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INTERNATIONALIZATION OF IT CONSULTANCY FIRM - A STRATEGY-DRIVEN  
APPROACH

Master Thesis

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Tartu 2023

Name and signature of supervisor .....

I have written this master's thesis independently. Any ideas or data taken from other authors or sources have been fully referenced.

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(signature of the author and date)

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### **Abstract**

Internationalization offers advantages such as increased customers, revenues, and credibility; however, it also presents challenges such as growth potential competence, and social and cultural factors. To gain a competitive advantage and remain relevant to its customers, who are nowadays growing rapidly in the IT industry, IT consultancy firms must enhance the performance of their resources and capabilities.

In light of this, IT consultancy firms can grow with their customers and expand beyond borders. However, if sustained competitive advantage for internationalization is based on a firm's resources and capabilities, where is the space for innovation and creative thinking?

In this context, this research explores how IT consultancy firms can derive strategies to support its internationalization goal based on the firm's capabilities and resources. By crafting effective strategies, IT consultancy firms can adequately prepare for unpredictable events and complex challenges.

This study makes the case that firms should focus on developing effective expansion strategies that make the most of their resources and capabilities rather than predicting how a firm's ability would affect its decision to go global in the future. The information analyzed for this study supports the idea that strategy drives internationalization.

Keywords: Internationalization, strategy, competitive advantage, growth potential, resources, capabilities, performance

## **Introduction**

The rapid evolution of the global marketplace has driven IT consultancy firms to evaluate their resources, capabilities constantly, given the environment in which they exist is highly competitive. While IT consultancy strives to meet the industry's needs mentioned above, its customers continue to grow and expand globally; IT consultancy needs to grow symmetrically with its customers.

The resource-based view is a widely used theory that helps firms understand their competitive position by developing strategies to leverage their capabilities and assets. (Barney, 1991; Porter, 1980; Kamasak, 2017) However, the extent to which firms can create such robust strategies based on their capabilities to support internationalization goals still needs to be explored.

IT consultancy firms as service firms rely on their resources and capabilities and play a crucial role in supporting the digital transformation of large, medium, and small enterprises, thus contributing to the technological advancement of society. In this light, this research aims to explore how IT consultancy firms can derive strategies to support their internationalization goal based on the firm's capabilities and resources.

Since the strategies to be built are based on their resources and capabilities, this study subdivides this aim mentioned above into two parts: a) Identify most possible scenarios in the IT industry relevant to a firm and b) use the developed scenarios to build alternative strategies to support the internationalization goals of the firm.

Collis & Montgomery (2008) suggests that a firm's resources and capabilities can provide a sustainable competitive advantage over time. As enterprises provide products and services and achieve efficiency, optimizing their resources is highly prioritized, rendering the need to outsource or partner with domain-specific consultancies or third-party service vendors. (Christensen et al., 2016)

The need to implement and maintain its digital systems and IT infrastructure becomes a critical and dynamic process, which often relies on an IT consultancy firm's acumen, technical advice, and experience.

To achieve the research aim, the following tasks will be undertaken:

- Identify and explore the determinants of internationalization, specifically in the context of IT consultancy firms.
- Investigate how firms leverage their capabilities and resources to internationalize.
- Integrating drivers of internationalization with a firm's capacities to identify potential internationalization capabilities.
- And finally, craft strategies that drive the internationalization decision of the firm.

This research is structured into three main sections: 1) A review of literature that discusses the factors influencing internationalization, the resources and capabilities of a firm, internationalization models, and lastly, synergy of a firm's capability with innovation. 2) The data and methodology section outlining the data collection and the research methodology employed. 3) The result section delves into the motivations that drive a firm to go global, taking into consideration their resources and capabilities. How these drivers shape the choice of internationalization model and, lastly, yet importantly, crafting strategies based on developed scenarios.

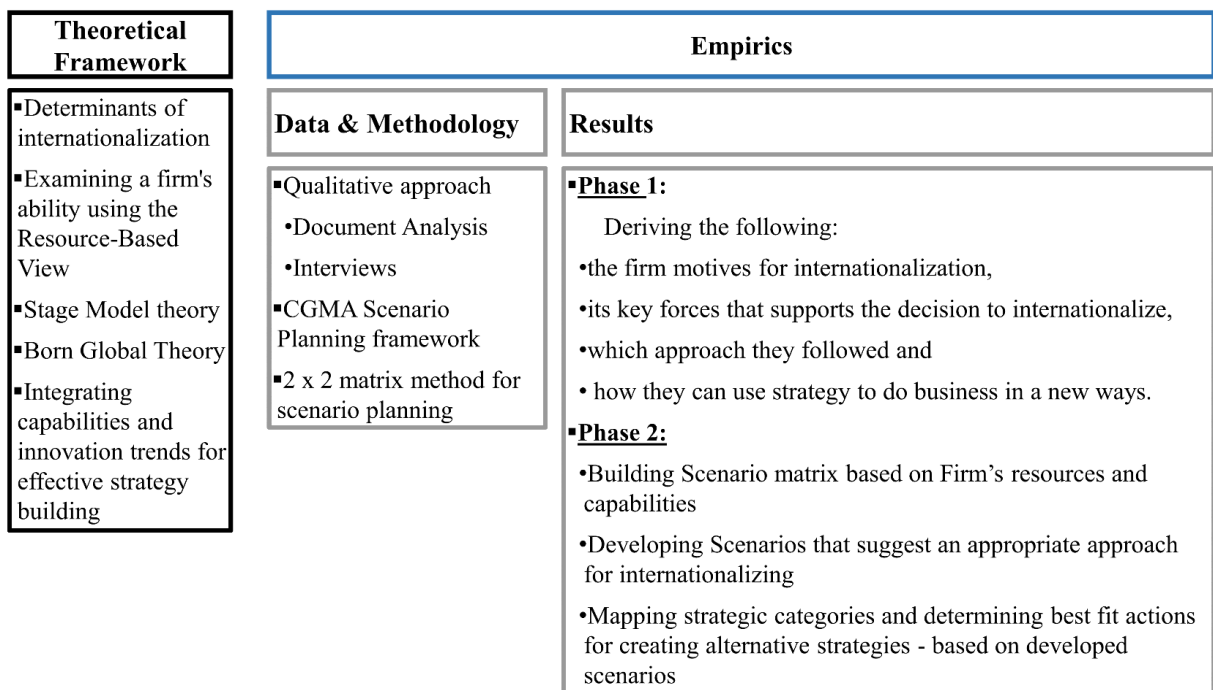


Figure 1: Research Agenda

Source: Compiled by author.

## **1. Theoretical Background**

The growing demands in the IT industry have made IT consulting firms essential service providers, offering expertise and advice to businesses. As customer needs evolve and supporting infrastructures become more sophisticated, IT consultancies must stay relevant, and as such, the need to internationalize becomes necessary.

The internationalization models, such as the Uppsala model, resource-based view, or born global theory, among many, provide a perspective concerning the model of internationalization to follow. While the model of internationalization is a crucial factor to consider, other crucial preliminary components to this decision can help shape the internationalization process.

Several factors, both firm-specific and industry related, influence the internationalization process of an IT consulting firm. For instance, firm-specific factors such as the firm's size, international experience, technological capabilities, and organizational culture, and industry-related factors such as competition, partnerships, and alliances.

One of these aspects, competition within an industry, has been a major influencing factor that motivates firms to access new markets through internationalization. (Dunning, 1993; Benito, 2015) Hence, firms seeking a competitive advantage through internationalization should stay alert for driving forces or determinants for internationalization.

While these theories, such as the Uppsala model theory, network theory, resource-based theory, born global theory, and the eclectic paradigm among many, provide a perspective about the internationalization approach, a coherent research framework that supports these theories can be rooted in the theory of the growth of the firm by Penrose, (1959) which can be a fundamental theory that serves as a unifying thread for internationalization theories.

Penrose's (1959) theory of firm growth relates to internationalization, emphasizing acquiring and utilizing resources for growth and competitiveness. On the other hand, the resource-based view underscores the significance of internal capabilities and competitive advantages for sustainable growth, encompassing tangible and intangible assets such as knowledge and reputation. (Benito, 2015)

Similarly, the Uppsala model of internationalization emphasizes the importance of firm-specific advantages, such as ownership advantages, knowledge, and innovation, in achieving success in foreign markets. (Johanson & Vahlne, 1977)

These theories suggest that firms can leverage their internal capabilities and resources to gain competitive advantages in foreign markets and achieve international growth and success but the approach taken can vary immensely.

### **1.1 Determinants of Internationalization**

To begin with, factors that affect the decision to internationalize, profitability is a fundamental reason or determinant for a firm's existence and, subsequently, a reason to internationalize. However, while this reason is generally vital, other motives drive this need. These motives can be determinants that serve as factors that contribute to or influence the decision of firms to internationalize. (Hollenson, 2020)

According to Dunning (1993) and Benito (2015) and also emphasized by Hollenson (2020), there are four main motives for a firm's internationalization:

1. Market-seeking: Firms venture abroad to find new customers. This involves expanding and diversifying its customer base, accessing new revenue sources or sales increments, leveraging competitive advantage through brand reputation, etc.
2. Efficiency-seeking: Firms venture abroad to lower the costs associated with performing economic activities and rationalize their existing operations in various locations.
3. Resource-seeking: Firms venture abroad to access resources that are not readily available at home or that can be obtained at a lower cost abroad.
4. Strategic asset-seeking: Firms go abroad to obtain strategic assets (tangible or intangible), which may be critical to their long-term strategy but that are not available at home.

In order to comprehend other essential aspects of internationalization, such as market entry strategies and entry modes, it is essential to understand the motives for internationalization and their classifications.

The categorization of these motives into proactive and reactive motives provides more clarity in understanding the four motives mentioned above. Beginning with Proactive motives internationalization, “proactive motives represent stimuli to attempt strategy change based on the firm’s interest in exploiting unique competencies or market possibilities” (Hollenson, 2020, p. 53).

Originally, Dunning & Lundan, (2008, p. 68) explains that “proactive motives may be considered aggressive in the sense that they represent proactive actions a firm seeks to take to advance its strategic objectives.” As a result, it helps the firm enhance its competitive position, create and identify new opportunities, or exploit unique competencies.

For example, strategic alliances and partnerships in the IT consulting industry could mean forming strategic alliances and partnerships with technology vendors. Another example would be the aspect of mergers and acquisitions, which can be seen as a strategic decision to expand market presence and acquire valuable assets. (Contractor & Lorange, 2002) This can be seen as a bold move to international and compete.

On the other hand, Benito (2015) and Hollenson (2020) explain reactive motives as signs that the firm reacts to pressures or threats in its home market or international markets and passively adjusts to by modifying its activities over time.

It is emphasized that the “reactive motives may be considered defensive because they represent behavior in reaction to actions taken (or perceived to be taken) by its competitors or by foreign governments, which is required to protect its market position” Dunning and Lundan (2008, p.68).

In this case, an example relative to an IT consultancy firm is that it would expand its product or service offerings by entering new markets to reduce dependence on a single market or industry, thereby mitigating risks associated with economic downturns, regulatory changes, or other external factors.

Westhead et al., (2002) suggest that proactive motivation is the most common answer for a firm seeking to internationalize due to its positivity and forward-thinking nature for growth and expansion, especially given its size.

While the reactive motivation stems from a desire not to expand but to protect its existing market share and remain competitive, it indirectly triggers the need for internationalization.

Table 1

*Proactive vs. Reactive Motives for Internationalization*

Proactive motives	Reactive motives
<p>Technological Advantage. Given the uniqueness of a firm's technology, the firm could leverage this capability as a benchmark to internationalize, thereby forecasting a boost in profits and revenues.</p> <p>This motive is instrumental as it focuses on the firm's unique competencies and capabilities to capitalize upon for internationalization.</p>	<p>Competitive pressure. A firm operating in a specific market, despite having a market share, does not compete only against its local competitors but also against other global and international players.</p> <p>While a firm is not looking to expand, it may be pushed to internationalize to maintain competition.</p>
<p>Foreign Market Opportunities. This motive is based on the firm's knowledge of customer behavior, preferences, and the market dynamic.</p> <p>Based on this, the firm may be motivated to exploit the opportunities in a given market based on the information gathered.</p>	<p>Unsolicited foreign orders refer to the unexpected demand for a firm's product and service from foreign markets. (Lu &amp; Beamish, 2004) Of course, a firm will actively prepare or begin securing the needed resource if those markets are targeted, but in this case, the firm becomes aware of the demand without prior knowledge.</p>
<p>Economies of scale: A firm can reduce the per unit cost of products and services by scaling up the total addressable market.</p> <p>This is a motivating factor because it benefits the firm immensely. Increasing its activities internationally reduces its overall costs due to its reliance on diverse resources and capabilities to compete.</p>	<p>Proximity to customers: Lusch et al., (2010) suggest that service firms are more likely to be motivated to internationalize to be closer to their customers, as their location is critical in meeting customer needs.</p> <p>This proximity does not concern only the physical and geographic distance between a firm and the market they serve; it also concerns the psychological distance that exists, for example, in terms of culture and way of working.</p>

Source: (Albaum et al., 1994; Hollenson, 2020), compiled by author.

Both motivations are equally important and are vital determinants for a firm's internationalization. Their natures are different, with one having a more direct nature and the other having a more indirect approach.

## **1.2 Exploring Firm's capability through resource-based view**

According to Barney et al., (2021), the fundamental purpose of strategic management is to explain why some firms outperform others. The resource-based view can be traced back to highly relevant theories such as Penrose (1959) theory of the growth of a firm, which highlights that the internal resources of a firm are the primary drivers of growth, challenging the prevailing focus on external market factors.

Twenty-five years later, the term resource-based view was coined by Wernerfelt (1984), where the author emphasizes that the firm's resources should be focused on as a determinant of competitive advantage and performance, ties in to Collis & Montgomery (2008) reinforced note that a the capability of a firm denotes its ability to use resources and competences in order to develop and sustain a competitive advantage.

Capabilities are developed through acquiring and accumulating knowledge, skills, and expertise over time. (Teece et al., 1997) The resource-based view emphasizes the importance of firm-specific resources, both tangible and intangible, and the need to develop resources and capabilities that align with the firm's strategic goals and objectives. (Barney, 1991)

Tangible resource refers to resources that have a physical existence and can be touched, seen, or quantified. Examples of tangible resources relating to IT consultancy firms are computer hardware, software licenses, cloud infrastructure, training materials, etc. On the hand, intangible resources refer to assets that do not have a physical presence and cannot be touched or seen. Examples of tangible resources relating to IT consultancy firms are intellectual property, reputation, processes, methodologies, expertise, experience, etc.

It is essential to mention that while intangible resources provide a long-term advantage because they are not easily replicated or imitated due to the time it takes to develop such skills, expertise, or know-how, tangible resources contribute a short-term advantage. (Kamasak, 2017), since competitors can easily acquire similar resources.

Collis and Montgomery, (2008) claim that a firm’s competitive advantage is based on its internal resources and capabilities, and its capability is the skill to use resources and competencies for a competitive advantage. While it might seem a firm’s capability could be considered an intangible resource claimed by many scholars, Ambrosini and Bowman (2009); Kor and Mesko (2013). Intangible resources should be subdivided into assets, *what the firm has*, or capabilities, *what the firm does*. (Hall, 1992)

Given this understanding, a firm's capabilities could be considered a key source of sustainable competitive advantage as they enable the firm to achieve superior performance through various means, such as developing unique products and services, reducing costs, improving quality, and responding quickly to changes in the environment. (Teece et al., 2009)

While the resource-based view emphasizes that competitive advantage is achieved by exploiting the firm’s internal capabilities rather than external factors, the theory suggests that those internal capabilities must have specific attributes to have a competitive advantage. These attributes are valuable, rare, inimitable, and non-substitutable. Given the collective nature of these resources, they have the potential to form a capability, thus serving as a source of competitiveness.

While this viewpoint is essential, Halliday (2021) outline of the resource-based view raises the issue, *If abundant resources lead to improved performance, where does a firm's strategy fit into this process?* Conversely, it is argued that a firm's strategy could be the central component that strengthens its resources, thus enhancing its competitive edge.

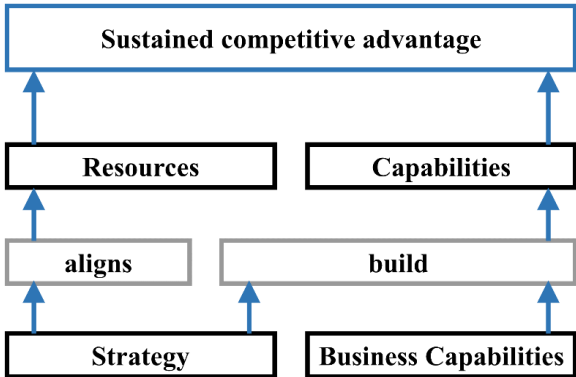


Figure 2: Resource-Based Performance with Strategic Alignment

Source: (Teece, 2009); compiled by author.

Galbreath, (2005) study, *which resources matter most to firm success*, discusses an exploratory study of resource-based theory confirms that capabilities contribute more significantly to firm success than either intangible or tangible assets. He further demonstrated that intangible resources can provide long-term economic benefits and are critical to business success.

Moreover, a firm's capability should be challenging to replicate. In an assessment of these attributes firms that possess bundles of resources with valuable, rare, inimitable, and non-substitutable attributes will enjoy sustained competitive advantages and, consequently, superior firm performance.

Finally, when discussing a firm's capabilities, Teece et al., (2009) provides an accurate summary relative to IT consultancy firms. In his study of dynamic capabilities and strategic management, the authors emphasize that identifying the foundations on which distinctive and difficult-to-replicate advantages can be built, maintained, and enhanced is a critical step in developing a conceptual framework related to dynamic capabilities.

### **1.3 Uppsala Model Approach to Internationalization**

The Uppsala model argues that a firm's internationalization choices depend on its market knowledge, encompassing objective *general* market knowledge and experiential *firm-specific* knowledge. This knowledge not only impacts decisions but also shapes perceived opportunities and risks. (Johanson & Vahlne, 1977)

The model initially supported that internationalization happens through the establishment chain, which involves the four different modes of entering an international market. The successive stages represent higher international involvement/market commitment. (Johanson & Vahlne, 1977)

These four stages modes of entering an international market are

Stage 1: no regular export activities (sporadic export)

Stage 2: export via independent representatives (export modes)

Stage 3: establishing a foreign sales subsidiary

Stage 4: foreign production/manufacturing units.

However, Since this model emphasizes learning through attained knowledge as a key driver, *table 2* below unfolds the knowledge factor of the stage model theory.

Table 2

*Differentiating General and Firm-Specific Knowledge in the Uppsala Model*

Objective (General) Market Knowledge	Experiential (Firm-Specific) Knowledge
Refers to information about foreign markets that is relevant in identifying and assessing opportunities and risks. (Johanson & Vahlne, 1977)	This type of knowledge refers to the unique insights and understanding that a firm acquires through its direct experience in international markets. (Johanson & Vahlne, 2009)
<p>Market knowledge includes information on the following:</p> <ul style="list-style-type: none"> <li>i) Market size and growth: With this knowledge, firms can evaluate the market's attractiveness, the demands for its products or services, and the potential return on investment. (Cavusgil et al., 2014)</li> <li>ii) Economic and Political Environment: Firms must understand information about political stability, inflation rate, interest rates, consumer price index, etc.</li> <li>iii) Consumer Preferences and Behaviour: What are the choices they make and the actions that follow, their brand loyalty, social influence, cultural preferences, etc.</li> </ul>	<p>Experiential knowledge includes:</p> <ul style="list-style-type: none"> <li>i) Managing Risks and Uncertainties: This is important to mention because the experience gathered by the firm enables the firm to develop mitigation plans and capabilities to manage risk effectively.</li> <li>ii) Networking: Building and maintaining relationships with foreign partners, suppliers, and customers can provide valuable experiential knowledge. (Coviello, 2006)</li> <li>iii) Market-Specific strategies: The firm understands its unique characteristics in foreign markets, such as distribution channels, customer preferences, and behavior.</li> </ul>

Source: (Johanson & Vahlne, 2009), compiled by author.

Building upon the knowledge concept, the Uppsala model uses this knowledge attained to foster learning and experience relative to their internationalization process, and a result learnings enable the firm to adapt to foreign markets and inform their strategies when venturing into new ones.

Another aspect resulting from the firm's knowledge is its market commitment. Commitment in this sense refers to the resources the firm invests in a foreign market, which occurs in various forms, such as establishing a local presence or partnering with local firms, hiring locally, investing in tangible and intangible assets, etc.

The Uppsala Model supports that firms gradually increase their commitment to foreign markets as they acquire more objective *general* market knowledge or experiential *firm-specific* knowledge. (Johanson & Vahlne, 2009) Recent research by Chetty et al., (2018) supports this view, showing that firms incrementally internationalize by learning from their experiences in existing markets and applying that knowledge to new markets.

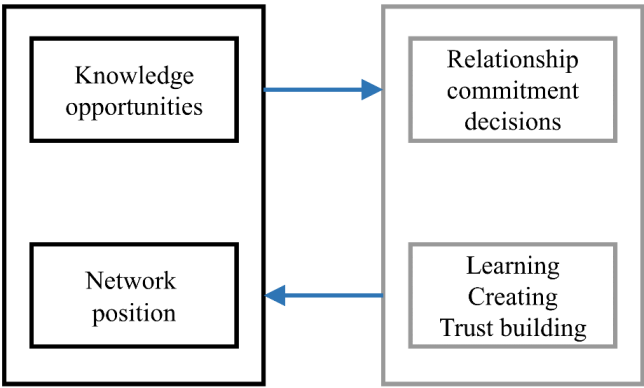


Figure 3: The basic mechanism of internationalization: state and change aspect  
 Source: (Johanson & Vahlne, 2009), compiled by author.

It is important to note that the conventional approach to internationalization, which promoted the perception of foreignness as a liability, has lost favor when compared to the new approach, liability of outsidership introduced in a revised study by Johanson and Vahlne (2009).

This new approach suggests that firms can use various strategies to overcome difficulties and disadvantages when operating in unfamiliar contexts, such as partnering with local firms, hiring local employees, and adapting products and services to local preferences.

Table 3

*Analysis of the Uppsala Model: Advantages and Drawbacks of its Approach*

Advantages	Limitations
Due to the behavioral nature of the Uppsala model, it provides a foundation for Firms to study the market and gain some knowledge of a specific market before venturing.	While adhering to the U-model, the internationalization process becomes long, slow, and incremental.
The U-model enables risk reduction and uncertainty reduction.	Because there are numerous influences on the internationalization process, the likelihood of recurring risk is relatively high.
When the U-model is coupled with other internationalization theories, such as I-models, the internationalization process of a firm can remain steady in serving as a base for implementing internationalization strategies.	In this Age of Rapid Technological Advancement, the principles and concepts of the U-model need to be revised to guide a firm's strategic goals for internationalization.
The Uppsala model is not limited to a particular size or segment of enterprises but applies across all spectrums.	Given the general nature of the model, even though it allows firms of different sizes (SMEs, LSEs, and MNCs), the model does not generalize some important aspects, such as the concept of psychic distance.
The competitive forces, according to Porter's Competitive Forces Model, supersede the aspects of psychic distance in applying the U-model.	The U-model lacks the ability to explain organizational learning during the internationalization process.

Source: (Forsgren, 2002), compiled by author.

By analyzing the Uppsala Model's advantages and limitations, this study has gained the ability to utilize its benefits while being aware of its limitations. Additionally, (appendix B) summarizes the relationship between knowledge types and market commitment. This approach allows the study to take advantage of the Uppsala Model's strengths and incorporate them while being cautious of its weaknesses.

#### **1.4 Rapid Internationalization - Born Global Approach**

Researchers initially referred to Born Global as a term or concept of an international new venture Oviatt and McDougall, (1994). While they did not use the term *born global* until researchers Knight & Cavusgil, (2004) did, the characteristics of an international new venture serve as a foundation for understanding born global firms today.

Researchers Oviatt and McDougall, (1994, p.49) “defined an international new venture as a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.

Furthermore, the origins of such mindset of originating internationally, can be portrayed by having significant commitments of resources (e.g., material, people, financing, time) in more than one country. The definition of born global as a term or concept has evolved but remains fundamentally consistent with the definition of an international new venture.

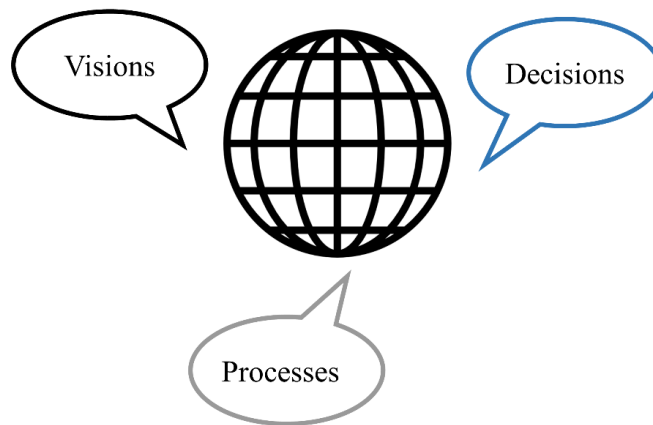


Figure 4: Born Global mindset

Source: Compiled by author.

The born global concept has gained attention in the internationalization setting due to the growing impact of globalization and technology that has improved entry into international business. Many researchers have agreed on some characteristics of born global firms, such as the rate at which these firms internationalize, the proportion of sales generated by international markets, and organizational capabilities such as innovation, learning, and adaptability. (Knight & Cavusgil, 2004 ;Weerawardena et al., 2007)

However, some critical factors influencing the process of born global internationalization are as follows: Network, because the born global internationalization process involves the rapid growth of relatively small and less experienced firms into the international market, the need for resources and information is strategic to the internationalization process.

The established networks of trusted partners, suppliers, and stakeholders are crucial because this relationship supports the firm's expansion goal of acquiring customers or reaching out to potential customers. (Hilmersson & Johanson, 2021)

Secondly, with an entrepreneurial focus and mindset, the firm must be innovative to compete with existing firms. This component challenges born globals to enter the market with a unique value proposition that is as revolutionary as possible to survive. Also, born globals tend to harness the concept of worldwide entrepreneurship orientation proposed by Covin and Miller, (2014). This international entrepreneurial approach is concerned with the firm's strategic posture toward international markets, which includes proactiveness, innovation, and risk-taking.

Knowledge-based resource: The role of knowledge is also a crucial component in the internationalization process of the born global. The firm's knowledge is being market knowledge acquired from the market through research or experiential knowledge. This knowledge supports born global firm with the ability to implement its internationalization process.

Another key and more particular explanation for the importance of information as a resource and component influencing the born global internationalization process is that born global enterprises commonly acquire knowledge from outside sources. (Hagen & Zucchella, 2019)

Finally, (appendix C) provides additional insight into the advantages and drawbacks of the born global idea, while table 4 below highlight factors that drive the emergence of born globals; a list of few factors relevant to this study

Table 4

*Factors that drive the emergence of born globals*

Internal factors	External factors
<p>Disruptive Innovation in Born Globals: These firms can enter the market with cutting-edge technology, attracting clients away from rivals with their innovative offerings.</p> <p>The possibility exists irrespective of market segments, because innovative solutions are universally appealing and supported by contemporary trends. (Oviatt &amp; McDougall, 1994)</p>	<p>Market Liberalization: The formation and survival of born globals in the complex international trade landscape are facilitated by lower trade barriers, supporting privatization, and increased competition, which increases their level of global competitiveness. (Knight &amp; Cavusgil, 2004)</p>
<p>Flexibility and Adaptability: Rennie (1993) emphasized that, in comparison to more cumbersome bureaucratic organizations, born globals offer greater flexibility, enabling efficient adaptability to market fluctuations.</p>	<p>Globalization: The increasing interconnectedness of markets has created new opportunities for firms to expand internationally and serve customers worldwide. (Knight &amp; Liesch, 2016)</p>
<p>Partnership and networking: Born Globals frequently use networks of partners, suppliers, and customers to gain access to international markets more efficiently and effectively (Coviello &amp; Munro, 1997).</p>	<p>Technological advancements: firms no longer have to deal with international trade barriers since technologies that support their platforms have been democratized (Knight &amp; Cavusgil, 2015).</p>

Source: (Knight & Liesch, 2016), compiled by author.

When these factors are considered collectively, a comprehensive knowledge of the company and organizational strategy alignment with the innately global mindset is provided. This knowledge gives the company the capacity to mobilize resources to support their operations and deploy strategic resources with a shorter time to market.

There are numerous important factors that can motivate a company to become a global player right from the outset. *Figure 5* depicts four perspectives that are success elements for an internationalization strategy that is born globally. (Andersson et al., 2015, p.32)

Every perspective examines a different aspect of the situation. But when combined, they each contribute to support the concept of internationalizing globally from inception.

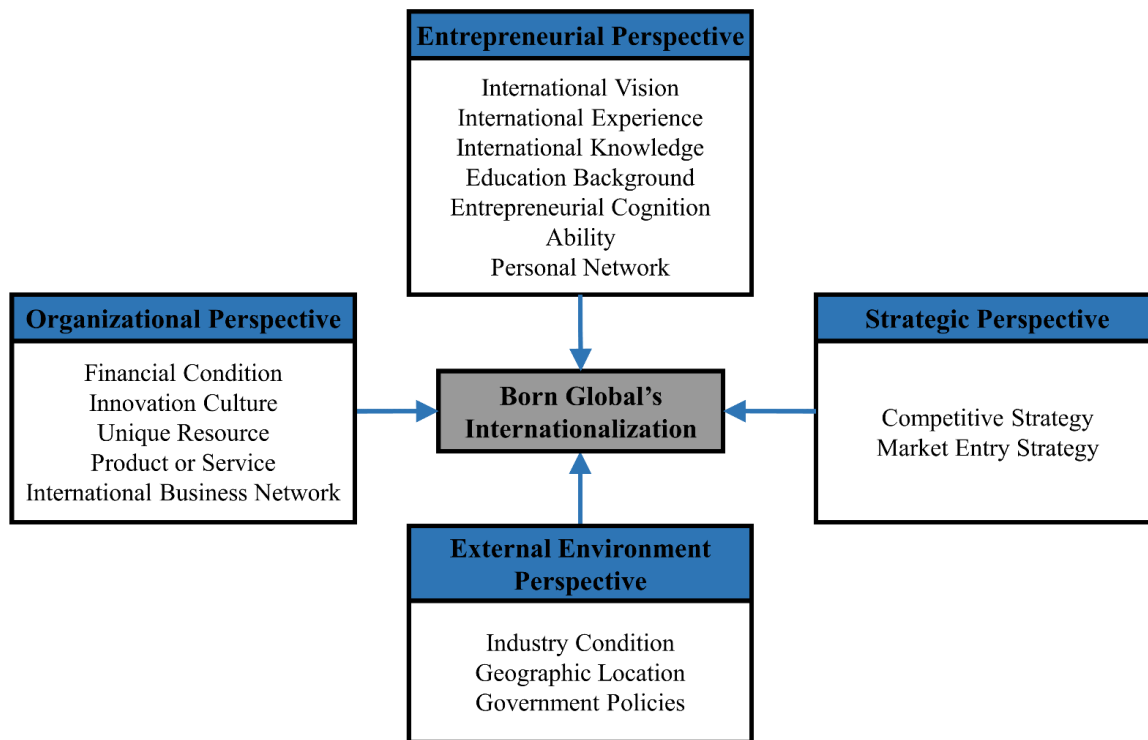


Figure 5: Success factors of born globals' internationalization

Source: (Andersson et al., 2015, p.32), compiled by author.

Covin and Miller (2014) explains the entrepreneurial perspective as the visions, experience and abilities which encompasses the entrepreneur's vision about what they hope to accomplish and their attitude toward their vision; how driven they are to pursue their set out vision. Another aspect is their ability, how capable they are in terms of performing a task.

Also, according to Knight and Liesch (2016), the external environment perspective examines external factors that may have an impact on a company's goals for worldwide growth. These could include things like laws or regulations.

The strategic perspective concentrates on issues pertaining to the industry in which the organization operates. This includes characteristics sector, the market's structure such as who controls the market and how many rivals there are, and the level of rivalry that exists.. When implementing the born global approach, these factors tend to influence the firm's operation and strategies.

## 1.5 Integrating Capabilities and Innovation for Effective Internationalization Strategies

To enable a firm to use its abilities to craft strategies that drive internationalization, the foundational element that informs how the firm does business which is its business model, should be examined.

The business model elements describe all parts of the firm required to create, deliver, and capture value. To make a profit, a firm must be able to create, deliver, and capture its desired values, which depends on a clear understanding of the following: what *value does the firm offer*, to whom do we offer these values, and lastly, how do we deliver these values? (Osterwalder, 2020)

For example, if one of the determinants of internationalization is market seeking, which involves diversifying its customer base, accessing new sources of revenue, or increasing and decreasing sales. In that case, the complementary capability that the firm should focus on should be its ability to scale up operations. Hill (2017) One area a firm can revisit within its business model to enhance its capacity to scale its operations through its key resources.

The assets, infrastructure, and competencies that a company requires to fulfill its value proposition, uphold customer relationships, and generate revenue can be collectively referred to as key resources; (Osterwalder & Pigneur, 2010), demonstrating the significance of key resources in its value proposition strategy.

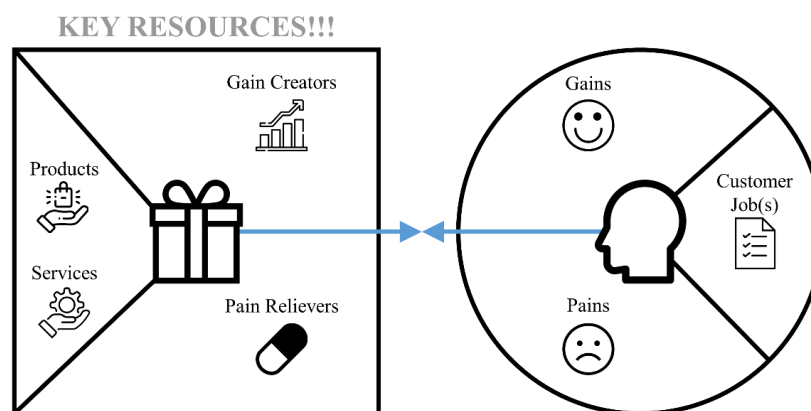


Figure 6: Value Proposition canvas empowered by key resources

Source: (Osterwalder, 2020), compiled by author.

While this study does not intend to delve into business modeling concepts specifically or its influence on internationalization strategies, the importance it has on formulating competitive business strategies is essential for this study, thus solidifying the need to study aspects of business model innovation concepts relevant for utilizing a firm's resources to do business in new ways.

Strategic decisions that determine how firms eventually reinvigorate their way of doing business can be reflected in their business and corporate strategies. A business strategy is concerned with building and maintaining a firm's competitive edge by answering questions about how to compete in a specific market or what resources or capabilities to acquire or develop.

Corporate strategy, on the other hand, is concerned with the overall scope of the firm and is concerned with questions such as when and how the firm should enter new markets, what markets the firm should operate in, and so on. (Amit & Zott, 2020) By focusing on a business strategy, firms can design strategies that drive corporate strategy thus, their internationalization ambitions.

While the guide to developing a new and improved model is vital to understand, it is prudent to clarify what business model innovation is not firstly. Business model innovation does not directly facilitate a firm's value proposition; it focuses on creating, capturing, and delivering a business model's value in new or improved ways. It may introduce new ways of delivering value, but it does not inherently address a flawed value proposition strategy. (Christensen et al., 2016)

Secondly, business model innovation is not limited to any particular type of innovation, such as incremental, disruptive, radical, or architectural. It provides various possibilities for firms to implement based on their focus and strategy. Lastly, introducing business model innovation in a firm does not necessarily create an innovative culture. Instead, it relies on the firm's existing innovative mindset and uses it as a driving force to inspire further innovation decisions. In other words, business model innovation builds upon the innovative culture already present within the firm.

A firm's business model innovation strategy complements its business strategy, which allows for developing strategies based on identifying clear and pressing market needs. As previously stated, a firm's business strategy focuses on issues such as how to compete in the market and what resources and competencies to acquire or develop to enable the profitable execution of its business strategy.

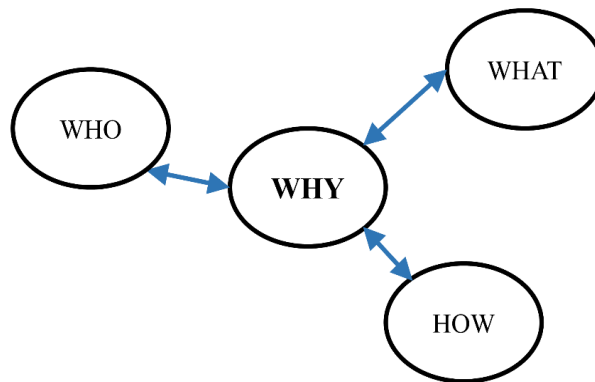


Figure 7: Business model Innovation development questions

Source: (Amit & Zott, 2020), compiled by author.

The resource-based view emphasizes that the resources of the firm need to have unique and difficult-to-imitate features. Along this line, Amit and Zott (2020) suggest that when developing a business model innovation strategy, these questions, as reflected in *figure 8* should take into consideration the firm's resources that influence the crafted improvements.

These questions, as depicted in *figure 8* can be viewed as aspects of the firm to consider when introducing new activities in the firm. The first question concerns the what. *What* concerns the “new activities have been added to the firm's business model”? How, on the other hand, concerns “*how* these activities are linked in the business model”, and lastly, “*who* conducts or performs the activities enabled by the business model”, and finally, “why these activities allow for value creation” (Amit & Zott, 2020, p.345).

## 2. Data and Methodology

### 2.1 Data Collection Approach

As input for applying the selected methodology, this research utilizes qualitative data collection methods, such as document analysis and interviews. Document research which can be described as the use of official and personal documents as a source of data collection and a reference point for data analysis. (Iowa State University, 2022) The analysis of documents is an initial way to collect data by reviewing the firm's documents, as shown in (appendix F). Documents were sourced from the firm's website, reports, and industry databases.

Interview, as a qualitative research data collection instrument, involves a conversation between a researcher and one or more participants to gather information about their experiences, opinions, or beliefs related to the research topic. (QuestionsPro, 2022) In this light, semi-structured interviews with key firm personnel provided insights into the firm's internationalization activities and goals, as reflected in (appendix G). These interviews involved higher-level executives and operational managers in preventing sampling bias.

Upon gathering the needed data through the interviews, the thematic data analysis approach was used. Thematic data analysis involves reading through the data or transcripts collected from interviews to identify patterns and meaning in qualitative data to derive themes. (Delve, 2022) Patterns were cross-checked by thematic analysis, and the findings are reported in the next chapter. *Table 5* reflects the interview specifics containing the profiles, durations, and rounds of the interviews.

Table 5

*Interview specific details*

<b>Project</b>	<b>Department</b>	<b>Duration</b>	<b>Country</b>
Round 1			
Peter Barkman	Vice President, Int'l expansion, Solita	31:21	All countries
Johan Thyblad	Country Director, Solita	21:11	Sweden
Toke Friberg	Country Director, Solita	27:45	Denmark
Märt Ridala	Country Director, Solita	22:01	Estonia
Florian Disson	Country Director, Solita	23:47	Germany
Round 2			
Peter Barkman	Vice President, Int'l expansion, Solita	42:50	All countries
Märt Ridala	Country Director, Solita	43:04	Estonia
Maria Žukova	Business Development Manager, Solita	42:18	Estonia
Moonika Tuhkanen	Project Manager and People Lead	28:22	Estonia

Source: Compiled by author.

## 2.2 Case Selection

There are particular aspects of the Finnish business climate that are relevant to the globalization of IT consulting organizations with origins in or bases in Finland. High-quality infrastructure, a strong innovation system, and high-quality education all give IT consulting companies the tools they need to develop new ideas, expand, and compete on a global scale.

The need for digital internationalization has a direct impact on IT consulting firms operating in the Finnish business environment because it is one method for lowering entry barriers, enhancing access to international markets, and streamlining cross-border service delivery. (Luostarinen, 1994)

The data for conducting this empirical study was collected from a Finnish IT consultancy Firm, focusing on its internationalization journey, successes, and challenges. The firm began operations in 1996 and began a national expansion throughout numerous locations in Finland in 2015. The firm then launched its international expansion strategy in 2017, entering Sweden through a series of acquisitions and expanding into Estonia.

The firm is an active competitor in Finland's digital transformation consulting business in Finland, with a growing presence in the Nordics. Currently, the firm under review has internationalized to five countries and multiple cities within those countries, namely Sweden, Denmark, Estonia, Germany, and Belgium.

Alongside the goal of implementing and organic growth as a baseline, the firm has majorly four competencies areas, namely: Software Development, Strategy, Data, Cloud, and Design, with 1600+ experts working with customers across various sectors of Industrials, Retail and Trade, Telecom, Banking, Finance & Insurance, Transport & Logistics, Health & Wellness, Public Services, Media and Services, with a current turnover of 110 MEUR.

### **2.3 Phases of the data collection and Methodology**

A firm seeking to expand is motivated by the need to reduce costs, streamline operations, or acquire strategic assets critical to its long-term strategy but unavailable in its home country. (Dunning, 1993; Benito, 2015) A motive inspires action, which is guided by a plan or strategy. Crafting strategies through scenario planning methods is a practical approach to implementing such actions.

The diagram below gives a pictorial understanding of this section and provides a glimpse of what is expected in the result section. While these aspects are discussed in depth in this section, a brief understanding below depicts that the data is collected through document analysis and interviews guided by the chartered global management accountant, hereinafter CGMA. After which, the 2x2 matrix methodology is integrated with the CGMA framework for scenario building, as portrayed in *figure 9*.

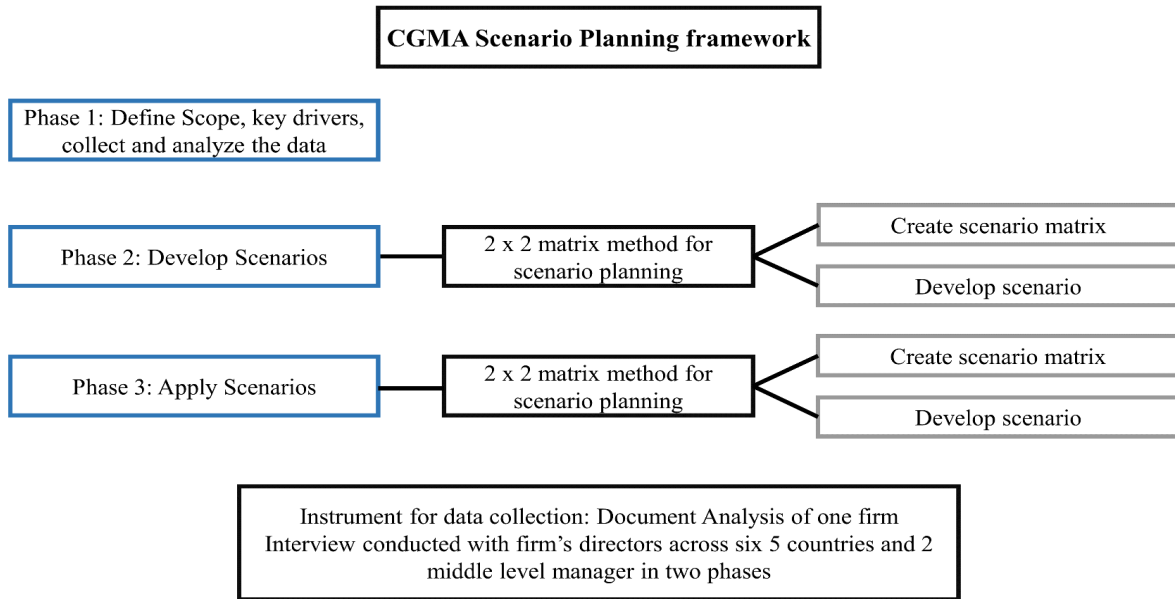


Figure 8: Data and Methodology summary

Source: Compiled by author.

The first phase conducted through the CGMA scenario planning framework, as shown in (*appendix D*) is a structured method that helps define the scope and drivers for the data collection procedure. This framework is widely used in financial planning; however, its in-depth and robust nature makes it valuable for scoping the data collection for developing scenarios. The second and third phases of the framework use the 2x2 matrix method for scenario planning, given its compatibility for this study as indicated in *figure 8* above.

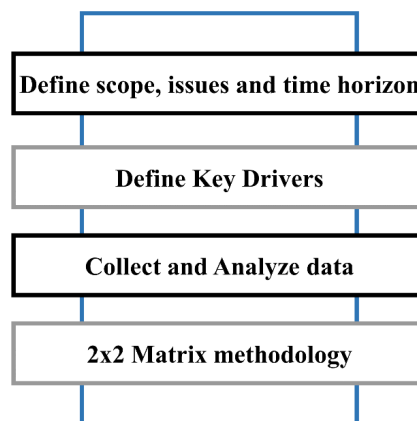


Figure 9: 2x2 matrix methodology integrated in the CGMA framework for scenario planning

Source: Compiled by author.

The next phase concerns the methodology used. Selecting an appropriate research methodology is essential for achieving study objectives. According to Kothari (1990), research methodology provides the means for a researcher to address and solve research problems. This study uses the scenario planning framework in which the 2x2 matrix methodology is applied.

To create strategies, the 2x2 matrix methodology is used to create narratives describing how things might be across a medium- to long-term horizon. This method produces four distinct scenarios relevant to a firm's resources and abilities.

It achieves this by placing two factors that impact the firm's competitiveness on two intersecting axes, resulting in four quadrants. Each quadrant represents a scenario the firm may face in the future. By doing so, the firm can consider and craft strategies for various potential outcomes. (Rhydderch, 2017) While other methodology, such as shell or four archetypes, consists of similar features, the 2x2 methodology is simple yet comprehensive, consisting of several steps. This process is summarized into steps as shown below in *figure 10*.

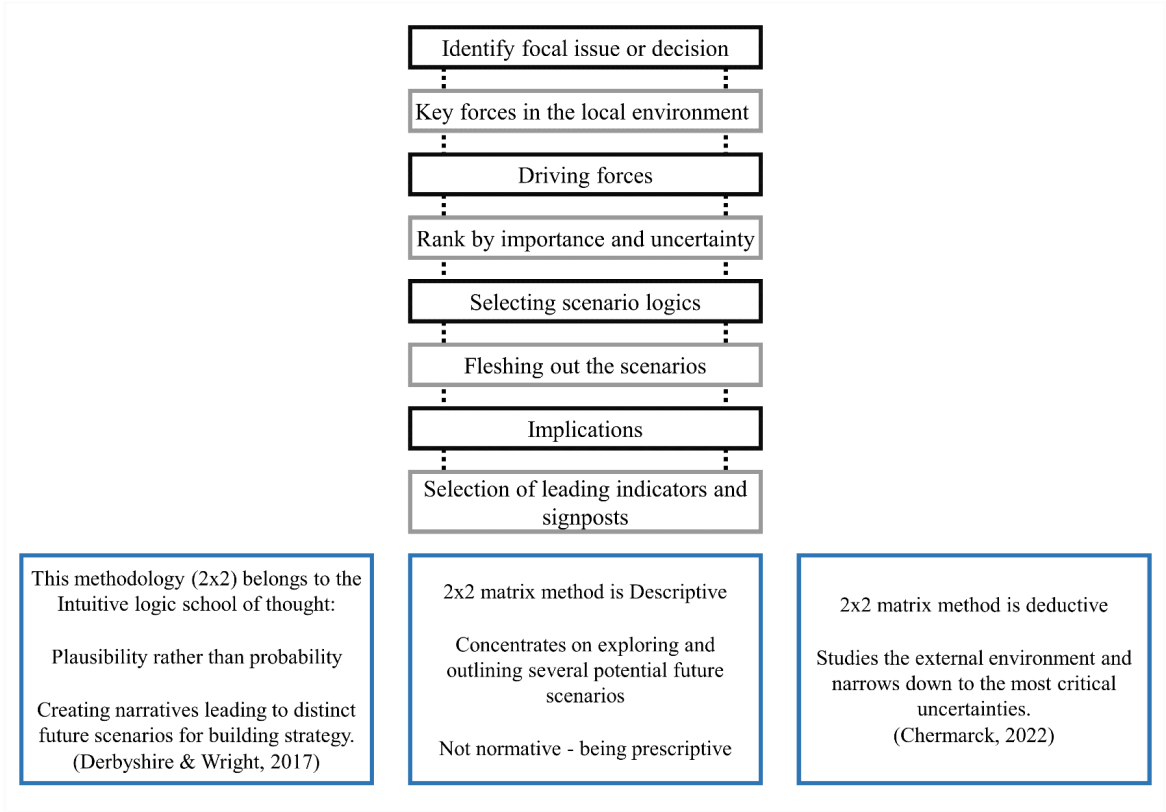


Figure 10: Steps for applying the 2x2 matrix method to create strategies using scenario building. Source: (Chermark, 2022), compiled by author.

To summarize, this section employs a mixed-methodology approach due to its significance in addressing the research objective. The CGMA scenario planning framework directs the data collection process using document analysis and interviews. As a methodological approach, the 2x2 matrix method is utilized to develop and apply scenarios, which aids in the formulation of strategies.

### **3. Results and Discussion**

This work explores how IT consultancy firms can create effective strategies that support their internationalization goals based on their resources and capabilities. So far, this study has suggested that firms can build strategies for internationalization based on their unique resources and capabilities, thereby affecting their model of internationalization, value proposition, and hence their internationalization goals.

The results or findings in the section supporting this aim are organized in three phases. The first phase concerns the following i) the determinants or indicators that motivate the firm to internationalize, ii) the resources of the firm that helps build the firm capability to compete through internationalizing, iii) the model internationalization the firm follows, and lastly, iv) what components of their business model is affected by the strategies they develop.

In the second phase, the information gathered in the first phase, such as the firm's resources and capabilities, is used to develop scenarios depicting the firm's plausible futures. Lastly, the final phase concerns applying the scenarios to craft alternative strategies to support the firm's internationalization goals.

#### **3.1 Resources enabling international competitiveness**

One major motive for internationalizing in the firm's case was to lower cost, diversify its operations, and access resources which were driven mainly by the firm's internal needs instead of external factors. (Benito, 2015; Hollenson, 2020).

*“The decision to expand to Estonia was based on the needs of the firm rather than the need for specialists or consulting in Estonia. Due to our size at the time and from a resource perspective, Estonia was the easiest and closest country internationalize to.” - Märt Ridala*

While the firm may not have a well-defined strategy for expansion, the desire or need to find new customers, expand its customer base or acquire critical strategic assets that are not available domestically is a big goal for the firm and does motivate the firm to internationalize as an attempt to maximize their growth potential.

*“Our approach to internationalization is well-considered and focused on long-term growth rather than short-term gains. We are aware of the competition in the market and are looking to find a middle ground between aggressive expansion and reluctant expansion.”* - Peter Barkman

The firm aims for international expansion but not aggressively with proactive motives. Nonetheless, the firm also cannot avoid internationalizing altogether.

*“Although we have great development potential in the markets where we are present, we could concentrate on entering new markets and sectors. Employing fresh people can help us expand into new areas, but this decision must be supported by a strong business justification.”*

- Johan Thyblad

In the subsequent subsection, which focuses on how the firm's resources can be used to create strategies for international competitiveness, the firm's decision aligns with the recognition that its motives necessitate a persuasive business case. This implies that the firm is inclined to pursue new opportunities, yet internationalization must be justifiable and well-founded.

*“We provide our specialists more autonomy and flexibility, which makes them more suitable for customer projects. However, other businesses might adopt a similar strategy and we may not always win cases due to customers not valuing the difference in flexibility”* - Märt Ridala,

The classification of whether the firm internationalizes based on strategic vision or defensively to protect its market position (Dunning & Lundan, 2008), can be attributed to the firm's knowledge and readiness towards an increase in its performance.

The resources and capabilities identified as shown in the figure below reflect the emphasis on the following:

i) Digital service consulting, Digital service technologies “*Our core competencies include software engineering, deep data and cloud consulting, service design, organizational understanding of client contexts*” - Peter Barkman

ii) The needs for a pool of talent with diverse skill and background and with this potential, the firm is motivated to expand

iii) Employee Adaptability, “*emphasis on the human aspect and adaptability in the digital work environment.*” - Peter Barkman

iv) A flexible approach that the firm offers for its specialist thereby enhancing their suitability

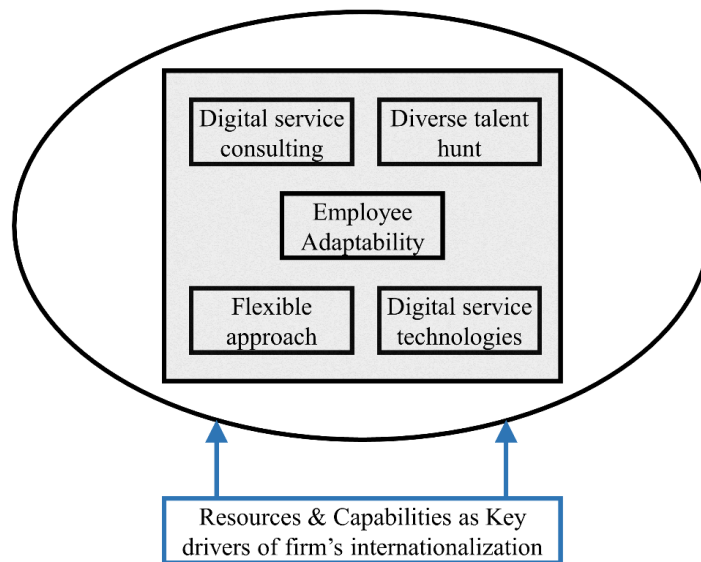


Figure 11. Key drivers of the firm internationalization goals

Source: Compiled by author.

In a highly competitive industry sector, this firm relies on specific resources and capabilities to compete to serve its customers. The ability of the firm to leverage these resources and improve its ability to internationalize is crucial. In the case of this firm, their resources are mainly intangible assets such as competencies in software engineering, service design, and data, based on which they can build their capability that could expose them to new opportunities and markets and expand their customer base.

However, with this comes the cautiousness that the internationalization decision should be made based on a sound strategy that considers its ability to use this capability and skills to gain a competitive edge.

### **3.2 Influence of strategies on firm's value proposition**

Firms have a way of creating value for their customers, which is reflected in their business model. It is important to consider how the existing value proposition strategy is influenced by the capabilities that the firm intends to build. This factor is essential to consider because a firm needs to ensure that its capabilities align with its value proposition strategy.

To innovate its value proposition, this firm is building a capability with fast proof of concepts toward potential opportunities. Such potential capabilities are being identified by domain leads within the firm. These domain leads are actively looking across sectors for untapped opportunities; for example, in the health or energy sector.

*“So let's say that we have a super interesting opportunity within the health sector in Sweden, We can even do fast POCs quickly as they come up to speed in a faster manner.” - Johan Thyblad*

Through the identification of key factors for introducing new activities within the firm such as its key partners, revenue streams, value delivery channels, the firm's core capabilities assume a vital role. (Amit & Zott, 2020)

Innovation within the firm relies heavily on its existing capabilities. In this particular context, by acknowledging and leveraging these capabilities, the firm can effectively facilitate its expansion into new markets based on derived business opportunities.

*“While we have developed verticals to structure competence and aggregate references within each domain, we need to continue to innovate and create unique solutions by combining core expertise in different areas. This can be achieved by expanding into new industries or markets.”  
- Johan Thyblad*

Innovation in a firm is not restricted to one specific type, enabling the firm to participate in the open innovation marketplace by sharing its expertise with existing and prospective customers.

This fosters innovation within the industry and helps identify potential opportunities in different countries. The firm can further enhance its capabilities to cater to these markets by doing so. (Chesbrough, 2006)

*"We organize some face-to-face seminars with customers constantly in different countries concerning a topic. This is one of the ways we identify new opportunities and trends in the market if you have such processes in place."* - Maria Žukova

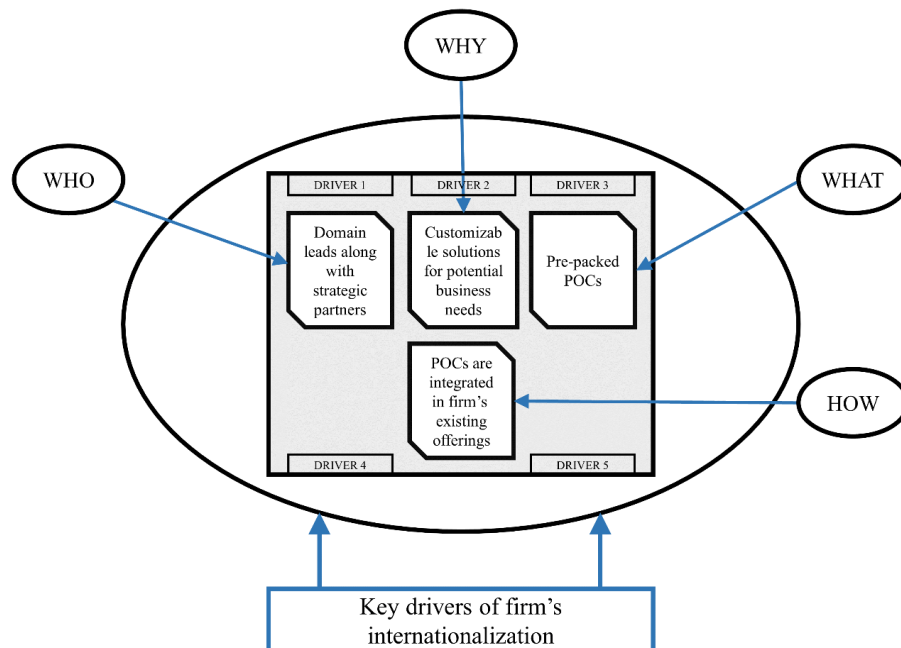


Figure 12: Innovation of the firm's resources and capabilities for value creation

Source: Compiled by author. Note: POC's refers to Proof of concepts.

The findings in this section speak to the firm's adoption of pre-packaged proof of concepts which serves as an example of how the firm's evolution is demonstrated through introducing new activities. These new initiatives are tightly linked to the firm's value proposition and integrate easily into its digital products. Domain leads are constantly looking for relevant references related to these services. They aim to form strategic alliances and collaborations spanning geographical boundaries to offer customizable solutions for potential business needs.

### 3.3 The firm's internationalization model

Some internationalization models emphasize a gradual and incremental entry into new markets, drawing on past market experiences. Others urge for quick market entry to reduce time-to-market and facilitate enterprises' pursuit of global market opportunities.

Depending on their resources and strategic growth goals, this firm often applies a combination of these models. The approach to their internationalization model is determined by the firm's cultural fit with the market or the firm they are merging with or acquiring.

*“Based on the growing need, the need for more IT consulting expertise is crucial. While the internationalizing through acquisition of new firms is a viable option to satisfy this need, we also still prefer to target potential firms to acquire which has a high cultural and value fit, and every other criterion is secondary for us.” - Peter Barkman*

*We have this sort of "beer test" that we ask ourselves when we talk for the first time with anyone in a new firm. We ask ourselves, "Would I want to have a beer with this guy after work? Or would I want to go fishing with him and sit in the same rowboat for half a day?" And if you're sort of like, "I'm not sure," then we don't continue.” - Peter Barkman*

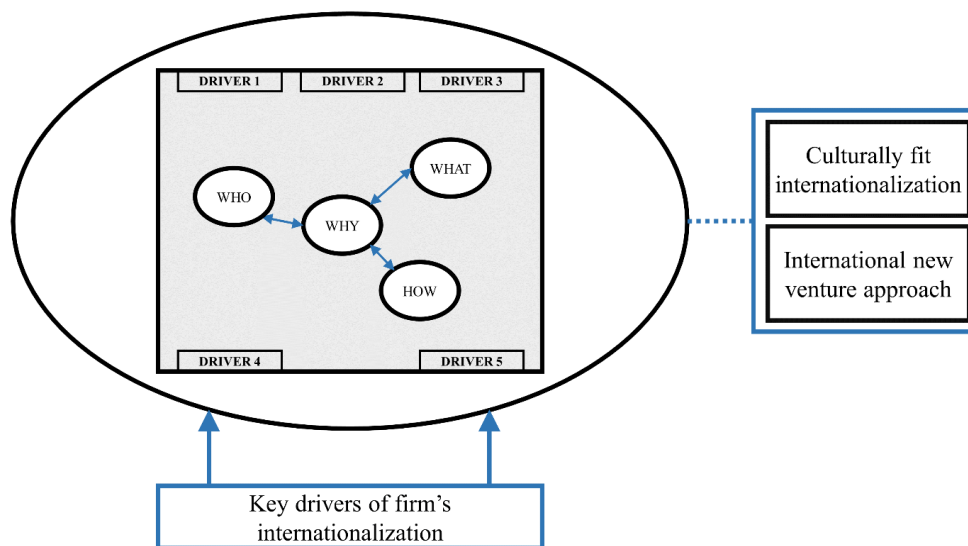


Figure 13: Choice of internationalization model

Source: Compiled by author.

The growing need for IT consulting competence necessitates the strategic acquisition of new firms. Despite meeting this demand, the firm aims to acquire firms that fit our culture and values, with all other aspects being secondary. The firm employs a metaphorical "beer test" to determine initial compatibility.

To summarize the findings in this first phase, the firm's approach to creating effective strategies that support its internationalization goals suggests that having a well-defined strategy or a strategy by the book is not sustainable, rather the firm focuses on building its abilities to foster change based on its capabilities with a flexible mindset.

Proactively seeking strategic assets and resources was one of the motivators that led the firm to internationalize to Estonia. Also, given the vast market in Sweden, the firm sought new opportunities to rationalize its existing operations in other locations. (Benito, 2015). Pursuing these goals did not require a drastic change in the firm's value proposition strategy; rather, it was a strategic, innovative opportunity that was realized.

### **3.4 Scenario Planning: Generating Plausible Futures Based on Firm's resources and capabilities**

This begins the second phase, which uses the analysis done in the first step and the overall data to find answers to the same research goal; which is to examine how IT consultancy firms can create effective strategies that support its internationalization goals based on their resources and capabilities.

In order to do so, this study employs the scenario planning method. Through the CGMA framework, extensive data was collected to create strategies. The 2x2 matrix methodology of scenario planning methods helps create a clear, memorable and easy-to-communicate structure that allows the comparable scenario storyline, (Ramirez & Wilkinson, 2014) hence, deriving strategies relevant for the firm.

Applying the 2x2 matrix method to create strategies using scenario-building begins with defining the scope and nature of the scenario-building process (Rhydderch, 2017), which serves as the focal issue.

The focal issue upon which the strategies supporting the firm's internationalization are contextualized in this study is *how can IT consultancy firms create effective strategies that support their internationalization goals for the next three years based on their resources and capabilities?*

Having contextualized this anticipated finding, the next step is to consider the essential forces in the environment that affect the firm, which focuses on the resources and capabilities of the firm. Even though these factors are firm-specific, as aforementioned, these forces have been categorized into social, technological, economic, environmental, and political factors to provide a broader assessment of present and prospective actions across various domains rather than focusing only on one domain or environment. (Rhydderch, 2017).

Internal Dynamics	f1. Leveraging existing competencies f2. Competence development f3. Relevance of digitalization
Social	f4. Talent acquisition and retention f5. Knowledge transfer and acquisition f6. Workforce diversity
Technological	f7. Importance of emerging technologies f8. Balancing new and existing technologies f9. Influence of cloud and edge computing
Economic	f10. Pandemic-induced market f11. Importance of competitive pricing f12. Lower hourly rates
Environmental	f13. Flexible approach of working f14. Sustainability practices f15. Remote work and Sustainability
Political	f16. Stability in the target market f17. Attention to regulatory compliance f18. Importance of cross-border data regulation

Figure 14: Key Forces and Issue affecting the alternative futures of the firm

Source: Compiled by author.

Note: In order to avoid repetition of words, I have abbreviated each factor as f1 to f18. Hence, each factor will be referred to by its abbreviated value. The data scoping these key forces or issue of the firm can be found in (appendix A) and the data itself is reflected in (appendix H).

According to the 2x2 matrix method, the identified forces should be ranked by their relative impact and uncertainties. In this study, by use of thematic analysis, one of the themes that emerged from the analysis was the emphasis on talent acquisition and retention by interviewees.

Based on the respondent's emphasis which serves as experts opinion, it can be inferred that f4, which represents talent acquisition and retention, is one of the most impactful key forces in the context of an IT consultancy firm. This is not surprising, as the firm's human resources, including their knowledge, skills, and abilities, are typically its biggest intangible asset in the consultancy sector. *see figure 15 and 16*

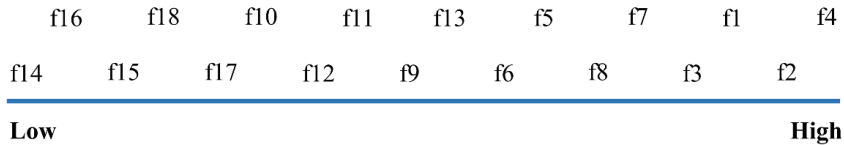


Figure 15: Key forces ranked by its relative impact

Source: Compiled by author

Note: According to their impact on the firm's internationalization, the factors f1 to f18 have been ranked in the order that experts stressed them during interviews (see Appendix H).

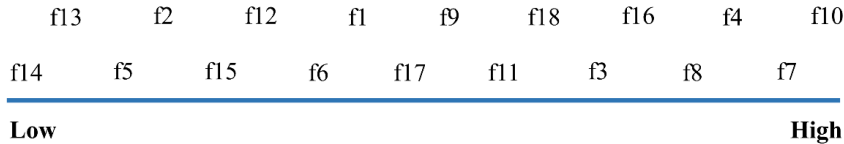


Figure 16: Key forces ranked by its relative uncertainties

Source: Compiled by author

Note: According to their uncertainty on the firm's internationalization, the factors f1 to f18 have been ranked in the order that experts stressed them during interviews (see Appendix H).

To better align a firm's resources with the internationalization indicators and improve their strategies' accuracy, the next step is to create a scenario matrix that serves as the basis for selecting the scenario logic.

Plotting the firm's current and potential resources and capabilities on a 2x2 matrix based on their impact and uncertainty helps this study to determine critical uncertainties. (Chermack, 2020) These critical uncertainties are the factors that greatly impact the firm's success but are uncertain. (Bowman, 2015) Once these uncertainties are identified, they can be used to develop a scenario logic, which will guide the development of the firm's strategies for internationalization, *see figure 17*.

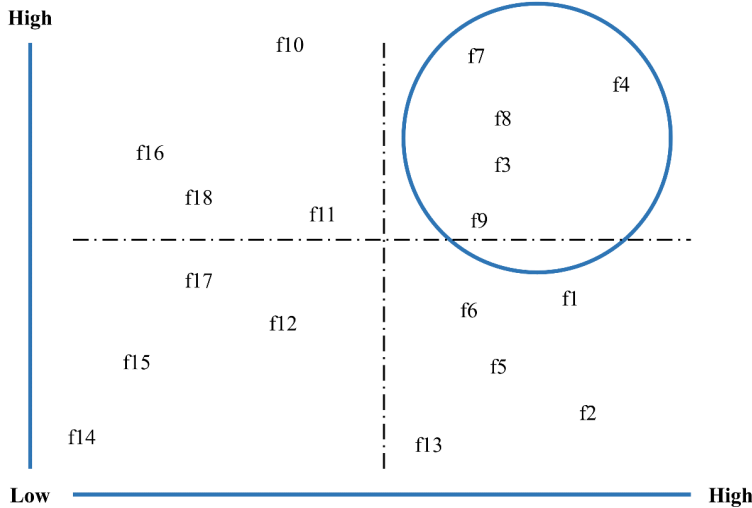


Figure 17: A scenario matrix to determine at least two critical uncertainties  
 Source: Compiled by author.

In the firm's case, the derived critical uncertainties are f3, f4, f7, f8, and f9 as depicted in figure 18. The study uses f4 and f7 for further analyses of the critical uncertainties. These two factors serve as the basis for creating scenarios reflecting plausible futures of the firm. F4 relates to the firm's resources and ability to attract and retain talented employees, while f7 relates to the importance of emerging technologies.

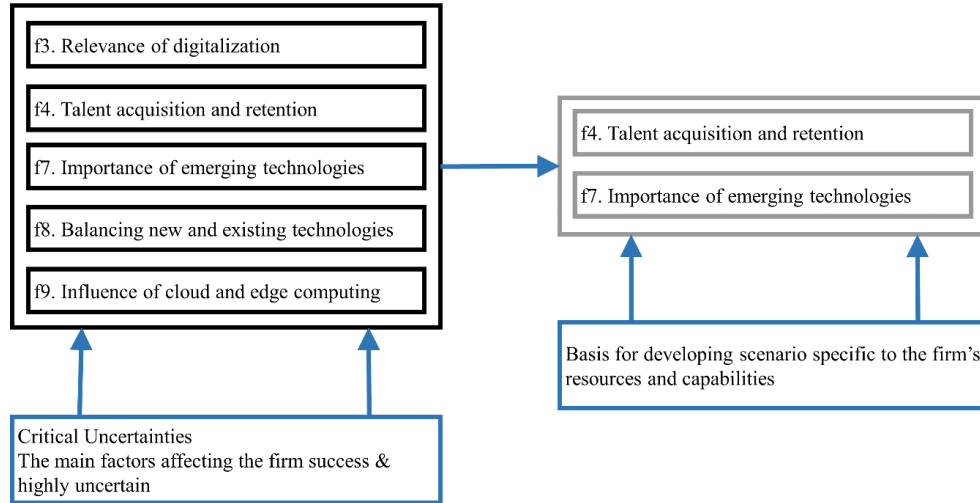


Figure 18: Critical uncertainties and Scenario logic selection

Source: Compiled by author.

The selection of this combination for scenario logic is based on the expert's opinion deducing the extreme impact of acquiring and retaining highly trained experts for customer demands and the importance of the firm's ability to identify and incorporate new technology to remain competitive in a growing digital market.

The uncertainties surrounding these factors are very high as well. A firm facing competitive pressure, as in a reactive motive for internationalizing, may feel uncertain of its ability to secure new talents or technologies.

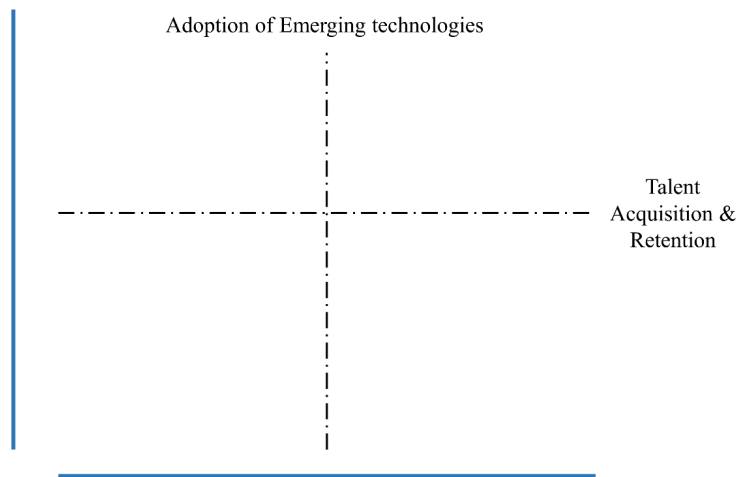


Figure 19: Resulting Scenario matrix with the derived axes

Source: Compiled by author.

These scenarios aim to illuminate and explore different ways the future might realistically develop. In this firm’s case, it serves as an insightful indicator of what should be anticipated by the firm based on its resources and capabilities, not forecasting unrealistic futures. (Wade, 2012)

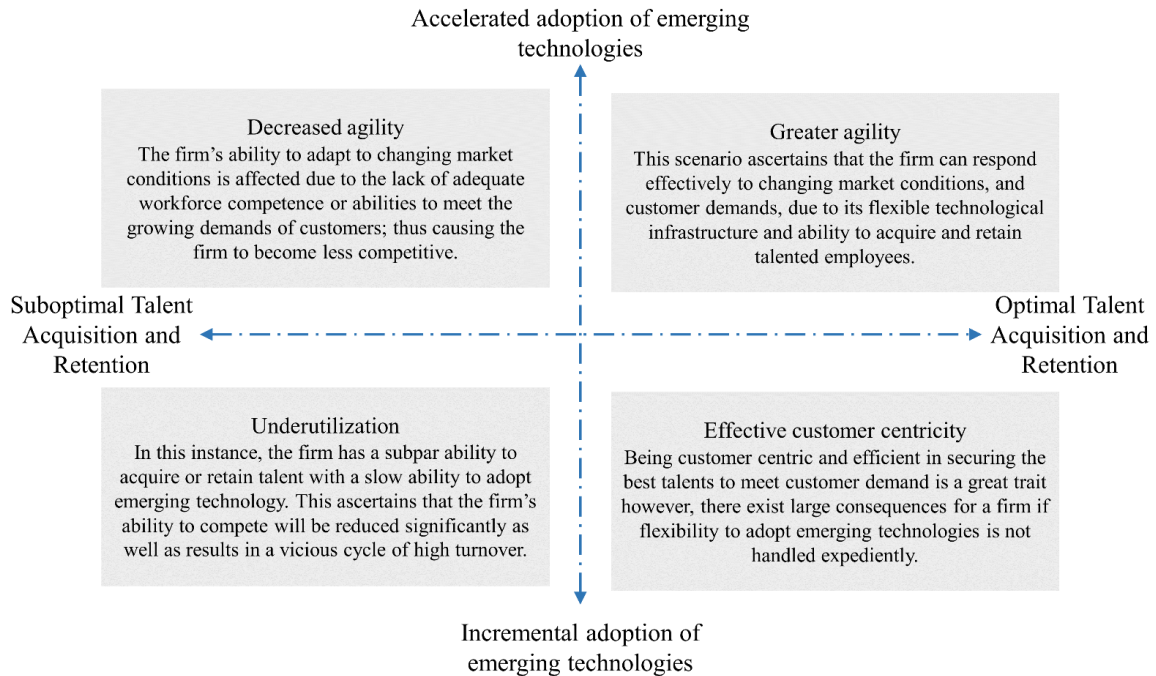


Figure 20: Developed Scenarios

Source: Compiled by author.

### 3.5 Crafting strategies based on firm-specific scenarios

Having concluded the scenario building aspect, this study is much more empowered to create alternative strategies for the firm. This step involves mapping the strategic categories of the firm based on the built scenarios and action fields.

In the case of this study, this concerns the firm’s talents or potential talents and technological innovation relevant for the firm. Given that this firm under review is an IT consultancy firm that serves customers, it is important to consider the customer as a strategic choice.

The table or grid below contains action fields that represent sources of competitive advantage or types of resources, with alternative choices provided underneath each field. To use the grid effectively, one should view each action field as a potential source of competitive advantage or resource type and then analyze the available options within each field.

For instance, if a firm focuses on employee recruitment and retention, it could consider implementing competence development programs or studying workforce demographics to hire and retain employees. Many other options available within each action field can be explored.

Employees	Customer	Technologies
Implement competence development	Offer diversified solution	Reliance on agile methodologies
Use human resource analytics	Domain-specific driven	Digital service consulting
Implement Subcontracting	Develop strategic partnerships	Technology agnostic
Study workforce demographics	Pre - packaged solution	Develop technology roadmaps
Automated consulting	Evolve through technology partnership	Technology-focused talent development

Figure 21: Mapping of Strategic Choices

Source: Compiled by author

The next and final stage is to look across the grid and find what choices fit together. *figure 22* consists of a categorical mapping of strategic choices geared towards identifying alternative strategies that fit together consistently and feasibly.

Employees	Customer	Technologies
Implement competence development	Offer diversified solution	Reliance on agile methodologies
Use human resource analytics	Domain-specific driven	Digital service consulting
Implement Subcontracting	Develop strategic partnerships	Technology agnostic
Study workforce demographics	Pre - packaged solution	Develop technology roadmaps
Automated consulting	Evolve through technology partnership	Technology-focused talent development

Figure 22: Crafting Alternative Strategies. Source: Compiled by author

*Note: The color scheme represents the categorization of strategic choices throughout the firm's points of interest. The blue denotes a strategy, the black dotted represents another, and the dotted gray indicates the final but not least strategy.*

The firm may opt for a strategy of maintaining the status quo and carrying on with business as usual if it chooses to continue implementing subcontracting, continue IT service consulting, study workforce demographics, implement technology-focused talent development, and evolve through technology partnerships, which are highlighted as light gray choices.

In contrast, if the firm chooses the "dark black" options, which include putting in place competency development programs, creating strategic partnerships, concentrating on market segments that require digital transformation, relying on agile methodologies that support flexibility, collaboration, and iterative development rather than waterfall methodologies, for example, and lastly developing a technology roadmap, the resulting strategy is Efficient recruitment and loyalty.

Lastly, there could be a strategy that offers a variety of options, automated consulting in addition to ready-made solutions, utilizing human resource analytics, and being technology agnostic as part of the strategy for utilizing technology ecosystems, as shown by the blue alternatives.

### **Conclusion**

This research has explored the influence of firm resources and capabilities in devising internationalization strategies for an IT consultancy. The data collected played a pivotal role in understanding how firms achieve this objective. The results of this research illustrates that the internationalization trajectory or goals of the firm can be a strategically informed decision, provided they are underpinned by well-balanced and precise strategies built upon the foundations of the firm's resources and capabilities.

For instance, specific to this study, it was inferred that the stage model of internationalization aligns well with the firm's strategy of maintaining a status quo, given its emphasis on culturally compatible markets and talents. On the other hand, by employing the technological ecosystem

as a strategy, the firm can adopt the born global approach of internationalizing by capitalizing on disruptive innovation discovered through future anticipation.

In this light, the findings of this research corroborate this research in way that a firm's resources and capabilities, such as digital service consulting and employee adaptability amongst many, have the propensity to drive its internationalization efforts, and is relevant because it helps in anticipating what the future might hold as well as exploration of new ideas and opportunities.

Additionally, this research can be useful across the different spectrums of internationalization initiatives but more specifically for service firms and firms concerned about the improvement possibilities of the service they provide.

The limitations of this research included not being able to apply the constructed strategies, given the extended time required for implementation. This restriction is closely linked to time constraints. Additionally, the study's focus solely on specific IT consultancy firms known for their knowledge and expertise in IT infrastructure and systems. Other specialized areas, like systems integration development or customization, were not considered in this research.

However, despite the limited number of strategies derived, the respondents recognized the significance of formulating strategies grounded in their resources and capabilities to foster internationalizing. Given their needs, these derived strategies hold the potential to propel both internationalization and innovation within the firm.

In conclusion, this study provides a foundation for understanding that a firm intending to expand and compete globally can effectively achieve this by formulating strategies that considers its resources and capabilities. This approach empowers firms to pursue their internationalization goals from a position of strength with precision and focus. Additionally, it equips the firm with the ability to identify new markets and opportunities while also preparing for unfavorable situations in the foreseeable future.

### **Kokkuvõte**

Tänapäeva konkurentsitihedal globaalsel turul kasvavad ja muutuvad klientide vajadused, mida mõjutavad arenevad keskkonna-, sotsiaalsed ja poliitilised tegurid. Need vajadused ulatuvad keerukatest asjadest, nagu digitaliseerimine ja igapäevaste tegevuste (nt

transport) automatiseerimine, kuni lihtsamate ülesanneteni, nagu toidukaupade ostmise kogemuse parandamine iseteenindusportaali kaudu.

Nende vajaduste edenedes muutuvad IT-konsultatsioonifirmade valdkonnateadmised ja ulatuslikud kogemused ülioluliseks. Nad pakuvad ekspertarvamusi ja nõuandeid ning mõnel juhul arendavad teenuseid IT-toodetele ja teenindustevõtetele, mis teenindavad laiemat kliendibaasi.

Vaatamata oma olulisele rollile seisavad IT-konsultatsioonid silmitsi piirangutega. Need ei rahulda otseselt lõppkasutajate vajadusi, mis piirab nende ulatust. Seetõttu on neil ettevõtetel tungiv vajadus laieneda ülemaailmselt ja kasvada vastavalt oma klientidele.

See uuring keskendub tõhusate rahvusvahelistumise strateegiate loomisele, mis põhinevad ettevõtte ressursidel ja võimalustel. Neid strateegiaid ei koostata lihtsalt selle põhjal, mis ettevõttel on. Selle asemel töötatakse need välja stsenaariumi koostamise lähenemisviisi kaudu, võttes arvesse nii praegusi olusid kui ka tulevikuvõimalusi.

Ettevõtte ressursid ja võimalused on selle protsessi lahutamatud osad. Innovatsioon ei seisne ainult uudsete ärimetodite loomises, vaid olemasolevate ressursside ja võimaluste ärakasutamises. Seetõttu on need varad ülitähtsad ja strateegiaid ei tohiks koostada ettevõtte pädevustest eraldi.

Juhtumiuuring viidi läbi Soome juhtiva IT-konsultatsioonifirmaga, mis praegu tegutseb kuues riigis. Uuring näitas, et ettevõtte ressursid ja võimalused ning vajadus kasvada koos klientidega ja mitmekesistada oma pakkumisi ekspertide värbamise kaudu olid selle rahvusvahelistumise peamised tõukejõud.

Veel üks selle uuringu ülevaade näitab, et ettevõtte uurib võimalusi rahvusvahelistumiseks, kasutades oma ettevõttesisest pädevust. Nende eesmärk on luua kohandatavaid kontseptsiooni tõestuslahendusi, mis suudavad klientide vajadusi kiiremini rahuldada. Ettevõtte eesmärk on kasutada oma ressursse ja võimalusi rahvusvahelistumiseks. Uuringu eesmärk on sõnastada nendel võimalustel põhinevad strateegiad, mis annavad tervikliku arusaama klientide kasvavatest vajadustest.

2x2 maatriksit, stsenaariumide koostamise metoodikat, kasutati nende ressursside järjestamiseks mõju ja ebakindluse alusel, tõstes esile peamised ressursid. Pärast seda kaardistatakse need ressursid stsenaariumimaatriksis, et määrata kindlaks kriitilised ebakindlused, mis nõuavad ettevõttes tähelepanu.

Neid kriitilisi ebakindlusi, mida võib nimetada ka ettevõtte võtmeressurssideks, kasutatakse seejärel stsenaariumide koostamiseks, mis heidavad valgust murettekitavatele valdkondadele ja potentsiaalsetele tööstuse eesmärkidele. Selle konkreetse ettevõtte jaoks hõlmasid need valdkonnad kõrgelt kvalifitseeritud ekspertide värbamist ja hoidmist ning võimalust lisada oma teenustesse uusi tehnoloogiaid. Uuringus koostati nende mõõtmete kohta stsenaariumid ja kasutati saadud teadmisi strateegiate loomiseks, näiteks tehnoloogiliste ökosüsteemide kasutamiseks.

See hõlmab valmislahenduste väljatöötamist ja tehnoloogiaagnostikuks olemist. Selle strateegiaga muutub ettevõtte oma otsustes teadlikumaks ja enesekindlamaks, toetades kiiremat rahvusvahelistumise protsessi, mis on antud juhul sobivam. Ettevõtte rahvusvahelistumise eesmärke toetab nüüd strateegia, mis arvestab selle ressursse ja võimalusi, võimaldades seeläbi ettevõttel neid eesmärke tõhusalt järgida ja valmistuda ebakindluseks.

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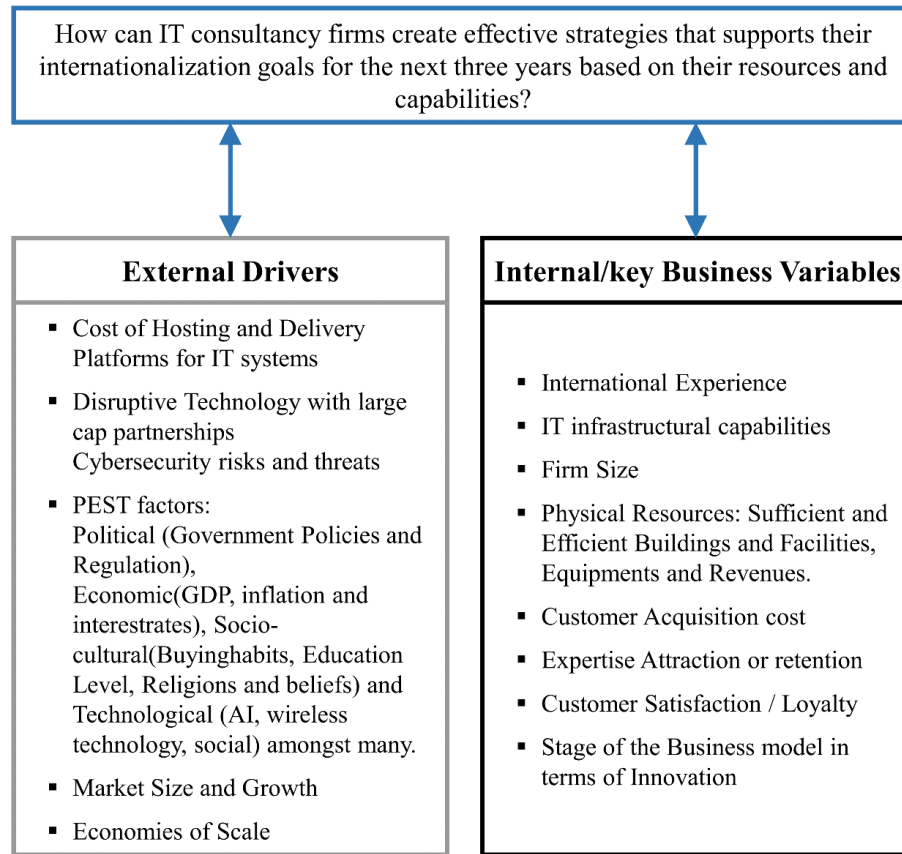
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## Appendix A - Scope definition, issue and time horizon and Key forces of the environment



## Appendix B - Summary of the relationship between types of knowledge and market commitment regarding Uppsala model of internationalization

Type of Knowledge	Aspect of Market Commitment	Relationship Description
General (Objective) Market Knowledge	Competitive analysis	As firms gain experiential knowledge through direct experience in foreign markets, they gradually increase their commitment to these markets by taking incremental steps. (Johanson & Vahlne, 2009; Chetty et al., 2018)
	Market selection & market entry strategies	Since this knowledge provides a general view specific to foreign markets, firms are able to seek out the market that align with their values and cultures and at the same time develop the appropriate market entry strategies such as merger and acquisitions,

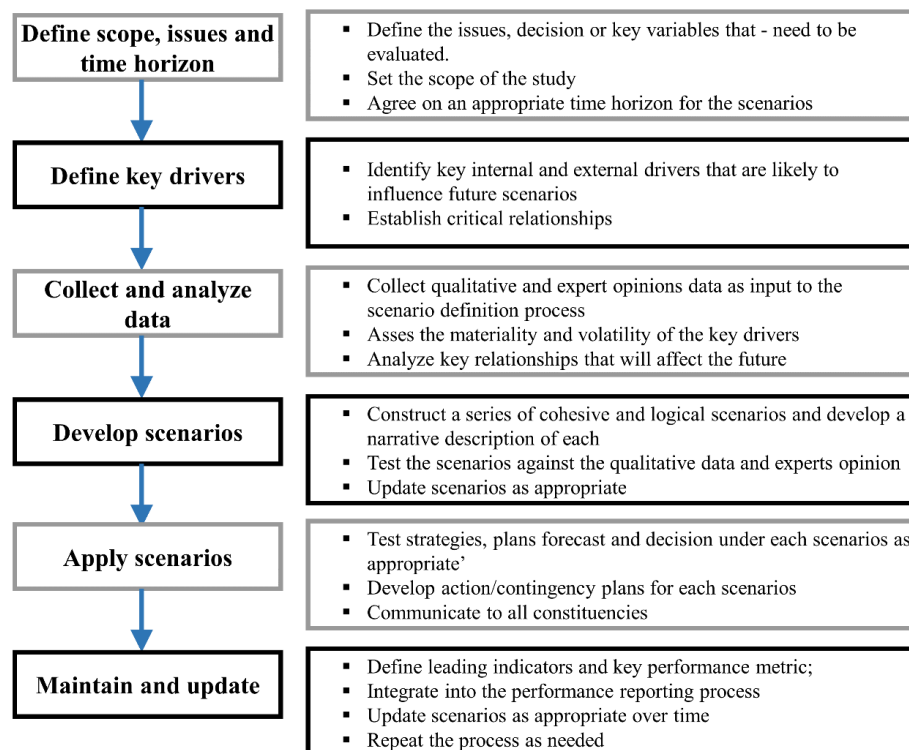
Type of Knowledge	Aspect of Market Commitment	Relationship Description
		establishing subsidiaries, exporting etc (Wang & Hong, 2021)
	Reduction of psychic distance	By acquiring general market knowledge, firms can better understand and navigate the psychic distance between their home market and foreign markets, reducing the impact of perceived differences. (Håkanson & Dow, 2012)
Experiential (Firm-Specific) Market Knowledge	Incremental Commitment	The Uppsala model is more specific in terms of the incremental step-by-step process it supports. This model states that the firm gradually increases its commitment to foreign markets through incremental steps. (Johanson & Vahlne, 2009; Chetty et al., 2018)
	Adaptation, Flexibility and Localization	With such knowledge gathered, the firm is able to adapt its strategies, product and services and even its way of working because there are tried and tested versions of this knowledge that the firm has and moving forward the firm can utilize the method that better suits the market, giving the market the soft touch required. (Johanson & Vahlne, 2009; Prahalad & Doz, 1987)
	Organizational Learning	The firm has experience through challenges and its ability to respond to those challenges and market demands has contributed to its learning capabilities. With this the firm uses knowledge and experience gathered to strengthen its internal processes as well as its internationalization processes. (Deligonul et al., 2013; Forsgren, 2016)

### Appendix C - Advantages and limitation of the born global theory

Advantages	Limitations
Global market opportunities: since born global has a global mindset from its inception, they tend to pursue global market opportunities more effectively since they see	High risk: Alongside the tremendous opportunities that firms are provided with on a global scale, born global firms operate at a very high risk. Every market has some

Advantages	Limitations
<p>the world as its market place and begin developing products and services uniquely in order to also compete effectively in the global market. (Kallio et al., 2019) With such a mindset, firms are able to serve a large customer base, and potentially capture a larger market share.</p>	<p>specific, structured and unstructured set of rules. A born global firm may be aware of the governing or structured rules as the competition strategy and the radical needs of the customers but there exist business practices, cultural and even religious belief systems that exist which can only be gained sufficient knowledge of the market. (Knight &amp; Cavusgil, 2004)</p>
<p>Entrepreneurial agility and learning: Despite the fact that born global firms may face difficulty in managing rapid growth and expansion, the speed at which those firms are expanding across diverse markets afford them the opportunity to learn from the market they exist in. With such a diverse set of knowledge and when coupled with the radical set of offerings offered, born global firms are able to capture customers and gain competitive advantage on a global scale. (Andersson et al., 2021)</p>	<p>Shortage of resources: Limitation of resources is an issue for most firms but especially so for born global firms. Born global firms tend to rely heavily on its networks for resource, partnership and information which in itself is a limitation of its own. However, the scale at which the firm operates compared to the resources needed to sustain itself and remain competitive is always a disadvantage. This point also speaks to the firm's long term profitability or sustainability plan and not just its current or short term plan. (Knight &amp; Cavusgil, 2004)</p>
<p>Born global firms are able to enter new market quickly thereby reducing time to market. This also translate into the capability of having a foothold in a new market before investing in infrastructure, and establishing a full flesh local presence - cost reduction</p>	<p>Born global is not popular among non-technical firms. This places a huge limitation on the born global approach since even though technical firms comprise a large percentage across sectors, there exist firms that empower basic lifestyle and services which are also eligible.</p>

## Appendix D - Scenario Building Process Flow Source: CGMA Scenario Planning framework



## Appendix E - Summary of Document Analysis Data

Criteria	Information Gathered
Number and size of foreign firm and joint ventures controlled by the firm.	There are three firms that have become a subsidiary of this firm located in Denmark, Germany and Sweden. These are IT services and IT consulting services with 100-250 employees each.
Number of locations in which the firm is active.	The firm is currently active in 6 countries operating in 12 cities.
The global sales volume and number of employees.	The global sales volume of the firm is approximately 145 million euro a year. While the number of employees worldwide is 1800+ as of date.
The degree of internationalization of the owners	The management is highly diversity oriented, and

<b>Criteria</b>	<b>Information Gathered</b>
or management	has experience working above. However, in terms of the overall degree of internationalization, the team performance indicators in terms of foreign sale is relatively low, in comparison to the headquarters office country of the firm. Also, as per the report, it shows that sales and marketing in the firm targets a wide range of customers across the sub - region.
The degree of internationalized capital intensive business areas such as R&D.	This aspect shows the various programs and initiatives undertaken by the firms such as, Growth Academies, Monitoring Programs Research Collaboration with Institutions and training from service providers. i.e: Microsoft, Snowflakes, Semarchy.
Systematic advantages of the firms within the firm base on foreign activities of the firm tool	The activities in the foreign branches exposes the firm to new business needs, customership with new and diverse solutions to be implemented as well as the challenges and risks involved.
The number of foreign activities that affect the strategic decisions of the firm.	As per strategic report, 30% of EBITDA of the firm is generated by foreign operations and activities. These branching have their independent set of clients, consulting firms as well as sales and marketing activities. They are equally represented on the Group Leadership Board.

### **Appendix F - Semi-structured Interview Question**

<b>Question</b>	<b>Focus Areas</b>
Can you tell us about the firm's key competencies?	<i>Supporting information for the focus areas</i>
Can you enlighten us about the expansion strategy used in internationalizing from domestic to current foreign countries? eg: M&A etc	<i>Specific to foreign branches of the firm</i>
What strategies do you think are effective for your firm to successfully enter international markets? Also, do you use a mix of internationalization strategies when internationalizing?	<i>Market strategy</i>

<b>Question</b>	<b>Focus Areas</b>
How important is market research in identifying potential target markets when looking to expand internationally?	<i>Market strategy</i>
How have you managed the integration of employees with varying language skills and experience levels into Finnish projects and way of working? Especially upon expansion.	<i>Market strategy</i>
How important is having a strong brand identity when entering new international markets?	<i>Market strategy</i>
How does the relationship with technology partners affect your expansion strategy?	<i>Market expansion</i>
How can you adapt your business models to meet the unique needs of customers in different international markets?	<i>Market expansion</i>
How important is localization in developing marketing strategies for market expansion?	<i>Market expansion</i>
How can you effectively manage cultural differences when expanding into international markets?	<i>Market expansion</i>
What are the most effective revenue growth strategies for you in international markets?	<i>Revenue growth</i>
How can you leverage technology to drive revenue growth in international markets?	<i>Revenue growth</i>
How important is strategic partnerships with local firms in driving revenue growth for IT consultancy firms in international markets?	<i>Revenue growth</i>
How can you maintain profitability while pursuing revenue growth in international markets or What are some steps taken to ensure your brand stands out in the international market and how do you maintain a presence in countries where you don't have an active team?	<i>Revenue growth</i>
What methods do you employ to identify emerging technologies and stay up-to-date with market trends in order to remain competitive in the IT consultancy industry?	<i>Market share</i>
What competitive advantages can you leverage to gain market share in international markets?	<i>Market share</i>
What are some the challenges faced in terms of integrating	<i>Market share</i>

Question	Focus Areas
the market and finding talents as well?	
To what extent does innovation affect the internationalization or expansion of the firm?	<i>Market share</i>

### Appendix G - Coding

Data Extract	Codes	Themes
“We approach the market with a less structured innovation strategy than that of our competitors.”	Innovation, Unstructured, Flexibility	Internationalization and Innovation strategy
“Being an early adopter by identifying new and emerging technologies.”	Innovation adoption	Strategy for expansion
“We prefer to target markets with similar value and culture.”	Culture, values Expansion	Culture based expansion
"Acquiring consulting as a business involves acquiring people, not just machines or inventories."	Talent and business Acquisition	Synergy of values and culture for acquiring
“Managing and integrating the cultural difference amongst employees, customers and partners.”	Cultural differences	Managing and integrating cultures as a means for smooth collaboration
“We focus and strive to foster a culture that values international competencies while implementing cross-border cooperation and solutions offering.”	Valuing international competencies	Global Talent and competencies Recruitment
“One of the reasons for expansion for us to Estonia was not because of the need for consultants or IT industry need in Estonia, but rather it was because of the need of the firm to hire more skilled specialists and diversify its resources.”	Skilled specialist, Firm needs	Talent acquisition and resource diversification

Data Extract	Codes	Themes
“We invest in our people’s competence growth through academies”	Competence Development	Professional growth
It's something that we need to understand that if we really want to go to international markets, then we need to have some kind of competencies that are valuable in that market. So I think this is the second thing that we need to really take care of and build our competencies towards that direction."	Leveraging existing competencies	Building capability
“Our employees are always on the lookout for what is useful and usable in the IT industry.”	Learning, Gaining experience, Technologies testing	Technology research and adoption
“We may need to ensure that our business relationship with technology partners remains stable”	Business relationships, Technology partners	Partners Relationship management
“The firm can quickly present pre-packed offerings and even do fast POCs and proof of values”	Agile offerings	Service and offering diversification

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