlön gör att man kan åka till ställen som man tycker är intressanta
- Trygghet att misslyckas ger frihet
- Praktiska aspekter ger trygghet

Kommentarer:

Ett bra sätt att dela in incitmenten är att de påverkar följande olika parametrar: vilja, kunna, våga.

Vilja: Provision, frihet och ansvar, personlig utveckling, expnadera till intressanta platser

Kunna: Grund lön, praktikaliteter

Våga: Trygghet att misslyckas

KJ Shiba Stockholm – 13 oktober

Sammanfattande mening:

Viktigt att få det stöd man behöver samt kompensation for den risk man tar. Dock svårt att enas om prioritering då olika personer värderar olika saker högt.

Prioritering:

#1 Ägandeskap (delägare av enhet) (6p)

#2 Kompensation på plats / Personlig utveckling (4p vardera)

#3 Onboard hjälp / Attraktiv geografisk plats (3p) vardera

Grupp 1 – Onboard hjälp

- Ekonomiskt flyttstöd för partner/familj
- Hjälp i form av städ, barnpassning (då man jobbar mkt under uppstart)
- Få stöd av Findwise att lösa boendesituationen på nya platsen

Grupp 2 – Kompensationspaket på plats

- Svenskt pensionsavtal/avsättning
- Lön
- Kompensation för den övertid man behöver lägga ner då man startar ett nytt kontor
- Fria hemresor, kostnadsfria resor hem några gånger per år

Grupp 3 – Personlig utveckling

- Lära sig något nytt, personlig utveckling (utbildning inom ny områden när nödvändigt)
- Möjlighet att räkna språkundervisning som arbetstid
- Ökat ansvar i ny roll

Grupp 4 – Sammanhållning

- Någon tydlig roll i företaget som helhet, ex. Ledningsgrupp/styrelse, för delaktighet i strategiska beslut (icke-lokala)
- Bygga en stark företagskultur och nätverk mellan kontoren/kontorscheferna.

Grupp 5 – “Lonley wolf”

- Geografi-perks, attraktiv plats, tex. värme

Grupp 6 – Stöd i arbete

- Möjlighet att ta med någon bundsförvant inom bolaget
- Kollegor/stöd (kompisar)
- Möjlighet att välja ut ett team av personer som man vill ha med sig
- Senior Coach som mentor
- Möjlighet att ta hjälp av ledande personer inom företaget vid behov
- Incitamenten ska delas av svensk/gammal findwisare och en local resurs (marknadschef, person med local kännedom)

Grupp 7 – Bonus

- Finansiella incitament baserade på KPIer så som: resultat, omsättning, kostnad/förbrukat capital, # medarbetare, mjuka/subjektiva bedömningar
- Provision/bonus på omsättning av nya kontoret
- Avstämning av incitament både kortsiktigt och långsiktigt (dvs. I flera etapper). Framför allt långsiktigt (golden hand cuffs)

Grupp 8 – Ägarskap

- Franchising med rätt för Findwise att köpa loss verksamheten utifrån fördefinierade parametrar.
- Delägarskap av nytt utländskt bolag tillsammans med findwise (SE)
- Optionsprogram i Findwise AB.

Relationer:

- Bonus, ägandeskap och kompensations på plats är relaterade till varandra. Då nivån på den ena påverkar de andra osv.
- Stöd i arbete och sammanhållning påverkar också varandra då det ena genererar det andra.
- Stöd i arbete ger och personlig utveckling. Tex stödprocesser såsom utbildningar så att personen kan lyckas göra ett bra jobb.

Kommentarer:

“Alla delar viktiga, men vissa blir mer viktiga beroende på personen och den situation denne är i. En person som är ung och nyexad är ofta mer riskbenägen än en person som har fru och familj med tre barn. Man kommer alltså att behöva olika modeller för olika personer, därför krävs en flexibel kompensationsmodell.”

“Olika platser kräver olika mkt incitament. Lättare att få folka att åka till Hongkong än Minsk.”

Den individuella drivkraften är också viktigt, folk måste ha viljan att åka. Drivkraften gör att visa incitament inte blir lika viktiga. Måste därför veta vad varje persons syfte med resan är.

“Tror att det finns folk som vill åka på stockholmskontoret men som inte uttalat det, kanske beroende på kultur (tar inte för sig) eller att man inte vet vem man ska gå till.” Stöd från ledning och arbetskamrater viktigt här i Stockholm. En anledning varför den kanske inte nämdes så mycket i Göteborg kan vara för att de anställda alltid varit nära ledningen där vilket gör att de tar stöd och support för givet.

Våga: Stöd i arbete

Vilja: Personlig utveckling, sammanhållning, attraktiv plats, bonus, ägandeskap och kompensation

Kunna: Onboard hjälp, bonus, ägandeskap och kompensation (också på vilja)

Appendix 6 –Pre-study for selecting internal cases

Sigma Kudos

What

Sigma carries out operations within the two business areas, Information Logistics and IT & Management. Information logistics is the shared name for their technical information and information management services. The business concept includes the whole of 'information logistics', and end-to-end service covering the lifecycle of the information.

IT & Management offers several services and can be grouped into three main areas: systems development, business systems and management services. They work on getting people, business processes and information to work together. The company analyze your position and suggest the system support that best supplements earlier systems, for both business and finance.

Where

Sigma is growing both organically and through acquisitions. The company was founded in 1986 and it established its first office abroad in 1996 in Denmark. Soon after this, it further establishes itself in Poland, Ireland, Norway, Italy and Switzerland. Today the Sigma Group consists of 1,300 committed and skilled employees in nine countries.

Cybercom

What

Cybercom is a consultancy that is focused on advanced IT and telecom solutions. Its core business covers a broad range of services including Internet and Mobile services as well as security, embedded systems and telecom management.

Where

The Cybercom company was founded in 1995 in Sweden. The company has from its start grown dynamically both through organic growth and through acquisitions of other businesses that has been located in strategically important places around the world. The Cybercom Group currently consists of 26 offices in Europe, Asia and the Middle East, offering employment to more than 1800 people.

Know IT

What

The business goal of Know IT is to, deliver the IT-expertise of a large company with the soul of a small company and the commitment of the individual consultant. Know IT's offerings can be divided into 3 main service areas: Strategic consultancy, application management and systems development.

How

Entrepreneurial culture among employees, Know IT's decentralized organization allows each company to develop its business based on local market conditions. With clear goals and incentives for profitability and growth, they pave the way for the success of

employees who work close to clients and in this way cultivate a culture of entrepreneurship.

Where

Know IT's strategy is to run operations geographical close to their customers which has meant that they today have local offices in Sweden, Finland, Estonia, Finland, Norway and Russia. Know IT strategy is to primarily grown in the Nordic region. However, if their clients ask for Know IT's expertise and delivery capacity in other markets, the company may establish a local presence to meet such demands. Know IT's acquisition model is based on identifying companies that are active in markets where Know IT are not presence or companies that have specialized expertise that Know IT lack. The common denominator is that the acquired companies should have a culture and operation that fit Know IT current profile.

Comperio

What

Comperio is a search solutions company and it is a spun-out of FAST Search & Transfer as a specialist consulting company. Comperio's search specialist knowledge, matched with broader competencies positions Comperio to undertake end-to-end offerings covering new site solutions, portals, intranet solutions, extranets and more. A common denominator for their offerings is their ability to leverage search to create engaging user experiences. Microsoft is Comperio's global alliance partner and they are therefore especially recognized for their profound expertise on FAST and SharePoint.

How

Comperio's success in the market is delivered by a tight team with a strong team-spirit. The company nurture a friendly co-operation among the employees that is based on the core values, openness and integrity fueled by creativity and a genuine curiosity for innovations. Clarity and consistency of the core values are shaped through the simple, yet easily understood rule - *Do As You Say You Will*.

Where

Comperio has offices in Oslo, Stavanger, Stockholm, London, Boston and Singapore, from which they help businesses worldwide in finding the information they need to serve themselves and their customers well. Comperio was started in 2004 and has since then performed more than 150 projects for many of the biggest private and public organizations in Norway and abroad.

Prodata Consult

What

ProData Consult is an IT consultancy company that benefits from an extensive Scandinavian and global network consisting of several thousand expert IT consultants, each of whom have demonstrated their worth in numerous successful IT projects. ProData Consult provides expert IT consultancy services to companies across Europe and its core business is Expert IT Consultancy Services within the fields of Business Management, Project Management and Technical Assistance.

Where

ProData Consult has access to more than 4000 IT consultants in Denmark, Sweden and Norway alone (headquartered in Copenhagen), and access to over 10,000 across Europe (presence in Germany, Bulgaria, Ireland, Poland, Romania, Ukraine and Hungary).

TradeDoubler

What

TradeDoubler is an international performance-based digital marketing company. They offer an integrated digital marketing portfolio containing, Affiliate marketing, Display and performance-based online campaigns, Search management and Technology to manage your entire cross-media and search marketing activities.

Where

The business was founded in Sweden in 1999 and has successfully expanded during the past 11 years. Today the company has 525 employees working in local offices across 18 markets in Europe. This broad coverage of the European market has created a unique advantage of international digital marketing knowledge united with in-depth local country expertise.

HiQ

What

HiQ är ett IT- och managementkonsultbolag som är specialiserat på kommunikation, mjukvaruutveckling och affärskritisk IT. Vi vill göra livet enklare för människor och hjälpa våra kunder att förbättra och förenkla sina verksamheter. Med nordiskt hjärta och som renodlat konsultbolag behärskar vi tekniken och hur våra kunder tjänar pengar på den.

How

Vi är ett specialiserat konsultföretag med hög kompetens inom kommunikation, mjukvaruutveckling och affärskritisk IT. Vi har en stark position inom telekom där vi arbetar med leverantörer, operatörer och användare. Kompetensen som ursprungligen kommer härifrån överförs vi till våra kunder i alla andra branscher. På HiQ är vi skickliga på teknik och teknikens roll i verksamheten. Genom förståelse för våra kunders affär kan vi tillföra kompetens om hur teknik kan förbättra konkurrenskraften.

Precis som vårt namn antyder är hög kvalitet det fundament vi bygger HiQ på. Om vi levererar kvalitet får vi nöjda kunder, vilket gör oss lönsamma, vilket i sin tur ger oss möjlighet att växa. Vi prioriterar kvalitet, lönsamhet och tillväxt, i den ordningen. En strategi som visat sig helt rätt för oss då vi sedan starten har haft en genomsnittlig rörelsemarginal på 15,4 procent och en genomsnittlig tillväxt på 24 procent.

Vår tillväxtstrategi är att växa organiskt kompletterat med strategiska förvärv. HiQs förvärvsstrategi är att stärka företaget geografiskt genom att utöka den nordiska närvaron och förvärva bolag som tillför ny kompetens inom HiQs kärnaffär. Förvärven stärker oss med nya kunder och nya marknadssegment. Vår modell för organisk tillväxt är att utveckla verksamheten och rekrytera lokalt på varje kontor.

Vi är ett renodlat konsultföretag och agerar som oberoende rådgivare med kundens bästa för ögonen. Vi utvecklar inte egna produkter som konkurrerar med våra kunders, utan tillför 100 procent av vår kompetens till våra kunder. Detta utan affärsmässiga bindningar till varken leverantörer, produkter eller teknik.

Where

HiQ är i grunden ett nordiskt konsultföretag och är väl positionerat i regionen. Andelen internationella kunder växer sig allt starkare när vi ökar antalet affärer hos utomnordiska företag och nordiska kunder med uppdrag utomlands.

HiQs operativa verksamhet drivs genom våra olika dotterbolag. Vi finns på olika platser i Norden och Östeuropa - från Öresund i söder till Stockholm och Helsingfors samt i Moskva i öst. Från våra kontor i Sverige, Finland, Danmark och Ryssland erbjuder vi specialiserade tjänster inom kommunikation, mjukvaruutveckling och affärskritisk IT.

Tieto

What

Tieto är det ledande IT-tjänstföretaget i norra Europa och erbjuder IT- och produktutvecklingstjänster. Våra specialiserade IT-lösningar och tjänster ger, tillsammans med en stark plattform av tekniska lösningar, en konkret affärsnytta för våra lokala och globala kunder. Våra specialanpassade IT-lösningar och expertis inom digitala tjänster ger våra lokala och globala kunder tydliga affärsfördelar – hög effektivitet och oöverträffad kvalitet på tjänster.

How

Vi arbetar nära våra kunder, förstår deras unika behov och är en betrodd partner i transformationer. Med cirka 18 000 specialister är vårt mål att bli en ledande integratör av tjänster och därmed skapa den bästa tjänsteupplevelsen inom IT. Vi arbetar för en ökad marknadsandel i Sverige. Ryssland ger tillväxtmöjligheter på lång sikt.

Where

Finlands Tieto Corporation och Sveriges Enator AB (publ) gick samman den 7 juli 1999. Den 26 mars 2009 bytte företaget namn till Tieto Corporation. Tieto startade sin verksamhet 1968 som Tietotehdas Oy i Esbo, Finland. Vår målsättning är att bli marknadsledande inom IT-tjänster i nordöstra Europa. Våra huvudmarknader är Norden, Ryssland och Polen. Dessutom tillgodoser vi våra kunder globalt med vår specialistkompetens och vi har även branschspecifik verksamhet i utvalda länder. Vi är noterade på NASDAQ OMX-börsen i Helsingfors och Stockholm.

DO YOU WANT TO GO ABROAD?

As many of you know there is a master thesis project going on at Findwise where we, Emma and Elisabeth, are examining different expansion strategies. That is, how Findwise can establish its business in new geographical markets. Our primary focus is how company-specific factors, such as resources and processes, should be used when establishing new offices and what incentives that should be offered to employees participating in the expansion.

Much data has already been collected from Findwise and we are grateful for all the valuable input you have contributed with.

We are now going into the next phase of our thesis and would like to get a better picture of the employees' interest in Findwise growth and the expansion that is lying ahead. To be able to deliver a good recommendation on how to perform Findwise future expansion we need your help.

We want to know which of you who are interested in going abroad to participate in the establishment of a new Findwise unit?

The reason for this question is first to identify people that are interested in going abroad and second to have a dialogue with these people about incentives and resources during such as an expansion.

We would therefore like you who are interested in going abroad and participate in Findwise international expansion to send a notification of interest to:

berglune@student.chalmers.se

Register your interest to us no later than **October 26** and you can also in the email indicate if you are interested in going to any particular region.

Thank you in advance!
Emma & Elisabeth



Questionnaire 2

1. Please state your name:

2. For how long are you willing to live abroad and participate in the establishment of a new Findwise office?

- ☐ Up to 6 months
- ☐ For 6-12 months
- ☐ For 1-3 years (or longer)
- ☐ All of above
- ☐ Other (please specify)

3. What role are you interested in taking when participating in the establishment of a new Findwise office?

- ☐ Person being responsible for the establishment, first person at the new location
- ☐ Support person, backing up the person who have the main responsibility for the new establishment
- ☐ Other (please specify)

4. What activity do you prefer to perform when participating in the establishment of a new office?

- ☐ Sales activities
- ☐ Technical and production activities
- ☐ Administrative activities
- ☐ All of above
- ☐ Other (please specify)

Appendix 8 – The seven incentive models

Non-financial incentives

All seven incentive models should be combined with non-financial incentives. The non-financial incentives that should exist are the same as the ones that today exist in Findwise as well as some of the incentives identified in the workshops.

- Free coffee in the office
- Fruit
- Breakfast at the office
- Monthly meetings including dinner or special event
- Kick-offs
- Wellness reimbursements and massage
- Increased responsibility in a new role
- Language education
- Coaching from the board or a person in the parent company
- Resource support from other offices; not give a new unit low priority
- A security for failure; if the expansion does not succeed the employee should have the possibility to return to old position or work

The incentive models

1

Less than six month and a sales role

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)

Variable part

- Commision
 - Based on the unit's revenue

2

Less than six months and a role as a consultant

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)
 - The employee should not lose financially but not necessarily earn more than at the home unit

More than six months, a person hired externally, having sales role & the main responsibility

Phase 1

Fixed part

- Base salary
 - Market oriented and competitive in the market if the person needs to be attracted by financial incentives
 - If the external person him- or herself approaches Findwise a lower base salary can be offered

Variable part

- Commission
 - Based on the unit's revenue
 - This part will not give much compensation as the revenue will be rather low in the beginning. Instead this part should emphasize the importance of sales activities

Phase 2

Fixed part

- Base salary
 - Market oriented and competitive in the market if the person needs to be attracted by financial incentives
 - If the external person him- or herself approaches Findwise a lower base salary can be offered

Variable part

- Commission
 - Based on the unit's revenue
 - Cap that is predefined (the study shows that the current cap works fine in Findwise but compared to external companies it is higher, could hence be decreased)
- Ownership
 - After a company is started locally the employee gets the opportunity to buy him- or herself into the company
 - The number of shares or percent of the company that the employee can buy should be decided in beforehand as well as the timing of the purchase
 - The number of shares that the employee will be able to buy depends on; the employee's possibility to make a personal investment, and how many employees that the rest of the unit ownership should be divided among
 - The minimum amount of shares should be 10 % of the total unit, in order for the ownership to act as an incentive
 - The employee must sell his or her part if leaving Findwise

4

More than six month, a person hired externally, being project responsible & having the main responsibility

Phase 1

Fixed part

- Base salary
 - Market oriented and competitive in the market if the person needs to be attracted by financial incentives
 - If the external person him- or herself approaches Findwise a lower base salary can be offered

Phase 2

Fixed part

- Base salary
 - Market oriented and competitive in the market if the person needs to be attracted by financial incentives
 - If the external person him- or herself approaches Findwise a lower base salary can be offered

Variable part

- Commission
 - Based on Findwise result and the unit's result
 - Cap that is predefined (the study shows that the current cap works fine in Findwise but compared to external companies it is higher, could hence be decreased)
- Ownership
 - After a company is started locally the employee gets the opportunity to buy him- or herself into the company
 - The number of shares or percent of the company that the employee can buy should be decided in beforehand as well as the timing of the purchase
 - The number of shares that the employee will be able to buy depends on; the employee's possibility to make a personal investment, and how many employees that the rest of the unit ownership should be divided among
 - The minimum amount of shares should be 10 % of the total unit, in order for the ownership to act as an incentive
 - The employee must sell his or her part if leaving Findwise

5

More than six month, an internal employee having sales role & main responsibility

Phase 1

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)
 - The employee should be willing to accept a lower salary in the beginning as the compensation will increase in the long run (phase 2)

Variable part

- Commission
 - Based on the unit's revenue
 - This part will not give much compensation as the revenue will be rather low in the beginning. Instead this part should emphasize the importance of sales activities

Phase 2

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)

Variable part

- Commission
 - Based on the unit's revenue
 - Cap that is predefined (the study shows that the current cap works fine in Findwise but compared to external companies it is higher, could hence be decreased)
- Ownership
 - After a company is started locally the employee gets the opportunity to buy him- or herself into the company
 - The number of shares or percent of the company that the employee can buy should be decided in beforehand as well as the timing of the purchase
 - A senior employee should be able to buy a larger share than a junior employee
 - The number of shares that the employee will be able to buy depends on; the size of the ownership he or she had before, the employee's possibility to make a personal investment, and how many employees that the rest of the unit ownership should be divided among
 - The minimum amount of shares should be 10 % of the total unit, in order for the ownership to act as an incentive
 - The employee must sell his or her part if leaving Findwise

6

More than six month, an internal employee having less responsibility & enters the unit as "person number two" (secondary role)

Phase 1

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)

Phase 2

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)

Variable

- Ownership
 - The employee will be given the opportunity to buy him- or herself into the company after two years of employment
 - Same stock option program as Findwise offer today to their current employees, including the same amount of shares and exit conditions

7

More than six month, an internal employee, being project responsible having the main responsibility

Phase 1

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)
 - The employee should be willing to accept a lower salary in the beginning as the compensation will increase in the long run (phase 2)

Phase 2

Fixed part

- Base salary
 - Based on the level of salary that the employee had before (where experience and responsibilities already are considered)
 - Should be adjusted to the country's price levels (price-index)

Variable part

- Commission
 - Based on Findwise result and the unit's result
 - Cap that is predefined (the study shows that the current cap works fine in Findwise but compared to external companies it is higher, could hence be decreased)
- Ownership
 - After a company is started locally the employee gets the opportunity to buy him- or herself into the company
 - The number of shares or percent of the company that the employee can buy should be decided in beforehand as well as the timing of the purchase
 - A senior employee should be able to buy a larger share than a junior employee
 - The number of shares that the employee will be able to buy depends on; the size of the ownership he or she had before, the employee's possibility to make

a personal investment, and how many employees that the rest of the unit ownership should be divided among

- The minimum amount of shares should be 10 % of the total unit, in order for the ownership to act as an incentive
- The employee must sell his or her part if leaving Findwise

Practical support

During the workshops several desired practicalities were identified and are presented in the list below.

- Education or day care center expenses for children
- Support the move and cover expenses related to the relocation
- An increase in base salary if the husband/wife is not allowed to work in the new country. The family should be able to live on one salary. It should cover housing, bureaucratic expenses, travel to the home country, and cleaning
- If an employee wants increased base salary that should be on behalf of the variable part which in turn decreases.