

Important Market Characteristics in International Establishments

A case study identifying important market characteristics that affect international establishments in the IT consulting industry

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Abstract

- Title:** Important Market Characteristics in International Establishments: A case study identifying important market characteristics that affect international establishments in the IT consulting industry
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- Issue of study:** Knowledge-Intensive Business Services are considered one of the most rapidly growing sectors in the EU economy. IT consulting firms have an important role in the KIBS sector, much thanks to the increased demand of technology and IT. The growth can be explained by the internationalisation trend that has created opportunities for market establishments on foreign markets. Existing theory highlights certain factors that are important in international market establishments (IMEs) in the KIBS sector. However, few studies have thoroughly investigated what kind of market characteristics that affect the success of IMEs among IT consulting firms.
- Purpose:** The purpose of the study is to identify important market characteristics that affect International Market Establishments in the IT consulting industry by using the Business Model Canvas.
- Methodology:** A case study has been conducted at Netlight Consulting. The study is qualitative and several workshops and semi-

structured interviews have been held regarding the case company's business model and historical international market establishments. The empirical findings were compared to theory of IMEs in the KIBS sector and analysed in order to identify the generic market characteristics.

Conclusions: The findings of the study showed that many of the derived market characteristics in the case of Netlight were rather consistent with theory and assumed to be generic for the IT consulting industry. Out of the 20 derived market characteristics, 17 were assumed to be generic and 3 were case-specific to Netlight. The major part of the generic market characteristics was attributable to the theoretical factors client interaction and knowledge acquisition. The remaining market characteristics fell within the economic, cultural and political factors.

Keywords: Knowledge-Intensive Business Services, International Market Establishments, FDI, Market Characteristics, Business Model, Business Model Canvas

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Acronyms

KIBS	Knowledge-Intensive Business Services
IME	International Market Establishment
MC	Market Characteristics
BMC	Business Model Canvas
FDI	Foreign Direct Investment
Netlight	Netlight Consulting
GDP	Gross Domestic Product

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1 Introduction

1.1 Background to research field

Knowledge-Intensive Business Services (KIBS) are considered one of the most rapidly growing sectors in the EU economy (Strambach, 2008; European Commission, 2012). According to Hertog (2000), KIBS could be defined as: *“private companies or organisations who rely heavily on professional knowledge, i.e. knowledge or expertise related to a specific (technical) discipline or (technical) functional-domain to supply intermediate products and services that are knowledge base”*. Bettencourt, Ostrom, Brown, & Roundtree (2002) describe that IT consulting firms such as IBM and Accenture play an important role in the KIBS sector, contributing with over 30 % of the total value added from services in the United States and the UK. The drivers behind this rapid growth of the KIBS sector can partly be explained by the trend towards a higher level of outsourcing and new types of knowledge input of different kinds of technologies (Miles, 2005; Huggins, 2011). Today’s business environment has made it more common for organisations to focus on their core competences to create a competitive edge, and activities that do not fall within these are often outsourced to other organisations. Since organisations are becoming increasingly dependent on technological knowledge, it has caused problems for firms to effectively utilise newly developed technologies. Thus, organisations’ demand for external services has increased (Huggins, 2011; Miles, 2005). This has given KIBS, and IT consulting firms in particular, an important role in locating, developing, combining and applying different types of generic knowledge regarding technologies to the local and specific problems that their clients experience.

The growth of the KIBS sector can be explained by the internationalisation trend that has enabled KIBS to offshore knowledge production and create new markets and opportunities for market establishments and acquisitions (Muller & Doloreux, 2007; Strambach, 2008; Miles, 2005; Huggins, 2011). Previous research has discussed KIBS mostly with regard to innovation, where the emphasis has been put on KIBS as being among the most active innovators in the service sector (Miles, 2005; Strambach, 2008). However, KIBS within the theory of internationalisation have not been investigated to the same extent. When entering new international markets, firms have to pay attention to certain market characteristics. One renowned internationalisation model developed by Johanson & Vahlne (1977), highlights that firms initially operate on the domestic market and then gradually internationalise to foreign markets that are close to the domestic market. The authors stress the importance of factors such as geographical distance and cultural proximity in IMEs (Johanson & Vahlne, 1977). However, other researchers describe factors such as market size and growth, customer potential, business relationships, networking opportunities and so forth that are also influencing the success of the market entry (Ojala & Tyrväinen, 2007; Andersen & Buvik, 2002; Kutkut, 2012; Coviello & Munro,

1995). While these are characterised as external, others mention company values, capabilities, and strategies as important internal factors (Koch, 2001).

In order to gain an understanding of the factors affecting IMEs, IT consulting firms could use the concept of business models. Business models support firms to explore strategic alternatives in today's fast-moving and unpredictable environment (McGrath, 2010). A well-defined business model is the basis in understanding different customer needs and their ability to pay, which in the long run creates opportunities for firms to design concepts that will turn customer needs into profit (Seddon, Lewis, Freeman, & Shanks, 2004). Osterwalder & Pigneur (2010) are two well-known researchers within the field of business model concepts who have developed the Business Model Canvas (BMC), a tool that easily describes, visualises, and assesses business models in organisations. However, few studies have been conducted where the business model concept, including well-known tools such as the BMC, have been used in order to investigate IME. Mäkelä & Lehtonen (2011) represent the small number of researchers that have applied the business model concept into this context. In their article 'Business Model as a Strategic Development Tool in Internationalisation', the authors focus on the KIBS sector and illustrate how business models can be used as a strategic tool to describe firms' business logic and IME strategies. However, the authors do not place an emphasis on identifying certain market characteristics that affect the ability for KIBS to succeed in IMEs. Thus, there is a need of further research to explore the interrelationship between market characteristics and business models. The authors of this thesis are particularly interested in identifying market characteristics that are important for IT consulting firms when entering international markets by using the BMC.

The topic has resulted in a case study of Netlight Consulting that operates in the KIBS sector. Netlight is a Swedish IT consulting firm providing high quality IT and management services, covering the whole chain from project management, architecture to development and execution (Netlight Consulting, 2014). Netlight has outperformed the Swedish IT consulting industry. Between the years 2008-2012 the company's turnover growth was 200 %, while the industry's corresponding rate ended up at 27 %. The success story of Netlight is partly claimed by the company to be a result of their unique business model that has refined the concept of IT and management consulting to talent pools who in cooperation, create valuable results for their clients (Netlight Consulting, 2012). As a result of the good performance, international offices have been established in Oslo, Munich and Helsinki. Additionally, upcoming IMEs are planned to Berlin, Hamburg, Paris and London, as well as Amsterdam and Frankfurt that currently are under investigation. By investigating Netlight, the aim is to contribute to existing research within the field of IME.

1.2 Purpose of the study

The purpose of the study is to identify important market characteristics that affect International Market Establishments in the IT consulting industry by using the Business Model Canvas.

1.2.1 Research question

In order to fulfil the purpose, two research questions are stated:

1. Which are the important market characteristics for Netlight in International Market Establishments?
2. Which of the market characteristics in the case of Netlight can be considered generic for the IT consulting industry?

1.3 Delimitations

- The market characteristics will be derived based on Netlight's business model, meaning that other IT consulting firms are excluded in this study.
- The derived market characteristics are limited to the IT consulting industry, which represents a major part of the KIBS sector.
- The derived market characteristics are based on two of Netlight's prior IMEs, Oslo and Munich. Helsinki is excluded due to the limited time the office has been established.

1.4 Target group

The target group of this study is the decision-makers at Netlight as well as the internal function at Netlight that works with IMEs. Additionally, the findings will support other IT consulting firms when they investigate new potential markets.

1.5 Outline of the thesis

Chapter 1: Introduction

The first chapter provides a brief background description of relevant research fields and its connection to the case study. The background culminates into the purpose of the study with related research questions. Finally, delimitations and target groups of the study will be clarified.

Chapter 2: Literature review

The second chapter presents relevant theory related to the purpose of the study. Theories regarding Knowledge-Intensive Business Services (KIBS) are presented followed by important factors affecting this sector's International Market Establishments (IMEs). Lastly, the business model concept is clarified where the emphasis is put on Osterwalder's business model generation tool the Business Model Canvas (BMC).

Chapter 3: Methodology

The third chapter highlights the challenges of conducting this study and the chosen methodological approaches. Thereafter, the working process is thoroughly described followed by a discussion of the study's credibility.

Chapter 4: Case company's business model and derived market characteristics

The fourth chapter presents the results from the workshops and interviews conducted at the case company. Firstly, a short description of the company is presented. Secondly, the case company's business model is illustrated through Osterwalder's BMC. Finally, the market characteristics that were derived from the benchmark of Netlight's prior IMEs are presented.

Chapter 5: Analysis

The fifth chapter analyses the empirical findings with presented theory. The derived market characteristics from the case study will be set against the important factors described in theory by using our developed analytical framework. Furthermore, the interrelationship between the BMC and market characteristics is analysed.

Chapter 6: Conclusion and final remarks

The sixth chapter answers the research questions stated in the first chapter in order to fulfil the purpose of the thesis. A framework with important market characteristics for the IT consulting industry will therefore be presented. Additionally, a discussion of the results is presented as well as suggestions for future research.

2 Theory

The following chapter presents related research relevant to the purpose of this thesis. Initially, theory regarding KIBS will be presented, followed by a theoretical summary of important factors affecting IMEs. Finally, the business model concept focusing on Osterwalder's Business Model Canvas will be presented.

2.1 Knowledge-Intensive Business Services

2.1.1 Clarifying the concept of KIBS

There is no standard definition of Knowledge-Intensive Business Services (KIBS) and many different definitions can be found in research about this area. One definition is provided by Miles (2005), who defines KIBS as '*providing knowledge intensive inputs to the business processes of other organizations*'. Another more precise definition was suggested by Hertog (2000): '*private companies or organisations who rely heavily on professional knowledge, i.e. knowledge or expertise related to a specific (technical) discipline or (technical) functional-domain to supply intermediate products and services that are knowledge based*'. What is common in many definitions of KIBS is that they often involve technical and computer related services (European Commission, 2012; Strambach, 2008; Miles, 2005; Hertog, 2000). Computer related services are explained by Hertog (2000) and can be divided into several sub-categories, including IT consulting (hardware and software consulting) and supply, data processing, database activities, maintenance and repair of office accounting and computer machinery etc. Based on the different definitions of KIBS, Strambach (2008) points out three important features of the KIBS sector:

1. KIBS imply that knowledge is the primary value companies provide to the market. Thus, the main capabilities of KIBS are intangible services, such as specialised expert knowledge and R&D support.
2. The interaction between suppliers and clients is prominent where both parts learn from each other. The utilisation of the knowledge-intensive services cannot be replaced with other more standardised products.
3. The interaction between KIBS and their clients is based on consulting activities where problem solving plays an important role.

2.1.2 Trends in the KIBS sector

The KIBS sector has seen a steady growth in the last decade (European Commission, 2012; Miles, 2005). The European Commission (2012) highlights that the demand for knowledge-intensive services have increased with the efforts of European economies to maintain their competitive positions through their development into knowledge-based economies. The average annual growth rates of employment in the KIBS sector between the years 2002-2007 in Europe have shown to be

approximately 3.8 %, compared to the annual growth rate of 1.4 % in total employment in the EU (European Commission, 2012).

In connection with the rapid growth in the KIBS sector, Miles (2005) describes several new challenges that have appeared. For instance, the growth has resulted in a large amount of newly established KIBS, which subsequently have caused problems when it comes to quality assurance. The risk of insufficient services provided by “cowboy consultants” is a problem within the industry, which directly or indirectly affect the involved actors. There is also a growing concentration in the KIBS sector, which basically means that larger companies will emerge and become the dominant players in the market. Nevertheless, there are still many small to medium sized enterprises operating in the KIBS sector that often deliver niched services to their clients. However, the tendency of the increased market concentration may result in a decline of small KIBS since they are not able to compete with larger international companies. This concentration is not restricted to a local or regional level but is also happening on an international level (Miles, 2005).

2.1.3 IMEs in the KIBS sector

The internationalisation process is also described as an important factor behind the growth of the KIBS sector (Muller & Doloreux, 2007; Strambach, 2008; Miles, 2005; Huggins, 2011), as it has enabled KIBS to offshore knowledge production and created new markets and opportunities for expansion and acquisition (Huggins, 2011). Today’s diverse business environments have resulted in the fact that clients need support on how they should operate in the international market. Miles (2005) further pinpoints some reasons for why KIBS enter new international markets:

- KIBS follow clients who start to operate in new markets
- Increased level of competition in the domestic market
- Gain knowledge from practices in foreign markets
- New IT applications that facilitate internationalisation

2.1.4 Different types of entry modes in IMEs

There are different approaches and paths for KIBS to take when entering the international market. Due to the importance of direct interactions with clients, Foreign Direct Investments (FDI) is common in the KIBS sector. KIBS often choose between two types of FDIs when entering a foreign market: to establish their own subsidiaries in the foreign market, also referred to as organic growth or Greenfield investment, or to establish through a merger or acquisition (Toivonen, Tuominen, Smedlund, & Patala, 2009; Glücker, 2001). Acquisition is an external growth strategy where the firm’s development is based on external resources (Romanowska, 2009). This means that the firm acquires a local firm and take control of both existing infrastructure and client networks as well as the reputation of the acquired firm (Glücker, 2001). Greenfield investment means that firms successively expand their

own activities to the foreign market, building up their own reputation and client networks (Glücker, 2001). Greenfield investments therefore imply that the firm's development is based on its internal resources, and the internal growth process is considered as sequential and gradual (Romanowska, 2009). Unlike acquisitions, Greenfield investments allow firms to select and train new workforce, whom enables firm-specific advantages to be transferred from parent firms, e.g. management practices, firm-embedded technological knowledge (Szalucka, 2010). Koch (2001) explains that IMEs are strongly influenced by certain factors. These factors could be internal, such as the size of the firm and its resources, competences, capabilities and skills, or external, including the characteristics of the foreign market's business environment (Koch, 2001).

2.2 Factors affecting IMEs in the KIBS sector

As previously mentioned, both internal and external factors as well as the characteristics of the foreign market affect the outcome of IMEs. This section includes important factors affecting IMEs based on existing research within the field.

2.2.1 Economic Conditions

Prior research emphasises market size and GDP as important determinants in IMEs since markets with a large market base indicate that there is a good opportunity for further growth (Liu, Feils, & Scholnick, 2011; Ramasamy & Yeung, 2010; Rubalcaba, Gallego, Gallo, & Garrido, 2013). According to a survey conducted by United Nations Conference on Trade and Development (2009) between 2009-2011, the results indicated that the most important criteria for KIBS to consider are the size of the local market (17 % of total responses), the growth of the market (16 % of the total responses), and access to international and regional markets (10 % of total responses). The study also described that the overall global economic situation play an important role in FDIs.

2.2.2 Client Interaction

KIBS require a lot of interaction with clients, making a good client base critical for success (Bettencourt, 2002). Network relationships, references, reputation and long-term relationships together make up a key function in interaction processes between KIBS and their customers as well as among KIBS firms themselves (Strambach, 2008). Miles (2005) explains that the diversity in relationship between KIBS and its clients varies and could either be characterised as short-term oriented with a pre-defined task or long-term oriented with much more focus on interactions with clients. According to Toivonen (2004), it is important for KIBS to provide support to the clients' overall business strategy. This emphasises an integrated solution where the KIBS provider has a great understanding of not just the specific task but also the entire business of the client. The larger focus on providing a complete solution has led to a shift towards long-term partnerships (Miles, 2005).

Toivonen (2004) argues that KIBS broaden their services, while at the same time becoming more specialised in specific sectors.

In an international context, long-term relationships with clients that operate internationally could provide knowledge of foreign markets and reduce the risk of failure. Hence, client-following strategies are important for business services to consider before entering the international market (Majkgård & Sharma, 2008; Toivonen, Tuominen, Smedlund, & Patala, 2009). The client-following concept becomes interesting when companies are involved in an international network of exchange where KIBS serve clients that operate internationally. These clients could either put pressure on or help the business service firm to eventually enter the international market. Generally, client-following strategies can reduce the perceived level of uncertainty since the company gains access to knowledge that their different clients possess regarding internationalisation. However, Majkgård & Sharma (2008) claim that companies should not only gain knowledge from their clients, but also from other business partners in their network. Thus, it is crucial to evaluate the whole network before entering foreign markets in order to understand if there are any potential synergies to obtain.

Networking as a way of gaining foreign market knowledge and establishing good client relations has been widely described as a very important part of IMEs, where it is said that growth takes place through the extension of the firm's network through investment in network positions and the development of network relationships (Coviello & Munro, 1997; Coviello & Munro, 1995; Loane & Bell, 2006). Johanson & Vahlne (2009) also point out the relevance of networking in the internationalisation process in their revised model of the 'Uppsala model'. The usage of existing networks may strengthen relations with clients, which is important when forming client-following strategies (Johanson & Vahlne, 2009). The authors further mention outsidership as a barrier in new market entries, also pointing out the importance of insidership in relevant networks as a factor in successful IMEs.

2.2.3 Knowledge Acquisition

The ability to exploit knowledge and take advantage of personal networks is critical in the KIBS sector (Ramasawy & Yeung, 2010; Sass & Fifeikova, 2010; Liu & Feils, 2011; Doh, Bunyaratavej, & Hahn, 2009). To maintain a high quality delivery and high level of domain expertise, which is extremely essential for KIBS, firms strive to find good skills and knowledge to absorb (Sass & Fifeikova, 2010; Manning, 2013). Thus, the availability of skilled and educated labour is one of the most important factors to attract firms to invest and establish in foreign markets (Ramasawy & Yeung, 2010; Sass & Fifeikova, 2010). Knowledge within IT and other technical skills have been described as particularly important, while for example skills within HR are less important (Sass & Fifeikova, 2010). With skilled labour, firms are able to strengthen their advantages and expand their business even more. Prior research

has shown a positive relationship between the extent of IMEs and level of education in the foreign market, where a higher level of education has shown to increase the attractiveness for the company entering the market (Liu & Feils, 2011; Ramasawy & Yeung, 2010; Fingleton, Iglori, & Moore, 2005). A common way of measuring labour quality is to use the number of students in secondary school as an indicator for education (Doh, Bunyaratavej, & Hahn, 2009; Ramasawy & Yeung, 2010; Fingleton, Iglori, & Moore, 2005).

For high-technology KIBS in particular, universities are the most important regional source of knowledge (Tödtling, Lehner, & Tripl, 2006). This is due to the fact that high-technology KIBS firms rely on a large variety of knowledge, including scientific and analytical knowledge. Even though universities are a very important regional source of knowledge for high-technology KIBS firms, Tödtling, Lehner, & Tripl (2006) argue that this type of firms combine knowledge sources from the region with those of national and international origin. International knowledge sources include knowledge flows from clients, suppliers and competitors, as well as within the own firm and the group. For high-technology KIBS that rely more on consulting, more durable relations and networks are of high importance (Tödtling, Lehner, & Tripl, 2006).

Networking has been pointed out as an important factor for firms to gain the right skills and knowledge. Strambach (2008) argues that while networking and project organisations are becoming more and more important in many industrial sectors, it has always been the convenient form in KIBS. This has also been emphasised in research by Loane & Bell (2006), which shows that not only existing networks are of use when entering new markets, but also the importance of building new networks. The research, investigating 218 internationalising entrepreneurial firms in Australia, Canada, Ireland and New Zealand showed that the firms used their social and business networks to acquire human capital that increased their networks even more. By leveraging networks firms gain deeper knowledge in new markets that is helpful in successful establishments and for firms to develop and create competitive advantages (Loane & Bell, 2006). Tödtling, Lehner, & Tripl (2006) further discuss different knowledge sources and emphasise the importance of networking in the gathering of knowledge for innovation in KIBS firms. It is said that in regions with many universities and other research institutes, science parks, innovation centres, technology transfer agencies and educational institutions the production, diffusion and application of knowledge can be stimulated and enhanced.

2.2.4 Cultural Aspects

The influence of cultural aspects in IMEs has been discussed in literature by Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977). They have developed an internationalisation model called the 'Uppsala Model', where they argue that internationalisation starts in markets that are close to the domestic

market in terms of *psychic distance*, defined as a set of factors influencing the success of IMEs. These factors include differences in language, education, business practices, culture and industrial development. The authors claim that firms should develop in the domestic market first and later move into new surrounding markets as they gradually learn about foreign markets and operations (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). A more recent study by Netland & Alfnes (2007) reviewing literature between 1999 and 2005 has also shown that the cultural aspects and market characteristics play an important role in IMEs among KIBS. Since KIBS often enter new markets through FDI, rather than exporting, this complicates market entries due to cultural barriers.

This is shown in newer research as well, where emphasis is also put on the importance of cultural aspects (Ojasalo, 2010; Liu, Feils, & Scholnick, 2011; Doh, Bunyaratavej, & Hahn, 2009). Interaction with customers is an important building block for KIBS and makes these firms in particular sensitive to a foreign market's cultural characteristics. Among cultural aspects, language is one important aspect to pay attention to. Doh, Bunyaratavej, & Hahn (2009) argue that countries that share the same language are most likely to share other cultural, institutional and historical experiences as well. A common language is therefore critical in order to attract foreign investors, facilitate business interactions with customers and minimise transaction costs (Doh, Bunyaratavej, & Hahn, 2009). Other cultural elements, such as religious beliefs, materialism, language, education, family structure, gender role, manners, customs and time orientation, are also important factors that affect foreign market establishments (Ojasalo, 2010).

Good relations, understanding and trust are essential in the KIBS sector, which is why a coherent understanding of terms is of great importance. The term *quality* for example, might be defined differently in different cultures and countries and thus complicate the communication between supplier and buyer (Liu, Feils, & Scholnick, 2011; Ojasalo, 2010). Also, the differences in demand between cultures require that firms have qualified personnel with specific know-how in order to gain competitive advantage (Ochel, 2002). Thus, firms could benefit from expanding to markets with more cultural proximity (Liu, Feils, & Scholnick, 2011), but also to markets that provide the specific competencies that are required to establish in the market (Ochel, 2002). Ochel (2002) and Ojala & Tyrväinen (2009) further argue that to become competitive firms benefit from choosing markets with interdisciplinary and international universities, which enables local recruitment that would help break down the cultural barriers in foreign markets. This would improve communication and minimise misunderstandings and transaction costs (Liu, Feils, & Scholnick, 2011).

2.2.5 Political Aspects

Both traditional and more recent research has pointed out the importance of political aspects as part of location-specific factors when it comes to

internationalisation (Lovelock & Yip, 1996; Lim, 2001; Globerman & Shapiro, 2002; Ochel, 2002; Javalgi, Griffith, & White, 2003; Bénassy-Quéré, Coupet, & Mayer, 2007; Dutta & Roy, 2009). According to Lim (2001) a friendlier business and investment climate lowers the additional costs of doing business in a foreign country, which are normally raised by regulatory, bureaucratic and juridical hurdles. This is also mentioned by Globerman & Shapiro (2002), who talk about the political, institutional and legal environment as an important factor, which is referred to as a market's governance structure. A good governance structure includes laws that promote competition on a national and international level, open and transparent legal and regulatory systems as well as an effective delivery of governmental services (Globerman & Shapiro, 2002). These factors are according to Globerman & Shapiro (2002) even more important than a country's political stability.

The relationship between governance structure and market establishments through FDI has been further investigated in a study by Dutta & Roy (2009). The authors dig deeper into certain kinds of regulations in foreign markets that might be barriers to IMEs. Firms are considered to be negatively affected if there are restrictions to entering a new market, e.g. if it is difficult or time-consuming to start a new business or if the bureaucracy in the country is complicated and prevents simplicity in market entries (Ochel, 2002; Dutta & Roy, 2009; Bénassy-Quéré, Coupet, & Mayer, 2007). Regulations affecting the attractiveness of a market include amongst others regulations on taxes, tariffs, rates and labour laws (Dutta & Roy, 2009). General taxes, but also taxes and tariffs on international trade affect IMEs negatively. Other barriers include laws and restrictions on foreign ownership and investment as well as credit market regulations (Dutta & Roy, 2009; Javalgi, Griffith, & White, 2003). Credit market regulations that result in less availability of credit and higher interest rates are not desirable for foreign investors. Unlike most regulations that have a negative effect, Dutta & Roy (2009) mention labour market regulations as positively affecting IMEs. Lower regulations on the labour market regarding wages, fees, hiring and firing etc. result in less negotiation power for foreign investors, while stable labour market organisations and wage contracts provide greater security.

All of these factors have an important effect on the attractiveness of a market for foreign investors. For firms to succeed in their IMEs it is favourable to look for liberal markets with a good governance structure, without trade barriers, unnecessary regulations and have a less complicated bureaucracy (Bénassy-Quéré, Coupet, & Mayer, 2007; Dutta & Roy, 2009).

2.2.6 Summary of important factors affecting IMEs

The described theory affecting IMEs in the KIBS sector can be summarised into five factors. These are illustrated in figure 1.



Figure 1. Theoretical framework illustrating factors affecting IMEs in the KIBS sector. Authors' own figure.

In order to gain understanding of the theoretical factors firms could use the concept of business models, which helps firms to form strategic alternatives in today's fast-moving and unpredictable environment (McGrath, 2010; Osterwalder & Pigneur, 2010). Theories regarding business model concepts will be further described in the next section to provide a deeper understanding of the interrelationship.

2.3 The Business Model Concept

The first time the term business model appeared was back in 1957 when Bellman et. al. published an academic article (Novak, 2013). Despite this early introduction, the term did not become widely explored until the Internet landscape was shaped in the 1990s, where IT companies realised the importance of understanding their business models (Onetti, Zucchella, Jones, & McDougall-Covin, 2012). Since then a vast amount of research have been published in the area (Novak, 2013). However, the debate of business models is still fragmented and confusing since prior research has not agreed on a generally accepted definition (Cortili & Menegotto, 2010; Novak, 2013). Magretta (2002) argues that the concept of business models is a sloppily used term in the business environment, where it initially is of great importance although it ends up meaning nothing. In contrast, several other researchers claim that firms actually do follow some sort of business model, whether it is explicitly stated or not (Chesbrough, 2010; Teece, 2010). According to Magretta (2002), business models explain how different pieces of the companies' activities fit together. Business models facilitate the analysis, testing and validation of different strategic choices but

should not be seen as the strategy itself. Strategies are more forward-looking and should work as a directional roadmap to companies (Novak, 2013). A common factor between the two terms is the element regarding decision-making because business models can be used as a tool to analyse and communicate a variety of different strategic choices.

Osterwalder & Pigneur (2010) are two renowned researchers within the field and define business model as “The rationale of how an organisation creates, delivers, and captures value”. Together they have created the Business Model Canvas (BMC), a concept that allows firms to systematically understand, design and differentiate their business model.

2.3.1 The Business Model Canvas

Osterwalder & Pigneur (2010) believe that the business model is best described through nine basic building blocks that show the logic of how a company intends to make money. These nine blocks include Customer Segments (CS), Value Proposition (VP), Channels (CH), Customer Relationships (CR), Revenue Streams (R\$), Key Resources (KR), Key Activities (KA), Key Partnerships (KP) and Cost Structure (C\$) and are said to cover the four main areas of a business: customers, offer, infrastructure and financial viability. The BMC is illustrated in figure 2.

Companies constantly need to innovate their existing business model (Osterwalder & Pigneur, 2010; Johnson, Christensen, & Kagermann, 2008; Chesbrough, 2010). Business model innovation is about creating value both for companies, customers and the society overall through replacing out-dated models (Osterwalder & Pigneur, 2010). In order to address these issues, Osterwalder & Pigneur (2010) explain the importance of continuously defining the business model in organisations to facilitate the understanding and discussion of the concept among employees. The authors highlight the importance of establishing a shared language that will enable companies to easier and better identify strategic paths, which is what they aim to achieve through the BMC (Osterwalder & Pigneur, 2010). The BMC will now be described element by element and the next sections are entirely based on the BMC framework developed by Osterwalder & Pigneur (2010). Figure 2 illustrates the BMC.

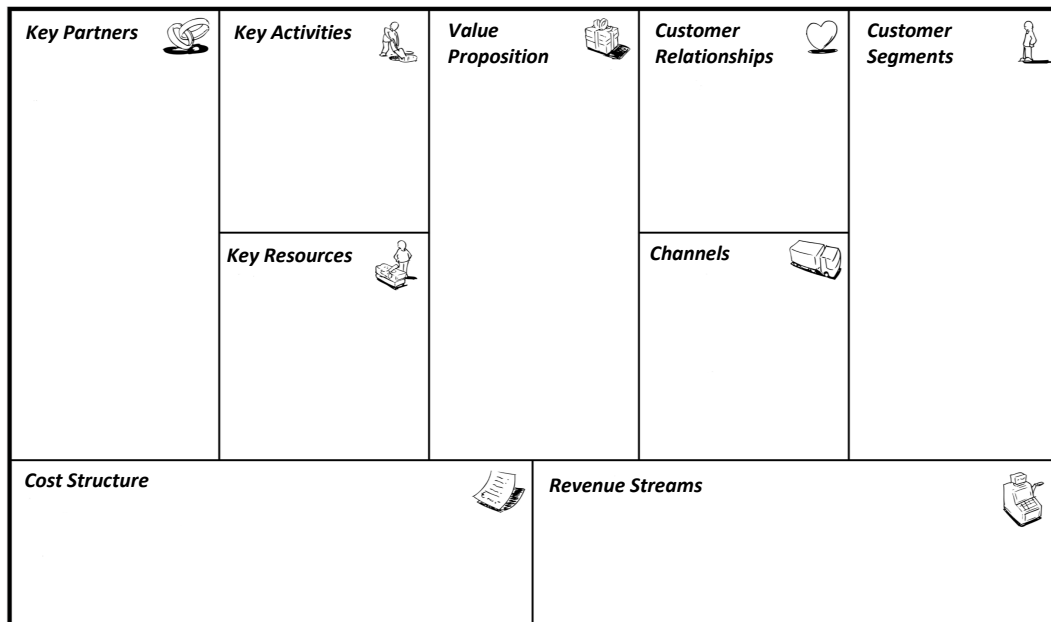


Figure 2: The Business Model Canvas by Osterwalder & Pigneur (2010)

1. Customer Segments (CS)

Companies need to make decisions regarding which segments to serve and which segments to ignore. Therefore, it is crucial for companies to group their customers depending on needs, behaviours and other attributes. The classification of customers supports companies in designing a winning business model that is based on a strong knowledge of certain customer needs. In order to easily identify different types of customer segments, Osterwalder & Pigneur explain that customer groups represent separate segments if:

- The customer's needs require a distinct offer
- Customers are reached via different distribution channels
- Customers require different types of relationships
- The customer's profitability varies substantially
- Customers are willing to pay for different aspects of the offer

2. Value propositions (VP)

The value proposition is the main reason why customers select one company's offerings in front of another. It is the value proposition that satisfies customers' needs where each value proposition consists of a selected bundle of products and/or services that together serve the needs that a specific customer segment requires. Thus, the value proposition could be defined as the total amount of benefits that the company offers to its customers. The value proposition offered might be new and innovative, providing something that the market has not seen before, or it could be similar to existing products and/or services in the market but with extra value-added

features. There are several elements that companies need to consider when it comes to value creation, e.g. performance, customization and cost reduction among clients.

3. Channels (CH)

The channels describe how a company communicates and reaches its customers with the value proposition. Communication, distribution and sales channels are some parts of the company's interaction with customers. In general, channels play an important role and deals with several functions, for instance:

- It raises awareness of the products and/or services to the customers
- It helps customers to evaluate the company's value proposition
- It allows customers to purchase specific products and services
- It delivers a value proposition to customers
- It provides post-purchase customer support

Channels can be further divided into direct and indirect channels, as well as between owned channels and partner channels. Owned channels can be direct involving a sales force or via the Internet, or they can be indirect via retail stores owned by the organisation itself. The partner channels could for instance be wholesale distribution, retail or partner-based websites. The main difference is that partner channels result in lower margins but could be beneficial due to synergistic opportunities. An integrated model can be beneficial in order to maximise revenues.

4. Customer Relationships (CR)

Companies need to clarify what kind of relationship they want to achieve within the customer segment. The relationship can be driven by the following motivations:

- Customer acquisition
- Customer retention
- Boosting sales (upselling)

There are several categories of customer relationships. For instance, dedicated personal assistance is highly based on customer interactions. This kind of customer relationship is one of the most intimate where company representatives closely collaborate with clients over a long period of time, such as banking services and key account management. The opposite, self-service, occurs when the company provides all the necessities for customers to assist themselves.

5. Revenue Streams (R\$)

Revenue streams are the cash generated from customers. Each one of the revenue streams can be based on different pricing mechanisms. Firstly, fixed menu pricing uses pre-determined prices based on static variables, such as fixed list prices, product feature dependence, customer segment dependence and volume

dependence. Secondly, dynamic pricing change, based on certain market conditions, can be based on negotiations, yield management, real-time markets and auctions. Furthermore, a business model can comprise two different types of revenue streams: (1) revenues received from one-time customer payment, and (2) recurring payments to deliver value proposition or post-purchase services. There are several courses of actions a company can take in order to increase its revenues, such as subscription fees, licensing and advertisement.

6. Key Resources (KR)

Key resources are the assets needed to make the business model work. Different types of organisations possess different key resources. Roughly, these can be divided into four areas; physical, intellectual, human and financial assets. Physical resources are often capital-intensive and involve everything from manufacturing facilities to distribution networks. Intellectual resources (e.g. brand, patents, and partnerships) are harder to develop but if this is done properly they will add a substantial value to the company. All companies have some form of human resources. However, it is specifically important in some industries such as the KIBS. Finally, financial resources can be cash, lines of credit etc. helping the company to operate efficiently.

7. Key Activities (KA)

Key activities are the actions a company has to undertake in order to become successful. As with key resources, key activities differ depending on the business model concept but in general there are three distinctive categories of key activities; production, problem-solving and platform/network. The first one is basically about designing, making and delivering the product in substantial quantities and/or superior quality, which could be derived to the manufacturing industry. The second is about generating new solutions to customer problems, for instance consultancy services that involves knowledge management and training. The last is heavily based on network-related activities including platform management, service provisioning, and platform promotion.

8. Key Partnerships (KP)

Key partnership is the network of suppliers and other partners that makes the business model work. This element has started to play a significant role in many business models where companies create alliances to (1) optimise their business model and achieve economies of scale, (2) reduce the level of risk and uncertainty, and (3) acquire particular resources and activities. The first form is mainly about cost reduction and to achieve synergies through either outsourcing activities or sharing infrastructure. The second form helps the company to reduce the risk by forming strategic alliances with competitors in one area while still competing in another. The last form is more about acquiring knowledge, licenses and getting access to a specific customer base. Finally, there are four distinct variants of partnerships; strategic alliances between non-competitors, co-opetition (strategic alliances

between competitors), joint ventures, and buyer-supplier partnerships to assure future supplies.

9. Cost Structure (C\$)

The cost structure involves all costs incurred in order to operate the business model. Depending on what kind of business model that the company has developed, it can be useful to distinguish two types of cost structures, the cost-driven and the value-driven approach. The first alternative focuses on minimising costs and constantly aims to achieve this by low price value propositions, high automation and outsourcing. The value-driven approaches pay more attention to create value, rather than minimising costs. Premium value propositions and customized offers often characterise this kind of product.

Moreover, cost structures can further be characterised as fixed costs (costs that remain the same despite level of products produced), variable costs (varies in proportion to the volume of products sold), economies of scale (cost advantages due to increased output of products), and economies of scope (cost advantages due to larger scope of operations).

3 Methodology

The following chapter starts to present the challenges of conducting this study, which is followed by the methodological approaches used. Thereafter, a thorough description of our working process is described and the chapter ends up with discussing the credibility of the study in terms of reliability, validity and generalizability.

3.1 Challenges in this study

We had mainly two big challenges in this study. Firstly, it was hard to gather employees at Netlight, which resulted in more workshops than planned. Secondly, the additional workshops affected the time planning which forced us to decrease the scope of the study.

3.1.1 Hard to gather respondents to workshops

One challenge was related to the workshops that were conducted in order to map Netlight's business model. This process became time-consuming since it showed to be difficult to gather employees simultaneously. The ideal situation would have been to have less number of workshops with more participants each time, but unfortunately we had to conduct several workshops with fewer participants. Additionally, it was challenging to find employees that were best suited to describe the different elements in the BMC for the case company. Due to the fact that we conducted several workshops, it required us to do many interpretations of the different results as objectively as possible in order to gain a consistent view of the company's business model.

3.1.2 Challenging to satisfy different objectives

In the beginning of the study, the idea was to include an analysis of two potential markets for Netlight. By doing this we had hoped to illustrate how the derived market characteristics could be measured by IT consulting firms when entering international markets, and also find difficulties with the model by testing the easiness of collecting data for each characteristic. However, as the workshops took longer time than expected, the data collection of the potential markets was excluded in the academic study. Given more time, this would have been included in the thesis and perhaps increased the quality of the findings. As the case company still requested the market analysis, it had to be run separately and did therefore continue after the submission of the thesis. As the different studies still had to be conducted in parallel, it was challenging to manage the given time wisely and satisfy the case company and university's objectives.

3.2 Methodology approaches in the thesis

3.2.1 A deductive approach

According to Bryman & Bell (2011), the deductive approach starts from existing theories that eventually culminate into specific observations. In contrast, the inductive approach has its starting point in specific observations, which enables researchers to draw generalised conclusions that eventually end up in theory. Jacobsen (2000) describes that the aim with the deductive approach is to gather data and evaluate whether the empirical observations are consistent with reality. This study has taken a deductive approach and is based on theories regarding IMEs in the KIBS sector and the business model concept. These theoretical fields have in existing literature shown to be separately well explored but the interrelations between them were shown to be limited. The literature review worked as the basis of the conducted case study that together with presented theory supported us to fulfil the purpose of the thesis.

3.2.2 Single case study of Netlight

According to Yin (2009), case studies could either be single or multiple. The choice of research design depends on the stated research questions. Single case studies are often intensive, meaning that the researcher thoroughly investigates one or few objects (Jacobsen, 2000). As we in this study carefully investigated one single case company, it enabled us to get a comprehensive and detailed view of the company's business model in order to derive important market characteristics. Jacobsen (2000) claims that case studies contribute theoretically by finding unexplored results, which opens up for further research.

Netlight has been chosen as the case company for this study since the company contacted us with the purpose of addressing a number of challenges the company stood in front of. Netlight is an interesting case for this study for several reasons. Firstly, Netlight's rapid growth in the last decade has already led to several IMEs, and additional establishments are on the agenda. The company's aggressive expansion strategy requires enhanced knowledge of important market characteristics, which will facilitate them to better investigate potential markets before entering.

3.2.3 Data collection

Bryman & Bell (2011) distinguish qualitative interviews into unstructured and semi-structured. Unstructured interviews have similarities with regular conversations, except that the researchers often have predefined themes that they aim to investigate. On the other hand, in semi-structured interviews the researchers usually prepare interview templates. In this study, the first part aimed to map Netlight's business model. Osterwalder & Pigneur (2010) recommend workshops as an appropriate approach in order to map a company's business model as it creates

interaction between the participants, which fosters creativity and enables new insights. Therefore, we conducted workshops with employees at Netlight, which involved interactive tools such as whiteboards, post-it notes etc. The conducted workshops had similarities with semi-structured interviews since we prepared interview templates to ensure that important aspects of each business model element were not missed. The prepared questions were open and flexible, which continuously led to new insights and helped us to gain a deeper understanding of the context. Additionally, to receive a nuanced view of Netlight's business model, employees at different levels and functions were carefully chosen. However, mostly senior consultants and managers were of interest since they generally possessed greater knowledge and experience of the company. In total, 9 workshops were conducted with 1-3 participants in each session. The list of participants is shown in appendix A. The workshops were immediately transcribed to ensure a comprehensive and accurate view of the respondents' answers that eventually shaped Netlight's BMC.

The second part of the study included a benchmark of Netlight's IMEs to Oslo and Munich in order to derive the important market characteristics. This was done by semi-structured interviews where the responsible employees of each specific establishment were interviewed, described in appendix B. The prepared questions were based on the results from the BMC, which helped us to follow a structured approach and cover the most important aspects with regard to Netlight's business model. These interviews were also recorded and transcribed to minimise the risk of lost data. Moreover, the interviews were complemented with internal documents of Netlight's IMEs to Oslo and Munich. These gave us valuable insights that complemented the answers from the conducted interviews.

3.3 The working process

In this section the work process for this thesis will be described in chronological order. The work process consisted of seven steps, which are illustrated in figure 3 and further described in the following sections.

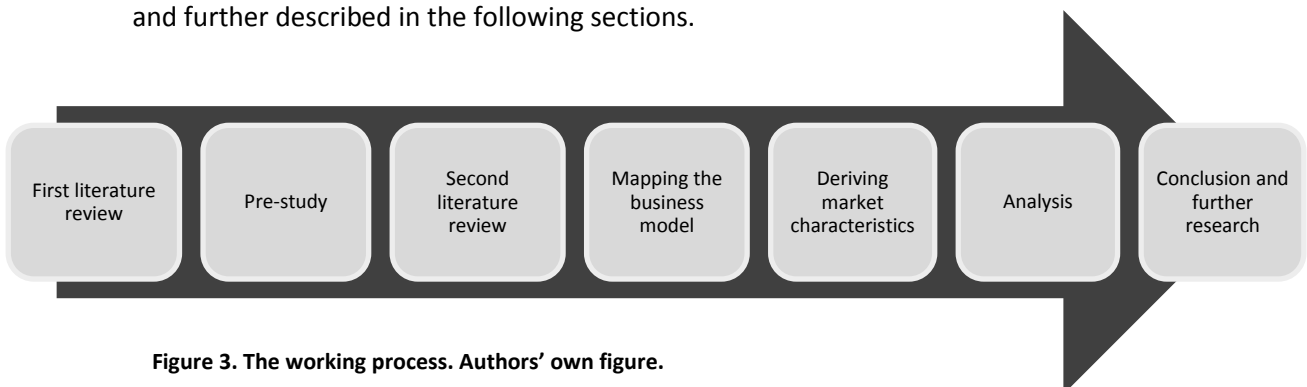


Figure 3. The working process. Authors' own figure.

3.3.1 Step 1. The first literature review

By conducting the first literature review we gained a holistic and comprehensive view of the different research fields we aimed to study and no in-depth research was conducted at this stage. In order to gain a better understanding of IMEs, theories regarding KIBS were studied. The first literature review deepened our knowledge and insights of the main factors that had driven the internationalisation process in the KIBS sector, and IT consulting firms in particular. The KIBS sector was a relevant field to study since it highly involves IT consulting which is the core business of Netlight. Additionally, research regarding business model concepts, with primary focus on the BMC, were also studied due to the fact that the BMC was chosen as the tool to identify key market characteristics for Netlight.

3.3.2 Step 2. Pre-study at Netlight

A pre-study was conducted at Netlight with the aim to learn more about the company's business. Several initial interviews were arranged with employees from different functions within the organisation and these had two different orientations. One orientation focused on Netlight's overall business where employees with different experiences and backgrounds answered prepared questions, which enabled us to gain an initial understanding of the company. The other orientation focused on Netlight's establishments to the international offices in Oslo and Munich where responsible employees described the progress so far. These meetings deepened our knowledge of Netlight's strategies when it comes to IMEs. In addition to this, we participated in "Edge Academy Week", in which employees at the company during one week held presentations on various topics. The week further broadened our knowledge of the company. In summary, the pre-study helped us to understand Netlight as a company and how they have managed prior IMEs, which guided us to focus on relevant topics in the following literature review.

3.3.3 Step 3. Second literature review

Based on the first literature review and the pre-study, a narrower literature review was conducted. Theory regarding KIBS and relevant aspects for these firms when entering new international markets was investigated. In order to obtain a better understanding of the IT consulting industry, as a part of the KIBS sector, strong emphasis was put on this specific industry. The second literature review ended up in a theoretical framework describing key factors that affect the KIBS sector when entering international markets. The framework consisted of five factors: *economic conditions, client interaction, knowledge acquisition, cultural aspects, and political aspects*.

Additionally, the second literature review also included the concept of business models, and the major focus was put on the well-known researcher Osterwalder and

his Business Model Canvas. This theoretical field fell natural to explore since the case study used this tool to derive key market characteristics for Netlight.

3.3.4 Step 4. Mapping Netlight's business model

With the help from the BMC, Netlight's business model was mapped. Workshops were held with employees at Netlight, which gradually resulted in the canvas being filled in. The workshops gave us valuable insights of the nine elements in the BMC that combined illustrated the company's business model. In order to fill the BMC as precisely as possible, the different workshops focused on the specific elements that the participant had the best knowledge and experience from. An interview template was also prepared consisting of open questions in order to minimise the risk of misleading questions. As a result, the conducted workshops helped us to derive important factors in each element that were important for Netlight.

3.3.5 Step 5. Deriving key market characteristics

The step included a benchmark against Netlight's prior IMEs to Oslo and Munich and several informal meetings were also arranged with responsible employees of Netlight's function dealing with IMEs. This combined assisted us to derive market characteristics that had shown to be important in the company's prior establishments. The benchmarks against Oslo and Munich were conducted through semi-structured interviews, where each factor derived from the BMC in previous step was investigated. These interviews were qualitative and held with responsible employees for the Oslo and Munich establishments, which resulted in a broader understanding of what market characteristics that had influenced the outcome and progress of the markets. Additionally, websites with statistics of the Oslo and Munich markets enhanced our understanding of the two markets. The step resulted in an empirical framework with derived market characteristics in line with respondents' answers.

3.3.6 Step 6. Analysis

In order to analyse the empirical findings with theory, an analytical framework was developed (described in detail in section 5.1). The analytical framework made it easier to categorise the empirical findings in relation to the theoretical framework and the BMC. The analysis resulted in several generic market characteristics for IT consulting firms as well as case-specific characteristics based on Netlight's business model.

3.3.7 Step 7. Conclusions and further research

In the last step, the results from the analysis section helped us to answer the stated research questions. The generic and case-specific market characteristics were presented to provide a practical as well as academic contribution. Furthermore, a discussion of the results and recommendations for future research were given.

3.4 Credibility of the study

The credibility of a study can be divided into three areas: reliability, replicability and validity. According to Bryman & Bell (2011), reliability refers to the trustworthiness of the results in the study and whether the results will be the same if the study is conducted again, or if they are affected by random or temporary assumptions or circumstances. The replicability of a study refers to the possibility to repeat the study by using the same working process. Validity describes whether the conclusions drawn from the study are valid, in other words if the selected research method measures what it is intended to measure. Moreover, Bryman & Bell (2011) mention different types of validity, internal and external validity, that are common to distinguish.

3.4.1 Reliability

Reliability is in most cases difficult to reach in qualitative studies, as interviewees can interpret qualitative data collected through semi-structured interviews differently (Bryman & Bell, 2011). As this study included a lot of interaction with employees at the case company, mostly through semi-structured interviews, it was important for the authors to minimise the risk of misinterpreting the data. This was partly managed by always having both authors present during the interviews who afterwards agreed on a common interpretation of the results without being biased by personal opinions. Furthermore, in order to minimise the collected data being biased by personal opinions of the interviewees, several employees were interviewed when defining the case company's business model. Also, the interviews were recorded and transcribed immediately after. The employees that were chosen were evenly spread over different positions, roles and experience within the company, which provided an overall picture of the business model. In cases where the authors had troubles understanding the answers, the respondents were contacted again in order to raise the reliability.

3.4.2 Replicability

The replicability of a study depends on the extent to which the methodology and working process of the study is explained. For instance, this includes explaining the way of which respondents have been chosen, how the research instruments are designed and administered and how the data is analysed. However, qualitative studies are considered hard to replicate as the results depend on the interpretation of the researcher and also on the way of which the study is conducted, which is often unstructured (Bryman & Bell, 2011).

In this study, the authors have tried to raise the replicability by using the well-known business model generation tool – The Business Model Canvas. Also, an increased

replicability is hopefully achieved by a transparency of research instruments as interview templates have been attached in the appendix of the report.

3.4.3 Validity

Internal validity

Internal validity refers to the causality between different variables. It relates to how a researcher, that assumes that one variable is causing another variable, can be sure that the second variable is actually affected by the first and not a third variable, which is not investigated (Bryman & Bell, 2011). In this study, the internal validity may relate to if the market characteristics derived from the study actually affected the case company in their IMEs. It can be assumed that if more IMEs had been investigated at the case company or other companies, the internal validity of the results had been higher. However, in this case, the authors have not only looked at one IME but two IMEs at the case company, which hopefully has increased the internal validity.

External validity

External validity in case studies relates to the extent to which the findings in the study can be generalised, and to what extent the findings are of interest to other organisations. A generalisation towards a larger population is often hard to achieve through qualitative studies. Instead, qualitative studies often aim to achieve theoretical generalizability, which implies that the results are used to generate or confirm a theory (Bryman & Bell, 2011). Due to the design of this study, which investigates one single case company and excludes other IT consulting firms, it is hard to statistically generalise to a larger population. However, as the results are compared to existing theory about KIBS, we hope that the conclusions can be theoretically generalizable and still have some relevance beyond the case company.

4 Netlight's business model and market characteristics

This section aims to describe Netlight's business model based on Osterwalder's Business Model Canvas and the results from the conducted workshops and interviews. Furthermore, the results from the benchmark of prior IMEs are presented. The chapter finishes with an illustration of the derived market characteristics.

4.1 Background to Netlight

Netlight is a Swedish IT consulting firm founded in 1999 (Netlight Consulting, 2014). In the beginning of 2013, Netlight AB employed 391 people and had a net turnover of 406 MSEK.

Netlight has in the past couple of years outperformed the average growth of the IT consulting industry in Sweden. According to industry statistics presented by IT&Telekomföretagen (2014), the IT service industry in Sweden has grown with 27 % between the years 2008 and 2012, whereas Netlight's corresponding growth rate was 200 % (Netlight Consulting, 2012). Additionally, Netlight has been able to maintain a competitive and stable net profit margin of approximately 30 % each year, which can be compared to the Swedish IT service industry that only grew with 4 % in 2012 (Konsultguiden, 2012).

4.1.1 Corporate culture

Netlight is a value-driven company and has managed to create a corporate culture the company refer to as 'One Netlight'. The shared values among employees enable good collaboration and thereby high-quality deliveries to clients. According to a manager at Netlight, it is important to recruit candidates that have the mind-set of building things together and constantly strive for improvements. The founders of Netlight have been important key resources in creating the 'One Netlight' atmosphere and have managed to successfully convey the core values to employees.

4.1.2 Core competencies

Netlight is an independent IT consulting firm, meaning that the company has not entered any agreements to distribute specific IT solutions by other IT suppliers, such as for example Microsoft and IBM (Netlight Consulting, 2012). Therefore, tailored IT solutions can be delivered to their clients based on their business situation and overall objectives. Netlight has explicitly three core competences; *competence*, *creativity*, and *business sense*, which combined support the company to deliver sustainable and valuable results to the clients. Competence is about providing depth and range to the clients, which combined facilitate Netlight to meet the demand in

upcoming technologies among clients. Creativity is the path to achieve valuable results and includes effective knowledge transfer, active problem solving, and leadership abilities, both on an internal and external level. Finally, business sense is about understanding clients' organisation and business operations by actively being a part of their organisations throughout consulting projects (Netlight Consulting, 2014).

4.1.3 International offices

Netlight has established several international offices the last couple of years. Today, the company has international offices in Oslo, Munich, and Helsinki. The Munich office has been very successful and been a major contribution to the holding company. The Oslo office has also been successful but has not been growing as quickly as the Munich office. The Helsinki office is still in the start-up phase, as it has not been running for as long as the other offices. The success story of Netlight has led to several up-coming international establishments. These are planned to Berlin, Paris, Zürich, Hamburg, Amsterdam and Frankfurt and these will be up-and-running within the next few years. (Netlight Consulting, 2014)

4.2 Netlight's Business Model

This section will describe Netlight's business model that was derived from the workshops and interviews that were held with the employees (these are presented in appendix A). Each element is presented separately where one or more key factors have been identified.

4.2.1 Customer Segment

High-end segment

Netlight operates in the high-end segment, which means that the company's services are offered to clients that have the ability to pay a premium price. To justify the premium price that Netlight charge, it is therefore crucial that the company provides value-added IT services to achieve long-term relationships with clients in the segment. Netlight primarily targets growth companies in the high-end segment with the strongly held belief that these clients are, and will be, able to pay a premium price in the future. However, Netlight is not bound to specific industries and today they operate in the media, gaming, retail and public sectors. Clients are carefully chosen and it is not unusual that collaborations are rejected since they do not see future potential growth.

IT critical to business

Netlight only provides IT services where IT is seen as critical part of their business operations. According to a manager, IT is a critical part if a client's business heavily relies on their specific IT systems and cannot run their business properly without them. For instance, Netlight does not usually do business with firms in the bulk

industry or law firms since their IT operations are not seen as critical to their core business. IT infrastructure critical to a business turns out to be different in each sector that Netlight primarily operates in and these are briefly described below.

- **Media.** The media industry requires up-to-date websites to distribute news rapidly to readers. New and modern technology is necessary to fulfil this demand.
- **Online gambling.** The online gambling industry is heavily based on fast and secure transactions and since the companies in this sector often are located in tax-free areas (e.g. Malta) the local authority gets involved. This underlines the importance of traceability in every single transaction. Additionally, the platforms have to be interactive, user-friendly and appealing to players.
- **Finance.** Likewise to the online gambling industry, the finance sectors demand fast and secure transactions with high traceability. Also different kinds of trading systems and online banking have to work effectively.
- **Retail.** The emergence of business intelligence supporting decision-making, which enables companies in the sector to predict trends and form strategies. Also cash counter systems support companies to evaluate their business and form strategies.
- **Public sector.** The public sector is a large segment for Netlight and involves several authorities. Each authority demands specific IT services that are critical to their performance.

4.2.2 Value Proposition

High-quality deliveries

The value that Netlight is delivering to its customers can be summarized as high-quality deliveries, where high quality means professionalism and long-term and trustful relationships with clients as well as delivery of the best solutions that best fits their clients. This is done through *genuine consulting*, meaning that Netlight, unlike staffing agencies and contractors that provide individual staffing, offers a consulting service that is greater than the individual employee. As a partner at Netlight said: "It is how Netlight does things that make the firm unique in the industry", referring to the company's three core competences: competence, creativity and business sense. By recruiting the best talents that possess these competences, Netlight is able to create a collective pool of knowledge and provide the company's whole competence and knowledge through each and every consultant.

4.2.3 Channels

Direct client interactions

The prospecting helps Netlight to identify interesting clients, which eventually enables direct sales. This requires a balance between quantity and quality, meaning that many potential clients need to be contacted while at the same time good relations are maintained with existing ones. To enhance sales, Netlight often arranges business conferences where existing and potential clients are invited to hear more about the services offered. Informal meet-ups, such as lunch meetings, are also important to improve sales and according to a sales manager fundamental in relationship building. These face-to-face interactions result in good relations with clients. Finally, continuous follow-up through LinkedIn and email are critical to create, maintain and build good relationships with clients and thereby enhance sales further.

4.2.4 Customer Relations

Long-term relationships

Netlight aims to establish long-term relations with customers, instead of only charging hours. High emphasis is put on long-term relationship building and according to a partner at Netlight this is not a costly strategy to fulfil. By constantly being present and a part of the client organisation, customer loyalty may be achieved. Netlight is today well known in the IT consulting industry and their brand recognition has been enhanced. Their good reputation in the industry has been established through the high-quality deliveries and prior client references.

4.2.5 Revenue Streams

Dynamic pricing model

Netlight constantly strives to keep profit margins as high as possible. To maintain high prices they have to provide a unique value proposition to the market and clients truly understand the added value of the services. On the other hand, flexibility is considered important and consulting prices have to be adjusted to current market conditions, i.e. recessions require lower consulting prices to maintain competitiveness.

Netlight has a dynamic pricing model, which in general is relatively rare in the IT consulting industry where fixed prices are based on the length of different project. A fixed pricing model is often preferred among clients since the uncertainty aspect will be reduced. However, due to Netlight's good reputation and high-quality deliveries the clients feel secure about their dynamic pricing model, which subsequently allows Netlight to achieve the best possible outcome. Finally, the consulting prices depend on the experience level of consultants. Naturally professionals can charge more compared to graduates.

High occupancy

High occupancy is according to a manager the most important aspect for Netlight to be a profitable company. Netlight has been able to maintain an occupancy rate pending between 90-95 % in the last years, which is remarkably high when compared to the IT consulting industry on average. Furthermore, the high occupancy is a part of the company's diversification strategy. Netlight has deliberately chosen not to lock themselves into certain industries, which subsequently has minimised the fluctuation of the occupancy rate. If customer segments face difficulties, Netlight has several other they may rely on. A partner at Netlight claims that this is one important reason why Netlight managed the last financial crisis well and actually succeeded to enhance the occupancy rate.

Another main reason behind the extraordinary occupancy is the company's ability to attract the best graduates in the market. Since the company solely works with headhunting and only employs 5-10 % of the applicants, high-quality deliveries are obtained and clients often want to continue the partnerships. Also the sales function plays an important role that effectively works with finding new clients and projects for the consultants. This push strategy is rare in the industry and according to a manager important in achieving high occupancy.

4.2.6 Key Resources

Highly skilled workforce

Netlight works solely with headhunting to recruit the best possible candidates in the market, both in recruiting graduates and more experienced people. An internal policy at Netlight is something they refer to as 'WYLOB', which means 'Who'd You Like On Board'. Thus, internal recommendations of potential candidates are sought and these may result in a job interview. Of all these potential candidates only 5-10 % will end-up with a final job proposal. The tough recruitment process helps Netlight to recruit the best consultants and they are looking for candidates that have the right competency, creativity level and business sense.

Netlight believes it is important to provide depth and range in the service offered. The strategy creates opportunities to meet specific and changing client demands and according to a partner, Netlight does not aim to hire specialists but instead passionate talents with high level of motivation.

4.2.7 Key Activities

Talent management activities

The competency centre mainly performs recruitment activities in order to attract the best individuals to the company. The competency centre works solely with headhunting firms. Among the potential candidates less than 10 % end up with a job proposal. Thereafter, all new employees start their career with Netlight's education program called Greenhouse. The program combines theoretical education with practical experience and varies in time depending on the new employee's progress,

but on average it takes 1 year. Additionally, all new employees are assigned a mentor that secures personal and professional growth among the workforce. Furthermore, another talent development concept is the Netlight University, which in comparison to Greenhouse continues throughout the whole employment. Tailor-made educational programmes with the aim to enhance the competence, creativity and business sense are provided based on the specific career level of the employee.

Netlight has also formed a strategy to improve gender equality at the company and for the IT consulting industry in general. The initiative strives to enhance the diversity by involving more women into the male dominated IT consulting industry. Netlight strongly believes that competence has no gender and that a more diverse workforce will deliver higher value to clients.

Software development activities

The delivery centre primarily comprises all consultants doing projects at a client's premises. To secure high-quality deliveries, Netlight has an internal concept called solution board. The solution board gathers all Solution Managers in order to exchange knowledge and experiences from prior and current projects. As a result, the solution board secures high-quality deliveries of the different projects at clients. These are arranged frequently, usually once a month.

Another internal initiative is called EDGE. The EDGE concept involves EDGE seminars that are held every month by experts in relevant fields. EDGE Academy is another part of the concept and arranged once a year. The Edge Academy involves 40-50 seminars and workshops with the aim to spread knowledge within the organisation. Finally, the EDGE conference is held once a year where members discuss up-coming technologies that help Netlight to better meet changing market conditions. The EDGE concept helps Netlight to constantly be updated in software development activities, which results in high-quality deliveries to clients.

Prospecting & sales activities

The business centre main task is to find the perfect match between Netlight, the clients as well as the consultants. A perfect match will result in a triple-win effect where all parties are satisfied, which is a condition for a long-term relationship with clients. The business centre works actively with prospecting in order to find new potential clients to the firm while at the same time maintain good collaboration between the parties. The prospecting process involves reading business magazines and yearly reports that eventually result in contact lists with interesting companies. The prospecting is the main source to find new clients and approximately 80 % of all new clients are signed thanks to thorough analysis of both industries and specific companies. Thus, it is not common that companies initiate contact with Netlight and buy their IT services.

4.2.8 Key partnerships

Recruitment partners

Netlight has partnerships with several universities, such as the Royal Institute of Technology, Chalmers and Linköping University. The partnerships are important to promote the brand 'Netlight' among graduates. Furthermore, Netlight believes it is important to be surrounded by top ranked universities, which enhance the possibility to recruit the best graduates. Close collaboration also exists with specific faculties, such as the Computer Science Faculty at the Royal Institute of Technology (R3, 2014). It is also important to participate in student career fairs and find student ambassadors that represent Netlight and assists in building the brand. Collaborations with national talent network associations, such as NOVA 100 and 4Potentials are essential to find talented candidates. On a global level, Netlight has collaboration with AIESEC that facilitates the networking activities.

4.2.9 Cost Structure

Competitive salaries

Netlight offers competitive salaries, which helps the company to attract graduates and professionals. Generally in the consulting industry it is common to provide commission-based salaries. However, Netlight offers fixed salaries to its employees, which reduces the internal competition between projects and employees. In general, the salary model is similar to other IT consulting where employees follow a pre-determined career ladder. Hence, professionals are paid higher salaries compared to graduates.

Low operating costs

Except from personnel costs, Netlight strives to be cost-conscious in all choices, especially in terms of the daily operating costs. Since the company has been growing rapidly and today employs nearly 500 persons, it makes large purchases with discounted prices when it comes to mobile phones, work computers etc. The company consider it very important with negotiations and to weigh different alternatives against each other.

4.2.10 Illustration of Netlight Consulting’s business model

Figure 4 below illustrates Netlight’s business model through the BMC.

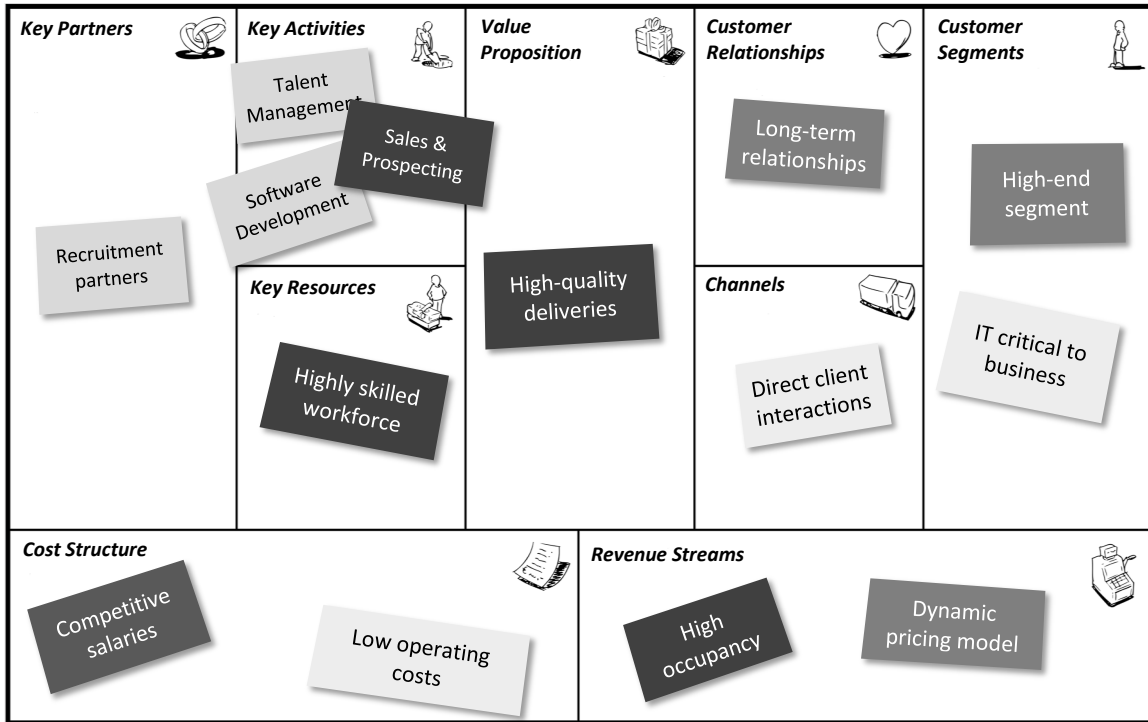


Figure 4. Netlight’s business model. Authors’ own figure.

4.3 Benchmark of Netlight’s previous IMEs

The following section presents the results from the benchmark and interviews with employees that were involved in the establishments of the Oslo and Munich offices. In the interviews that were based on Netlight’s business model (see Appendix B for interview template) the respondents have explained the outcome of the establishments as well as their view of what market characteristics that have driven the outcome with regard taken to the previously derived factors in Netlight’s business model. The derived market characteristics in this section are based on Netlight and will later be analysed in order to theoretically generalise the market characteristics for the IT consulting industry.

4.3.1 Oslo

The Oslo office was established during the financial crisis in 2007. However, Netlight was not markedly affected by the crisis and has instead seen a continuous growth since its establishment. Today, the office has around 100 employees and provides almost 25 % of the total revenue within the company.

When it comes to the client side, the interviewees said that bringing in clients was not very challenging, as the demand for IT services in Oslo was high, especially in industries such as transport, travel, finance, retail and gambling. The easiness of acquiring customers and delivering Netlight's high-quality services was explained as a result of the already established and mature IT market. In order for Netlight to know what consulting prices to charge in the high-end segment, the IT consulting price range was important to investigate. Netlight managed to acquire several clients in the high-end segment, which was perceived as an indication of willingness to pay among clients. Also, many of the acquired customers' businesses were growing which could explain the high IT spending ability among these companies.

Netlight's way of pursuing direct sales to its customers showed to be well received among firms in Oslo, which was very favourable for the company's success in Oslo. An important channel when it came to reaching customers and pursue direct sales in previous expansions was the availability of business conferences where Netlight got closer to potential customers through face-to-face communication. Generally, the respondents explained that it was easy to get in contact with potential customers. When asked what characteristics of the market had facilitated this, it was said that there are a lot of websites in Norway that provide support for finding contact information on companies and individuals. These kinds of websites were useful in prospecting and exploring potential customers to contact.

The ability to get to know customers and establish intimate relations has been positively affected by the similarity in the Swedish and Norwegian cultures. The language similarity in particular is a reason as to why it hasn't been too difficult to establish relations with clients. Furthermore, the respondents highlighted that Sweden has a good reputation in Norway and Swedish people are often seen as hard working, which has made it easier to establish good relationships with customers. Another important thing mentioned is that there were some existing customers in Oslo that Netlight had been doing business with in Stockholm, which had enabled a faster relationship building. Long-term relationships with customers were also enabled through the establishment of long-term framework agreements, which is generally very common and important in the consulting business in Norway. Framework agreement negotiations involve a lot of competition between IT consulting firms, where networks and references matter but also other aspects such as quality, price etc. Regarding price negotiations, the Norwegian IT market is very similar to the Swedish as it is common to bill by the hour, which made it easier and not as complicated for Netlight to establish its dynamic pricing model in Oslo.

When it came to availability of a highly skilled workforce, there were mainly two universities in focus that provided talented and skilled graduates: University of Oslo and the Norwegian University of Science and Technology in Trondheim. However, the respondents mentioned that the Oslo office faced some difficulties in recruiting

graduates, mainly due to the fact that many students sign job contracts one year prior to graduation. This creates a workload for firms that need to maintain the relationships and satisfy the students before they graduate, something that Netlight was not used to, and which reduced the ability to acquire high-performing students. Netlight also experienced a lack of existing student networks in Oslo and relatively low activity on social networks among students such as LinkedIn made it harder to reach the best students. When it came to recruitment of more senior personnel, the Oslo office could benefit from meet-ups and technology gatherings that were common in Oslo. Furthermore, the language similarity and proximity to the Stockholm office made it easy for Netlight to send a lot of the workforce from Sweden to support the establishment of the office in Oslo. Another thing that somewhat complicated the recruitment in connection with the Oslo establishment is the differences in employment standards between Oslo and Stockholm. For example, generally lower working hours in Oslo made Netlight's usual working hours of 40 hours/week seem quite ambitious, which had to be put into consideration in job agreements in order to attract workforce. Other labour laws such as the amount of permitted sick days differed in Oslo, which Netlight had to adapt to as well. The salaries in Oslo were also relatively higher in comparison to Sweden, which had to be put into consideration when setting Netlight's competitive salaries.

OSLO	
Key Drivers <ul style="list-style-type: none"> - Similar business culture - Easy to find contact information - Plenty of business conferences and meet-ups - Unrestrained regulations - Existing customers operating in the region 	Obstacles <ul style="list-style-type: none"> - Low activity on social networks among students and professionals - Non-existent contact network - Different employment standards

Table 1: Summary of key drivers and obstacles of the Oslo establishment

4.3.2 Munich

The plans on expanding Netlight's business to Munich started to develop somewhere between the years 2006 and 2007, but it wasn't before 2011 that the office was actually established. Since the establishment, the office has been characterised by a rapid growth and has today around 70 employees, compared to the office in Oslo which has reached the same amount of employees after 7 years. Although its revenue in relation to the whole group is lower than Oslo's, corresponding to almost 2 %, the office is still referred to as a very successful establishment as the average yearly revenue growth has been 350 % over the two years that it has been running.

The respondents that were responsible for the Munich establishment mention several specific market characteristics that they believe have affected the outcome of the successful establishment. Firstly, the fact that all major IT and business

consulting firms were present in Munich was perceived by Netlight as a confirmation of the extensive and mature IT market. Secondly, when it comes to customer segments, the large size and growth of the financial and media sector have resulted in several acquired customers in these sectors, which have shown to be more and more dependent on IT solutions in their business. The rapid revenue growth of the office has mostly been generated through more sales to existing customers in Munich, while sales to new customers accounts for a smaller part of the revenues. According to those responsible for the Munich expansion the office has faced some difficulties when it comes to the prospecting process and acquiring new customers through cold calls and direct sales. The reason for this has been explained by the lack of accessibility to CIOs, PMOs and other responsible managers at potential clients, as it is generally very difficult to get access to telephone numbers for these. Also, the business culture in Munich is perceived as more reserved and not as accustomed to cold calls, as sales persons only get through to the receptionist, which is inhibitory for the sales in Munich. This has led to the usage of other contact channels to get around difficulties with cold calls, such as business conferences and company presentations where Netlight has participated in order to get closer to potential customers. In addition to this, the most important factor that could explain the successful sales in Munich was the contact network that Netlight had in the region. The managers that were responsible for the expansion clearly highlighted that they had great use of their network of former co-workers and student colleagues when acquiring new customers. Like in Oslo, Netlight could also take advantage of their network of customers in Stockholm that operated on the market in Munich as well. This was very helpful when it came to relationships building as Netlight was able to establish close relationships easily. Thanks to this contact network, the Munich office has been able to acquire Netlight's biggest customer in terms of revenue generation.

When it comes to doing business, the office benefited a lot from having German-speaking employees since the English language is still not common in the region. In general, the way of doing business was in many ways different from what Netlight was used to. This was particularly evident in price negotiations, as customers in Munich were quite used to paying fix prices and getting discounts in really big projects. This is mostly due to the presence of contractors in Munich that are around 30-50 % cheaper than IT consulting firms and thus driving down the prices of IT services, making firms more willing to hire these instead. This forced Netlight to work more on convincing customers that they provide a higher value to their customers. However, Netlight's business model stands out on the German market and was well received by customers, primarily due to the German people's generally positive view on Swedes. By using successful projects on the Swedish market as reference cases, Netlight was able to raise the interest among customers in Munich.

The respondents described the availability of skilled labour as high, as Munich is considered as Germany's second-largest university venue. The area contains 11

universities with over 90 000 students, of whom 30 % are studying science or technology disciplines. The two biggest universities that were targeted, Ludwig Maximilian University and Technische Universität, counts among Germany's best three universities. The city of Munich was also noticed as very attractive and students from other areas in Germany like Stuttgart, Innsbruck, Nürnberg and Salzburg found Munich attractive and tended to move there after graduation. Besides targeting universities and IT students in Munich, universities in these cities were thus also providers of skilled labour to Netlight. In general, the recruitment in Munich has gone very well, much thanks to the presence of student career fairs and meet ups in the city that have been a good source for recruiting top students. By establishing partnerships with student organisations and exhibiting at career fairs, Netlight has been able to reach out to more students and create larger talent networks. Netlight's business culture was also well received by employees as it differs from other consulting firms in Germany that are characterised by hierarchy and structure. This made Netlight as an international company appear as a very cool and attractive workplace. The salary levels were rather similar but slightly higher in Munich, which allowed Netlight to establish a similar consultant level structure as in Stockholm.

Other market characteristics that affected the recruitment positively were the high activity on social networks among students, especially the German-based Xing.com that has 14 million users of which 7 million are German-speaking, which facilitated headhunting and networking abilities in Munich. Networking was thus found to be beneficial not only in acquiring customers but also in recruitment, as employees acquired through first or second degree contacts tended to stay in the company longer. One important factor behind the establishment of the great networks in Munich was that the city was placed geographically too far from other offices to make it worth sending over workforce weekly. Instead, it was said that employees that wanted to participate in the establishment of the office in Munich had to stay for at least one year, which helped in the establishment of professional networks. A summary of key drivers and obstacles in the Munich establishment is described in table 2.

Important Market Characteristics in International Establishments

MUNICH	
Key Drivers <ul style="list-style-type: none">- Mature IT market with many big players- Fairly established contact network- High activity on social networks- Attractive city among students and professionals- Closeness to universities, career fairs and meet ups	Obstacles <ul style="list-style-type: none">- A lot of contractors on the market- Hard to find contact information and pursue direct sales- Different business culture

Table 2: Summary of key drivers and obstacles of the Munich establishment

4.4 Derived key market characteristics

Table 3 describes the key market characteristics that were derived from the benchmark of the Oslo and Munich establishments. The market characteristics that affected Netlight’s previous IMEs have been categorised according to the factors in Netlight’s business model.

BUSINESS MODEL ELEMENT	KEY FACTORS	MARKET CHARACTERISTICS
Customer Segments	High-end segment	- IT consulting prices
	IT critical to business	- IT spending - IT spending growth
Value Proposition	High-quality deliveries	- N/A (depends on the other characteristics)
Channels	Direct client interactions	- Easiness to reach decision-makers - Business conferences
Customer Relationships	Long-term relations	- Business culture - Similar business language - Current business network
Revenue Streams	Dynamic pricing model	- Dynamic pricing
	High occupancy	- N/A (depends on the other characteristics)
Key Resources	Highly skilled workforce	- Technology universities - Universities’ reputation - Attractiveness of the city
Key Activities	Talent management	- Activity on social networks - Employment before graduation - Labour laws
	Software development	- Technology meet-ups
	Prospecting & sales	- Easiness to reach decision-makers
Key Partnership	Recruitment partners	- Student organisations - Student career fairs
Cost Structure	Competitive salaries	- Salary levels
	Low operating costs	- Start-up conditions

Table 3. Derived market characteristics for Netlight

5 Analysis

The following chapter analyses the empirical results in relation to the presented theory. Initially, the analytical framework used in this chapter is described. The derived market characteristics for Netlight is then analysed with regard to each factor in the theoretical framework.

5.1 Analytical framework

The analysis section focuses on analysing the derived market characteristics for Netlight in order to provide a conclusion with important market characteristics that could be generic for the IT consulting industry, or at least be theoretically generalizable. The derived market characteristics from Netlight are analysed and categorised in relation to theory in three different ways. Firstly, market characteristics could be explicitly described in the theoretical framework, meaning that this specific characteristic is clearly stated in theory. Secondly, the theoretical framework might not cover the derived market characteristics, but the analysis could indicate that these could be logically attributable and related to the theoretical factors. The market characteristics could also be argued to be generic if they clearly relate to the BMC and assumed to be relevant for IT consulting firms' to pay attention to when entering new international markets. The market characteristics that fulfil one of these two criteria will be stated as generic for the IT consulting industry. Thirdly, the analysis of the derived market characteristics might conclude that they are too specific for the case company to assume that they can be applicable to the IT consulting industry in general. The analytical framework is illustrated in figure 5.

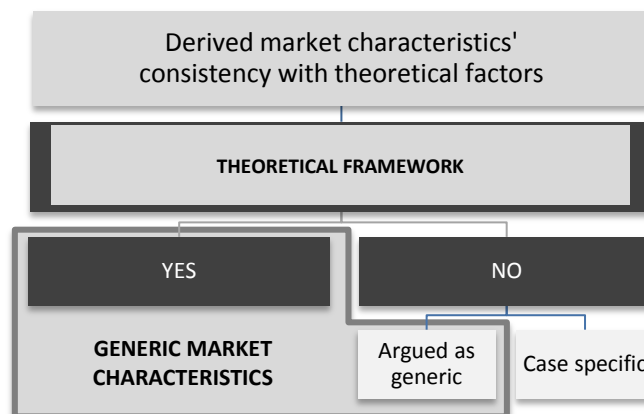


Figure 5. Analytical framework. Authors' own figure.

5.2 Market characteristics related to Economic Conditions

The report conducted by UNCTAD (2009) highlighted market characteristics such as GDP, GDP growth and the global economic situation as important when KIBS and IT consulting firms enter new international markets. In the case study of Netlight, these factors were partially covered. The market characteristics that were attributable to Economic Conditions for Netlight were *IT spending* and *IT spending growth*, derived from the Customer Segment element. According to the presented theory, GDP is important for KIBS to pay attention to when entering new international markets. The case study at Netlight also indicated that market size plays an important role in IMEs. Even though GDP is a suitable measurement of the total market size, Netlight as an IT consulting firm stated that IT spending is a more accurate characteristic for describing the potential of acquiring customers. Additionally, since researchers such as Miles (2005) and Huggins (2011) highlight the rapid pace of technological development in Europe, where IT nowadays has a bigger part in more and more industries, it can be assumed difficult to forecast specific segments or industries that are in need of IT consulting services. This was also apparent in the case of Netlight as the industries they target differ between the international offices. This makes IT spending across different industries more appropriate to measure market potential, rather than investigating the total size of certain industries.

Since Netlight was doing business specifically with growing customers and industries, this aspect was also covered in the derived market characteristics, particularly IT spending growth. This can be perceived as related to GDP growth mentioned in the theory, but more specifically for the IT consulting industry. As IT spending measures the size of the IT market in absolute measures, IT spending growth might give an indication of the future potential of the market. These characteristics could be especially important to pay attention to when comparing the potential on two different markets. It cannot be assumed that the market with highest IT spending is the best to enter, as the spending might be strongly declining, e.g. due to changes in demand. A high IT spending growth might indicate that the market has great potential in the long-term. Thus, IT spending and IT spending growth are considered as important supplemental market characteristics for measuring the ability to acquire customers on potential markets. Furthermore, it can be discussed to what extent IT spending and IT spending growth correlates with the global economic situation, also highlighted in theory. In the case of Netlight, the company was not remarkably affected by economic instabilities in their previous IMEs to Oslo and Munich. This could be a result of Netlight operating in several industries with the aim to diversify its client base, which could indicate that the company does not hit so hard if a specific industry collapses.

In summary, the analysis of Economic Conditions showed that the derived market characteristics for Netlight were not directly covered by theory but could be

attributable to it and thereby considered generic for other IT consulting firms as well.

Table 4 summarises the market characteristics in relation to Economic Conditions.

THEORETICALLY GENERIC	ARGUED AS GENERIC
	<ul style="list-style-type: none"> - IT spending - IT spending growth

Table 4. Summary of market characteristics that relate to Economic Conditions

5.2.1 Relation between BMC and Economic Conditions

The above mentioned market characteristics were derived from the Customer Segment element, naturally indicating that IT consulting firms should investigate these characteristics in order to gain a better understanding of potential customer segments in the foreign market. According to Osterwalder & Pigneur (2010), it is critical to categorise clients depending on their specific needs and behaviours. However, the empirical study of Netlight did not highlight characteristics of such specific level. On the other hand, it is still possible to argue that high IT spending and growth across different industries indicate a high demand of IT services in the market. This provides an indication of which industries an IT consulting firm should target. Insights about these will therefore reduce the risk for IT consulting firms to target inappropriate customer segments. However, since the BMC did not identify specific needs or attributes among industries in the foreign market, it is important for IT consulting firms to further investigate these when suitable industries have been determined.

5.3 Market characteristics related to Client Interaction

The theoretical framework stressed that KIBS were highly dependent on client interaction and benefited from exploring their existing clients operating internationally before entering new markets. The empirical findings did in fact show that these aspects played an important role for Netlight in order to pursue sales, communicate with clients and establish long-term relationships.

As seen in Netlight’s establishments in Oslo and Munich, the utilisation of the company’s current business network was important and facilitated the progress of the establishments. This was seen in both Oslo and Munich where the successful sales were explained as a result of the company and the employees’ professional and personal networks. This is clearly in line with presented theory where researchers like Johanson & Vahlne (2009) stress the importance of networking in

IMEs, where the usage of existing networks can facilitate the internationalisation process.

Theory also described client-following as important when entering new international markets, meaning that IT consulting firms can free ride to new markets by following their clients' global operations. This showed to be the case for Netlight when the company established the Oslo office. Some of the company's existing clients were operating in Oslo, which enabled Netlight to foster relationships building and establishing a local business network. This indicates that IT consulting firms could benefit from following clients in the existing business network to new markets. Therefore, it is critical that the current business network is thoroughly investigated to evaluate whether these operate internationally or not. Moreover, the larger the business network is, the greater is the opportunity that the company collaborates with clients operating internationally. Finally, IT consulting firms that are niched towards larger companies might also have bigger opportunities to follow these to new markets since they are often present on foreign markets.

Another reason to why business networks are important for IT consulting firms is shown in the case study, as Netlight thanks to its business network in Munich now plans to enter additional large cities in Germany the following years. This could be argued as a fact that the more IMEs firms make, the larger business networks they create, which increase the chances that professionals in the network have connections with people and potential clients in other regions. The case of Netlight showed that the business networks often generated contacts relatively close to existing markets, which is one of the main reasons to why Netlight establishes offices in geographically close markets.

Theory also distinguishes between Greenfield investments and acquisitions, which have different implications for IT consulting firms when entering foreign markets. IT consulting firms should be aware of its business model in order to form the necessary strategies to build a broad business network. IT consulting firms that primarily expand through acquisition will according to Glücker (2001) build a business network faster since it allows them to get access to the selling company's customer base. On the other hand, this type of entry mode implies high investment costs and a lowered ability to retain core company values. However, regardless of IT consulting firms' choice of entry mode, they constantly need to develop their business networks. In the case of Netlight, that solely enters international markets through Greenfield investments, it showed to be important not only to evaluate existing networks but also build a competitive local business network. A specific characteristic in both Oslo and Munich that enhanced the opportunity to get in contact with potential customers, broadening the company's business network and gaining more knowledge of the local markets was the presence of *business conferences*. Business conferences are considered to be attributable to the importance of networks as they are a direct source for interacting with potential

clients, and thus implicitly related to theory. Even though other firms might have different business models compared to Netlight, these firms would probably also have close client interactions and networking as an important part of their business and thus worth to procure in IMEs. The presence of business conferences enable IT consulting firms to meet potential clients face-to-face, which could be the starting point of building long-term relationships.

The empirical findings further showed that the *easiness of reaching decision-makers* on foreign markets affected the ability to acquire potential clients. As seen in the Oslo establishment, websites providing contact information to individuals and companies were helpful in reaching potential clients, whereas it was hard finding this kind of support in Munich. Also, in Munich, it was hard to pursue cold calls to potential clients as the calls were often put through receptionists. It can be discussed whether the easiness of reaching decision-makers on a foreign market is important for only Netlight or for IT consulting firms in general. It is obvious that Netlight’s distinct strategy of pursuing cold calls is truly important to pay attention to. Even though these are not explicitly mentioned in presented theory, it can be argued that these characteristics are attributable to theory and being important for other IT consulting firms as well. In this case, the support for finding contact information and the ability to reach decision makers at potential clients is seen as something that facilitates client interaction but also networking.

Table 5 summarises the market characteristics related to the theoretical factor Client Interaction.

THEORETICALLY GENERIC	ARGUED AS GENERIC
- Current business network	- Business conferences - Easiness to reach decision-makers

Table 5. Summary of market characteristics that relate to Client Interaction

5.3.1 Relation between BMC and Client Interaction

The market characteristics that were attributable to Client Interaction for Netlight were derived from the elements Customer Segments, Channels and Customer Relationships in the BMC. It is clear that the right hand side of the BMC is influenced by the Client Interaction factor and the related market characteristics thereby support IT consulting firms to acquire customers and generate revenues to the company.

The business model element Customer Relationships is described by Osterwalder & Pigneur (2010) as the types of relationships the company establishes with specific customer segments. The authors distinguish between personal and automated relationships, where personal is based on intimate customer interactions over a long

period of time. Automated occurs when the customers assist themselves. For IT consulting firms, it was shown to be important with intimate and long-term relationships. To enhance the ability to achieve this, current and new business networks are considered important for IT consulting firms to explore and develop. Another business model element that clearly showed to be related to the Client Interaction factor was the Channels element. Osterwalder & Pigneur (2010) highlight the importance for companies to choose the best suitable communication and sales channels in order to reach its customers, which could be categorised as indirect or direct. The findings showed that IT consulting firms should use direct channels since their services often require physical presence. Therefore, when IT consulting firms develop their business model and investigate possible channels, the presence of business conferences as well as obstacles and possibilities of reaching decision-makers should be considered. Additionally, these market characteristics might also support IT consulting firms in establishing good customer relationships, which clearly indicates the high interrelation between the two elements, channels and customer relationships.

5.4 Market characteristics related to Knowledge Acquisition

The ability to find and exploit knowledge is critical in the KIBS sector, not the least in IMEs where the availability of skilled and educated labour on the foreign market is of great importance. As Ramasawy and Yeung (2010) and Sass & Fifekova (2010) mention, skilled and well-educated labour are important aspects attracting foreign investors to regions. It makes sense that this aspect is critical for IT consulting firms as a part of the KIBS sector, and nevertheless for Netlight which was shown in the empirical findings. The Knowledge Acquisition factor was perceived as a central part of the company's resources, activities as well as partnerships, and several market characteristics were derived from the case study that facilitated acquisition of knowledge on foreign markets.

The presence of technical universities was considered as Netlight's major source for acquiring knowledge, which is in line with Tödting, Lehner, & Trippel (2006) who describe universities as the major source in acquiring knowledge. Higher level of education increases the availability to attract skilled labour to the organisation. Also, in the case of Netlight it was shown that the choice of which universities to target was affected by the attractiveness of the city. A higher attractiveness implies that students from other cities tend to move to the city, making universities in other areas potential targets for recruitment, which for instance was obvious in the Munich establishment. It can be assumed that this is a completely external market characteristic that does not depend on firms' business models, which highly indicates that it is important to pay attention to for other IT consulting firms as well. Thus, it is assumed that the amount of universities and the attractiveness of the city are considered to be generic market characteristics.

The case study also highlighted the importance of networking in order to gain skills and knowledge. As emphasised in the research by Loane & Bell (2006), evaluating existing networks as well as building new ones is important in IMEs. In the case of Netlight, local universities enabled networking, but also other market characteristics that were not presented in the theory facilitated recruitment of highly skilled labour and in accessing new knowledge, such as the presence of student organisations, career fairs and technology meet-ups. Even though these were not explicitly covered in the theory, they are considered to be attributable to networking and assumed to facilitate IT consulting firms in their IMEs. These market characteristics are assumed to differ from social network activities on the market since they are generic in the sense that they could be seen as a direct source of knowledge, as partnerships with student organisations and student career fairs enable communication with a large amount of students. Technology meet-ups are also helpful in accessing new knowledge and thereby assumed to be interesting not only for Netlight. Depending on other IT consulting firms' business models and niche, technology meet-ups can be further defined. For instance, IT consulting firms that are focused on JAVA or other specific technologies might only be interested in targeting meet-ups and gatherings relating to these technologies.

Table 6 summarises the derived market characteristics related to the Knowledge Acquisition factor.

THEORETICALLY GENERIC	ARGUED AS GENERIC
- Technology universities	- Student career fairs - Student organisations - Technology meet-ups - Attractiveness of the city

Table 6. Summary of market characteristics that relate to the Knowledge Acquisition

5.4.1 Relation between BMC and Knowledge Acquisition

The market characteristics that were attributable to Knowledge Acquisition for Netlight were derived from the elements: Key Resources, Key Activities and Key Partnerships. It is clear that the market characteristics support the left hand side of the BMC, which is about building the necessary infrastructure in order to deliver the value proposition to the market.

When it comes to the element Key Resources, Osterwalder & Pigneur (2010) describe four types of resources that are important for different organisations. As IT consulting firms aim to attract and acquire skilled workforce that deliver knowledge to other organisations, human capital is seen as their key resource. As mentioned,

technology universities and the attractiveness of the city are therefore important characteristics providing the needed resources for IT consulting firms.

As knowledge is the major resource for delivering IT consulting firms' services, it is critical that the workforce constantly acquire new knowledge. In order for IT consulting firms to enhance the knowledge within the organisation, technology meet-ups showed to be an important market characteristic that provides new knowledge and improves the software development activities. Furthermore, Osterwalder & Pigneur (2010) mention that the element Key Partnerships helps the company to acquire particular resources. As seen in the case study, partnerships with universities supported the acquisition of skilled students, which once more indicates that IT consulting firms are dependent on knowledge as the key resource. It is clear that the three different elements from the BMC are highly interrelated and revolve around knowledge. Therefore, in order to acquire knowledge, IT consulting firms need to explore the above-mentioned characteristics on foreign markets.

5.5 Market characteristics related to Cultural Aspects

Cultural aspects are described as important in IMEs and foreign investors have to overcome different cultural barriers. According to several researchers, such as Ojasalo (2010) and Liu & Feils (2011), cultural aspects are one of the most important building stones in achieving good interaction with clients. In the case of Netlight, it was seen that the cultural aspects on the market affected the ability to obtain good relationships with clients. It can be discussed whether cultural aspects are important for other IT consulting firms in IMEs as well. Since IT consulting highly depends on close interaction with clients, it seems appropriate for these firms to pay attention to these aspects too. Regardless of an IT consulting firm's choice of entry mode, Greenfield investment or acquisition, the firm might have to send across workforce to communicate the company's values and culture. In that case, similar cultures could facilitate the establishment as also seen in the case of Netlight.

Even though Liu & Feils (2011) verify that cultural proximity might impose a facilitated IME, the perception of other business cultures on the local market also played an important role. As seen in the Munich establishment, Netlight appeared as a cool and attractive workplace with a more open business culture as the company differed from firms with widely hierarchical organisational structures, which was more common in Munich. It is apparent that regardless of the similarity between the cultures, it is critical to not the least get an understanding of the firm's own business culture, but also of the culture on the local market as well as how the own culture is perceived on that market.

However it was not always similarities between the cultures that favoured the company, the geographical distance played an important role for Netlight as well. This was particularly evident in the establishment in Oslo, where the close

geographical distance to the office in Stockholm and similar cultures made it easier to interact with potential clients. Thanks to the geographical and cultural proximity, including the language similarity between Stockholm and Oslo, Netlight was able to send across workforce from the office in Stockholm. As Doh, Bunyaratavej, & Hahn (2009) mention, a similar business language is an important characteristic to take into consideration in IMEs, and the low language barrier in Oslo helped the company to interact with customers. On the other hand, the business in Munich has experienced difficulties to overcome these language barriers. German is still the most common business language, which led to difficulties for Netlight to send over Swedish employees in the start-up phase. To reduce the language barrier in Munich, Netlight found it important to hire local staff as quickly as possible, which was not the case in Oslo. This indicates that same business language facilitates interaction with clients and IT consulting firms need to investigate this characteristic before entering a foreign market. If language barriers exist, IT consulting firms should put more focus on recruitment in the start-up phase, as seen in Munich where it was critical for Netlight to hire people that could interact with potential clients.

To sum up, the above reasoning clearly relates to the ‘Uppsala Model’ made by Johanson & Wiedersheim-Paul (1975) and Johanson & Vahlne (1977). The authors’ stress that the internationalisation process of the firm starts on markets that are geographically and culturally close to the domestic market. Thereafter, firms gradually move to more distant markets as they gain new experience and knowledge. Although the authors’ model mainly focus on export-related activities in the early phase of the internationalisation process, it showed to be relevant in the case of Netlight that only enters new markets through Greenfield investments. This was evident in Netlight’s prior establishments since Oslo and Munich are markets that are geographically close to the domestic market. However, the cultural proximity differed between the two markets, which affected the ability in doing business. Similarities in culture, which was evident in the Oslo, facilitated the establishment. Additionally, the ‘Uppsala Model’ is further supported since Netlight now plans to enter new markets that are geographically close to the domestic. This clearly indicates that the model is applicable for IT consulting firms, which could be explained by the certain need of close client interactions that are important in the KIBS sector.

Table 7 summarises the derived market characteristics related to the Cultural Aspects factor.

THEORETICALLY GENERIC	ARGUED AS GENERIC
<ul style="list-style-type: none"> - Business culture - Similar business language 	

Table 7. Summary of market characteristics that relate to the Cultural Aspects factor

5.5.1 Relation between BMC and Cultural Aspects

Osterwalder & Pigneur (2010) describe that the element Customer Relationship is about deciding what kind of relationships firms want to have with their customers. The findings showed that when it comes to IMEs, the way of building relationships differ between international markets and is highly affected by cultural aspects. This is particularly important for IT consulting firms because they are focusing more on personal relationships rather than automated services. As mentioned before, business culture and language affected the ability for Netlight to establish intimate and long-term relationships with customers. Although the findings indicated that the cultural aspects were mainly affecting the right hand side of the BMC, i.e. customer interactions and relationships building, one might imagine that these could affect other elements in the BMC as well. For instance, when it comes to acquiring resources, the culture on the foreign market might affect the possibility of recruiting appropriate employees that share the same culture and values as the internationalising firm.

5.6 Market characteristics related to the Political Aspect

Theory highlights that beneficial political conditions on foreign markets can attract foreign investors. As Globerman & Shapiro (2002) claim, KIBS should investigate the market governance structure before entering the market, e.g. legal environment and political institutions. According to Netlight, it especially showed to be critical to investigate start-up conditions and the investment climate in order to minimise the start-up costs. This is also in line with Dutta & Roy (2009) who describe that attractive investment climates should have limited restrictions and uncomplicated bureaucracy. High transparency regarding these issues will facilitate the administrative work for IT consulting firms, which naturally saves time and money. An attractive investment climate could trigger and speed-up new business establishments and help IT consulting firms to focus on its core competences, acquiring local customers and subsequently achieve high occupancy.

Netlight also stressed on the importance of labour laws, involving laws such as probation period, vacations length, sick leave compensations, parent leave, overtime compensation and so forth. These labour laws were especially investigated before the market establishment to Munich. As Dutta & Roy (2009) mention, transparent labour laws on foreign markets facilitate KIBS to effectively establish international offices. Netlight also stated that transparency in labour laws minimised confusion in the recruitment process and helped them to rapidly hire local staff. The rapid local recruitment is one of the main reasons of why the establishment in Munich has been a success, and the transparency in labour laws facilitated this development.

The reasoning clearly indicates that IT consulting firms should investigate start-up conditions and labour laws on potential markets. If these are beneficial and transparent they will reduce IT consulting firms’ time spent on administration, which otherwise would increase costs. However, even though these market characteristics are considered generic for all IT consulting firms they may be more time-consuming for companies like Netlight since they only enter new markets through Greenfield investments. These firms do not acquire local people with knowledge of important regulations and other political conditions that may be beneficial.

Table 8 summarises the derived market characteristics in relation to the Political Aspects factor.

THEORETICALLY GENERIC	ARGUED AS GENERIC
- Labour laws - Start-up conditions	

Table 8. Summary of market characteristics that relate to the Political Aspects factor

5.6.1 Relation between BMC and the Political Aspect

The political aspects were not to the same degree as the other aspects related to the BMC. The two BMC elements that seemed to relate to political aspects, yet to a small extent, were Key Activities and Cost Structure. The Key Activities element relates to the political aspect due to the fact that labour laws affected Netlight’s recruitment activities on the foreign market. As labour laws such as probation period, sick leave, parental leave etc. differed between markets, Netlight had to make adjustments in employment agreements in order to understand how to attract and acquire employees. Moreover, start-up conditions seemed to affect the costs of starting an international office on the foreign market and thus related to the BMC element Cost Structure. Osterwalder & Pigneur (2010) do not explicitly mention start-up costs in the BMC, but do on the other hand pinpoint costs that occur in doing business in general. This makes it logical to assume that start-up conditions also affect IT consulting firms’ ability to maintain their defined cost structure in IMEs.

5.7 Market characteristics unrelated to theoretical factors

Some of the derived market characteristics in the case of Netlight were not attributable to the different theoretical factors. However, some of these market characteristics could still be argued as important for IT consulting firms as they clearly affect the different elements in the BMC and the ability of doing business internationally.

IT consulting prices and pricing models were two of the market characteristics that did not seem to relate to the theoretical factors. However, since it is important to understand which customer segments to target in the foreign market, IT consulting firms' need to group potential clients depending on their willingness to pay. Different segments on the market pay differently, thus making it important to actually investigate how much customers in the foreign market normally pay for IT consulting services. For instance, in the case of Netlight it showed to be particularly important to look at rates, which enabled them to map the high-end segment. Except from knowing how much to charge different customer segments, the findings showed that IT consulting firms need to understand how prices are set on the foreign market. In the case of Netlight, the ability to apply the company's pricing model was related to the customers' receptiveness of dynamic pricing. It can be argued that other IT consulting firms with other pricing models will benefit from understanding what the most common pricing models are on the foreign market. This is mentioned by Osterwalder & Pigneur (2010) who highlight the importance for firms to consider what pricing models to choose in order to generate revenues.

Salary level was also a market characteristic that could be argued as generic. In order for Netlight to acquire students and professionals the company offered competitive salaries to potential recruits. This helped Netlight to be seen as an attractive employer on the foreign market. As salaries are an important cost component for IT consulting firms and represent a major part of the costs, it is important that salary levels on foreign markets are thoroughly investigated before entering the market.

When it comes to social network activity, this was also seen as an important market characteristic in the case of Netlight. However, the importance of social network activity is assumed to be quite case-specific due to the fact that Netlight only works with headhunting in their recruitment. It might be an important market characteristic for other firms that also work with headhunting, but it is difficult to argue that this market characteristic should be generic. The same is said about the extent of employment before graduation among students, which showed to be an obstacle for Netlight to acquire highly skilled labour in their establishment on the Oslo market. The reason for this being considered as case-specific is because it was important for Netlight as the company was not used to this nor had the resources to satisfy the students one year prior to graduation. This might not be an obstacle for other IT consulting firms with other recruitment strategies. The reputation and ranking of the universities was also considered important for Netlight to target the absolute top skilled students. However, other IT consulting firms whose business model differ from Netlight's might not be as focused on targeting the absolute top students, it cannot be assumed that these firms are affected by the ranking and reputation of the universities in the region to the same extent as Netlight. Even though some firms might have set criteria for what universities that should be targeted depending on their reputation, this is probably not true for all.

Table 9 summarises the derived market characteristics that were unrelated to the theoretical framework but still seen as important for IT consulting firms in IMEs as well as those that were specific to the case of Netlight.

ARGUED AS GENERIC	CASE-SPECIFIC
<ul style="list-style-type: none">- Pricing model- IT consulting prices- Salary levels	<ul style="list-style-type: none">- Universities' reputation- Activity on social networks- Employment before graduation

Table 9. Summary of market characteristics unrelated to theoretical factors

6 Conclusion

The following chapter starts with answering the stated research questions and an illustration of the findings is presented. Thereafter, the contribution to Netlight as well as the academia is described. Finally, a discussion of the findings is presented followed by suggestions for further research.

6.1 Answering the research questions

The purpose of the study was to identify important market characteristics that affect International Market Establishments in the IT consulting industry by using the Business Model Canvas. In order to fulfil this purpose, the two research questions were answered. The first research question aimed to derive important market characteristics for Netlight, while the second aimed to investigate whether these could be generalised to the IT consulting industry or not.

The first research question was answered through the empirical study at Netlight, which resulted in a mapped business model for the company according to the BMC, as well as 20 market characteristics that showed to be important for the company in their previous international establishments in Oslo and Munich. Each of the derived market characteristics was said to affect the different elements in the company's business model, which can be seen in figure 6.

Furthermore, the second research question was answered by further comparing the derived market characteristics against a theoretical framework consisting of five factors. The factors that were considered important for the KIBS sector to pay attention to in IMEs were: *economic conditions*, *client interaction*, *knowledge acquisition* as well as *cultural* and *political aspects*. Also, some market characteristics seemed to belong to other factors mentioned in the theory. This resulted in a grouping of the market characteristics, that were either assumed to be generic or case-specific, which can be seen in figure 6. The market characteristics that were assumed to be generic for the IT consulting industry were clearly presented in the theoretical framework (underlined in figure 6), or seen as either logically attributable to the theory or argued to be relevant for other IT consulting firms as they related to the BMC (bold in figure 6). The remaining case-specific characteristics were bounded to Netlight's business model.

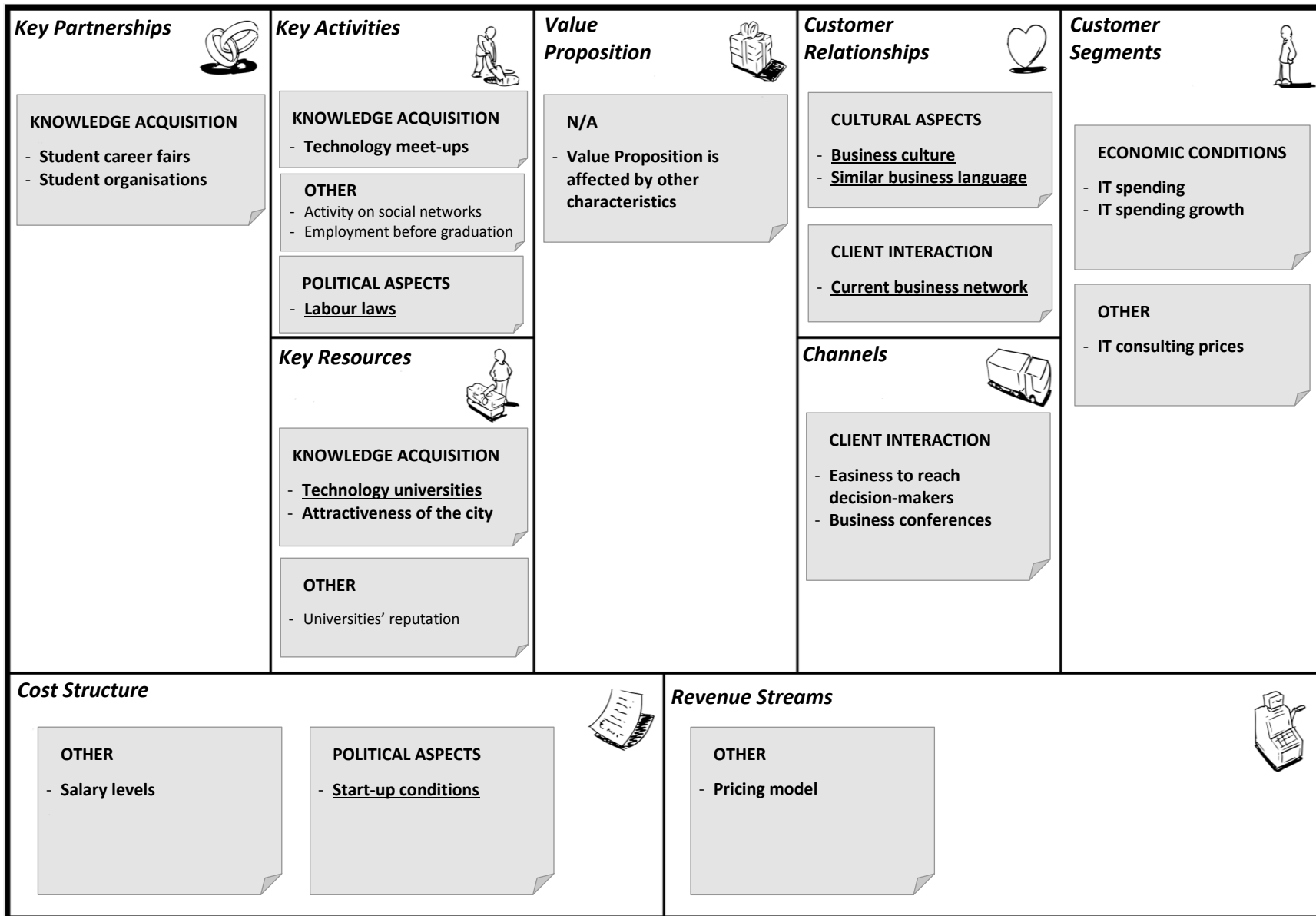


Figure 6. Summary of both generic and case-specific market characteristics affecting IMEs for the IT consulting industry and Netlight.

Figure 6 shows that many of the market characteristics derived from the case of Netlight could be related to existing theory regarding IMEs in the KIBS sector. This indicated that Netlight as an IT consulting firm was in fact affected by the factors in the theoretical framework and that the derived market characteristics in turn affected these.

6.1.1 Contribution to case company

The main contribution to Netlight is the answer of the first research question, namely a mapping of market characteristics that the company should investigate on future markets in order to investigate the potential on the markets. The company is expanding rapidly and a more structured way of analysing potential markets is considered to be of great help for the company. Also, the mapped business model is assumed to give the company a better understanding of their business and how it is affected by specific characteristics on the market.

6.1.2 Academic contribution

The academic contribution consists of the generic market characteristics that were derived from the analysis of the empirical findings with regard to the theoretical framework. As seen in table 9, the findings state important market characteristics that relate to economic conditions, client interaction, knowledge, culture and political aspects. This type of extensive mapping that breaks down the factors into related market characteristics has to the knowledge of the authors not been presented before. The generic market characteristics are considered to be theoretically generalizable and thus contributing to the research on IMEs in the IT consulting industry. As the internationalisation trend of the KIBS sector is growing rapidly, the findings are relevant and interesting to existing research within the field. Furthermore, as the derived market characteristics were in line with presented theory, it is indicated that the Business Model Canvas is a fairly suitable tool in deriving market characteristics in the context of IT consulting.

6.2 Discussion of results

As the analysis investigated the derived market characteristics' match the theoretical factors, and whether these could be generic or not, the validity of these characteristics can still be discussed. We believe that the results cover many important aspects of IMEs and can be helpful for Netlight as well as other IT consulting firms when they want to establish international offices.

Our perception is that using Osterwalder's Business Model Canvas as a tool to derive the market characteristics for Netlight raised the validity of the results. As the Business Model Canvas cover the main areas for firms when doing business, i.e. customers, offer, infrastructure and financial viability that are further divided into

the nine elements, it helped the authors to actually dig deeper into the case company's business model in order to investigate market characteristics that explain how the elements are affected. Without having identified the company's business model in the first place, we assume that the benchmark would have been unstructured and that it would have been hard for the respondents to know what areas to focus on and what information we were looking for. The simplicity and structured way of how the Business Model Canvas is used thus facilitated the identification of the business model and later also the benchmark. It is believed that without using the BMC as a tool for conducting this study, it would have been impossible to cover all of the derived market characteristics in the same manner as in this case.

Yet, there is some criticism that can be lifted towards the usage of the BMC in this study. Firstly, it was seen that for some elements and factors in the business model, it was hard for the respondents to think of specific characteristics on the market that directly affected these. This issue concerned the elements "Value Proposition" and "Revenue Streams" in particular. Our perception was that these were in some manner dependent on the other elements and corresponding market characteristics. After some consideration, this is not so hard to predict for the KIBS sector, as the provided value that generates revenue is knowledge, which is also the key resource. Secondly, even though we believe that the BMC covered many important market characteristics, we cannot be sure that these are fully comprehensive for the IT consulting industry, or the case company Netlight for that matter. As the results are based on qualitative interviews, they correspond to the respondents' perception of reality and what caused the success of the different elements in the BMC, which can have a negative effect on the internal validity. A more precise alternative would have been to study many historical market establishments and collect a massive amount of data on these markets, in order to investigate the correlation and dependence between the success of the different elements and market characteristics. However, we believe that it is hard to avoid this when using the Business Model Canvas with the purpose to derive important market characteristics through a case study.

6.3 Suggestions for further research

Due to the limited time frame of this study several activities that would be of interest were excluded. However, this has opened up for further research within the field of internationalisation in the KIBS sector. The most relevant suggestions are described below.

In this study we decided to focus on deriving important market characteristics for the IT consulting industry, as a part of the KIBS sector. However, it would also be interesting to investigate the market characteristics of other firms in the KIBS sector as well. As seen in this study, the KIBS sector is one of the most growing sectors in

the EU economy that is characterised by a high degree of internationalisation. Since the interrelation between the KIBS sector and internationalisation is limited, further research is necessary. A comparison of the most important differences regarding market characteristics across different industries operating in the KIBS sector, e.g. R&D and other engineering services, would deepen the knowledge about the sector and likely facilitate these companies internationalisation process.

It could also be of interest for other IT consulting firms to take our findings one step further and make use of these in their future IMEs. This would be of interest for us, as future studies testing these derived market characteristics practically could verify our findings. Since this study relies on qualitative data we believe it is important to complement these finding quantitatively, which would improve the credibility of the market characteristics.

Finally, It would be interesting if other IT consulting firms also use Osterwalder's Business Model Canvas as a tool to derive market characteristics. A comparison between the derived market characteristics from our case company with other IT consulting firms would validate the accuracy of the market characteristics derived in this study and thereby improve the generalizability to the IT consulting industry.

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8 Appendix

8.1 Appendix A. Participants in workshops

POSITION	FUNCTION
Partner	IT and Project Management
Senior Manager	IT and Project Management
Manager	IT and Project Management
Manager	IT and Project Management
Manager	IT and Project Management
Manager	IT and Project Management
Solution Manager	IT and Project Management
Solution Manager	IT and Project Management
Talent Manager	Recruitment
Talent Manager	Recruitment
Senior Consultant	Recruitment
Manager	Sales
Sales Manager	Sales
Key Account Manager	Sales
Key Account Manager	Sales

8.2 Appendix B. Respondents benchmark interview

POSITION	FUNCTION
Partner	Munich office
Senior Manager	Munich office
Partner	Oslo office
Manager	Oslo office
Solution Manager	Oslo office

8.3 Appendix C. Interview template workshop

CUSTOMER SEGMENT

- To whom is Netlight creating value?
- Who are Netlight's most important customers?

VALUE PROPOSITION

- What is Netlight leveraging to its customers?
- What problems or customer needs does Netlight help to solve?
- How does Netlight's services differ between the different customer segments?

CHANNELS

- How does Netlight raise awareness about the company's services?
- Through which channels does Netlight's customer segments want to be reached?
- Which channels does Netlight use to reach their customers?
- Which channels work best?
- Which channels are most cost-efficient?
- How does Netlight help its customers to evaluate the value proposition?
- How do customers purchase Netlight's services?
- How is the value delivered to customers?
- How does Netlight provide after-sales customer support?

CLIENT RELATIONSHIPS

- What kind of relationship does each of Netlight's customer segments expect you to establish and maintain with them?
- What kind of relationships has been established with current customers?
- How does the type of relationship vary between customer segments?
- How much resources are put on maintaining relationships with customer segments?

REVENUE STREAMS

- How does Netlight's pricing model look like?
- How is the willingness to pay among customers?
- How much does each revenue stream contribute to overall revenues?

KEY RESOURCES

- What key resources does Netlight's value proposition require?
- What key resources do Netlight's distribution channels require?
- What key resources does Netlight's customer relationships require?
- What key resources do Netlight's revenue streams require?

KEY ACTIVITIES

- What key activities does Netlight's value proposition require?
- What key activities do Netlight's distribution channels require?

Important Market Characteristics in International Establishments

- What key activities does Netlight's customer relationships require?
- What key activities do Netlight's revenue streams require?

KEY PARTNERSHIPS

- Who are Netlight's key partners?
- Who are Netlight's key suppliers?
- Are there partners or suppliers from who key resources are acquired or who perform key activities?

COST STRUCTURE

- Does Netlight have a cost-driven or value-driven business model?
- What are the most important costs inherent in Netlight's business model?
- Which key resources are most expensive?
- Which key activities are most expensive?

8.4 Appendix D. Interview template benchmark

BACKGROUND

- How has the development of the office been since the start?
- How many employees have the office reached?
- How much does the office contribute to the total revenue?

CUSTOMER SEGMENT

High-end segment

- Has the office been able to reach the high-end segment?
- What market characteristics have driven this development?

IT critical to business

- Has the office been able to reach to customers where IT is critical for their business?
- What market characteristics have driven this development?

VALUE PROPOSITION

High-quality deliveries

- Has the office been able to deliver high-quality deliveries?
- What market characteristics have driven this development?

CHANNELS

Direct client interactions

- Has the office been able to pursue direct sales?
- What market characteristics have driven this development?

CLIENT RELATIONSHIPS

Long-term relations

- Has the office been able to establish long-term relations with its customers?
- What market characteristics have driven this development?

REVENUE STREAMS

Dynamic pricing model

- Has the office been able to establish a dynamic pricing model?
- What market characteristics have driven this development?

High Occupancy

- Has the office been able to maintain high occupancy?
- What market characteristics have driven this development?

KEY RESOURCES

Highly skilled workforce

- Has the market had a high availability of high-performing/skilled labour?
- What market characteristics have driven this development?

KEY ACTIVITIES

Talent management activities

- Has the office been able to recruit skilled labour?
- What market characteristics have driven this development?

Software development

- Has the office been able to facilitate software development?
- What market characteristics have driven this development?

Prospecting & sales

- Has the office been able to prospect customers well?
- What market characteristics have driven this development?

KEY PARTNERSHIPS

Recruitment partners

- Has the office been able to acquire recruitment partners?
- What market characteristics have driven this development?

COST STRUCTURE

Competitive salaries

- Has the office been able to provide competitive salaries?
- What market characteristics have driven this development?

Low operating costs

- Which are the main operating costs in international market establishments?