Turun yliopisto
University of Turku

SOFTWARE BUSINESS EXPANSION THROUGH DISTRIBUTION CHANNEL

Case M-Files - Denmark

Master´s Thesis
in International Business

Author:
Matti Saari

Supervisors:
Ph.D Esa Stenberg
Ph.D Elina Pelto

30.09.2014
Turku

Table of contents

1 INTRODUCTION 7

1.1 Internationalization of Finnish software companies 7
1.2 Purpose of the research 9
1.3 The case company M-Files 10
1.4 The structure of the study 11

2 INTERNATIONAL GROWTH THROUGH DISTRIBUTION CHANNEL 13

2.1 Analyzing the external and internal environment 13
2.1.1 PEST Analysis 13
2.1.2 Porter´s Five Force Analysis 15
2.1.3 SWOT Analysis 17
2.2 Distribution channels 18
2.2.1 Channel strategy 19
2.2.2 Channel design 20
2.2.3 Intermediaries 23
2.2.4 Selecting the right partner 25
2.2.5 Distribution channels and partners in software business 28
2.3 Synthesis: Theoretical framework of the study 30

3 RESEARCH METHODOLOGY 32

3.1 Research approach and strategy 32
3.2 Data collection 35
3.3 Data analysis 37
3.4 Reliability and validity 38
3.5 Summary of the research methodology 40

4 RESULTS OF THE EMPIRICAL STUDY 42

4.1 Market level - PEST analysis on Denmark 42
4.1.1 Political 42
4.1.2 Economic 43
4.1.3 Socio-cultural 45
4.1.4 Technological 46
4.2 Industry level - market description and analysis 46
4.2.1 Description of the Danish ICT market 46
4.2.2 Analysis on Danish software market 51
4.2.3 Distribution channels in the Danish software market 55
4.3 Company level - SWOT analysis on M-Files 56

4.4 Synthesis of findings 57

5 CONCLUSIONS 61

5.1 Theoretical implications 63
5.2 Managerial implications 64
5.3 Recommendations for the case company 65
5.4 Topics for further research 66

6 SUMMARY 68

REFERENCES 70

APPENDICES 76

6.1 Appendix 1 Operationalization table 76
6.2 Appendix 1 Theme Interview Framework 77

List of figures

Figure 1 Internationalization of Finnish software companies 8

Figure 2 Targeted international markets 9

Figure 3 The structure of the study 11

Figure 4 PEST analysis diagram 14

Figure 5 Porter's Five Force framework 15

Figure 6 SWOT analysis framework 17

Figure 7 Factors influencing market entry strategies 19

Figure 8 Distribution structures 21

Figure 9 Channel Configurations 22

Figure 10 Key criteria to consider when selecting channel members 27

Figure 11 The framework of the study 30

Figure 12 Component of data analysis: interactive model 37

Figure 13 Summary of the methodology 40

Figure 14 Corruption and bribery in Denmark 43

Figure 15 Denmark´s digital eco system 47

Figure 16 The number of ICT enterprises and full time employees 48

Figure 17 Computer services and turnover in 2012 49

Figure 19 Denmark´s software clusters 52

Figure 20 Synthesis of findings in the market level and the industry level competition 57

Figure 21 Synthesis of findings in the company level 59

List of tables

Table 1 International channel intermediaries 24

Table 2 Case study approach characteristics 34

Table 3 Overview of the interviews 36

Table 4 Danish economy 44

Table 5 Danish society 45

Table 6 Turnover development in computer services subsectors 2009-2012 . 50

1 INTRODUCTION

1.1 Internationalization of Finnish software companies

The last decade of the twentieth century is characteristics by significant global changes and developments. These changes have shaped radically domestic and international business (Ghauri & Cateora 2006, 4). Fast development in information and communication technology and improvements in logistics are leading to internationally integrated business systems (Asundi 2001, 225). Information flows more quickly from place to place and large number of data poses new challenges to the companies. In turn, technology development opens up new opportunities. Modern information networks and technology provides new and effective communication ways and tools regardless the time and place. In addition, new technology provides new business models that companies can take advantage of. Products and people move from place to place more easily and cheaply. This creates even more pressure on business development activities. Cooperation with other operators and the development of innovations has become important issues in the businesses. In such internationally integrated business system, labor, products, services and knowledge are highly mobile (Asundi 2001, 226).

Since the business becomes more and more internationalized and the competition is getting tougher, companies have to search new business opportunities. One used method is to expand business into other countries and market (Stern 1992). According to Czinkota, Ronkainen and Zvobgo (2011, 257) there are several motives for international expansion. Some motives are proactive in nature, while others are reactive. An example of a proactive motive is to explore foreign countries and seek new market. An example of reactive motive is to better serve customers which are in another country (Cavusgil, Knight & Riesenberger 2012, 52).

Fast development of information and communication technology, short product lifecycles and growth opportunities are issues that encourage information and communication technology (ICT) companies to expand their business to the international markets. Particularly in a small country, where company´s domestic market is limited, firms usually search growth and customers from international market (Knight & Cavusgil 2004). This is also the case among Finnish ICT companies. Especially Finnish software companies have increasingly internationalized in the last ten years, and this trend seems to be continuing. According to Aalto University´s software industry survey, Finnish software and information technology industry grew by 5.8 percent in 2012. Growth was largely derived from software SMEs. Although Nokia's subcontractor’s dismissals weakened the overall growth, the situation of software industry SMEs seems to have improved since 2011. The degree of internationalization reached two landmarks in

2012. First, over 50 percent of the companies had revenues from international market (see figure 1). Second, more than half of the companies stated that they have tried or they are planning to internationalize (see figure 2) (Aalto University survey 2013).

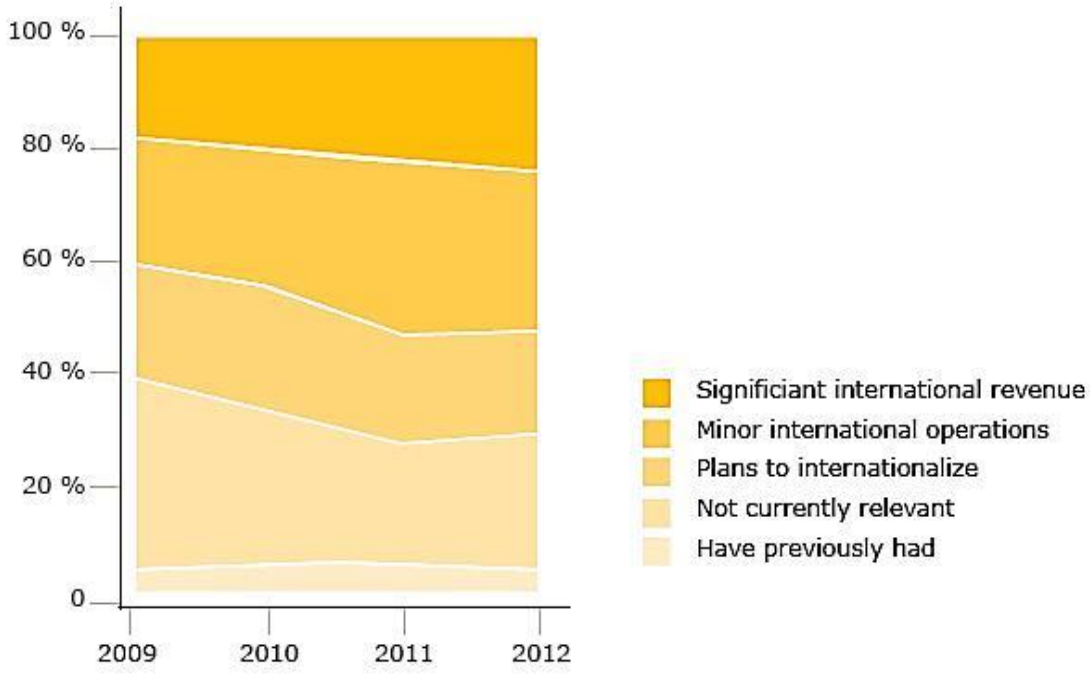

Figure 1 Internationalization of Finnish software companies (Aalto University survey 2013)

The research revealed that the share of companies with international revenue has been growing evenly. Fifty-eight percent of software SMEs in Finland report that they have some international revenue. Twenty-four percent of the respondents consider that their international revenue is significant. The share of companies for which internationalization is not significant has been declining fast (22 %) (Aalto University survey 2013). When expanding business to the foreign counties, companies tend to start with countries that are culturally and geographically close. Figure 2 shows what are target markets of the Finnish software companies.

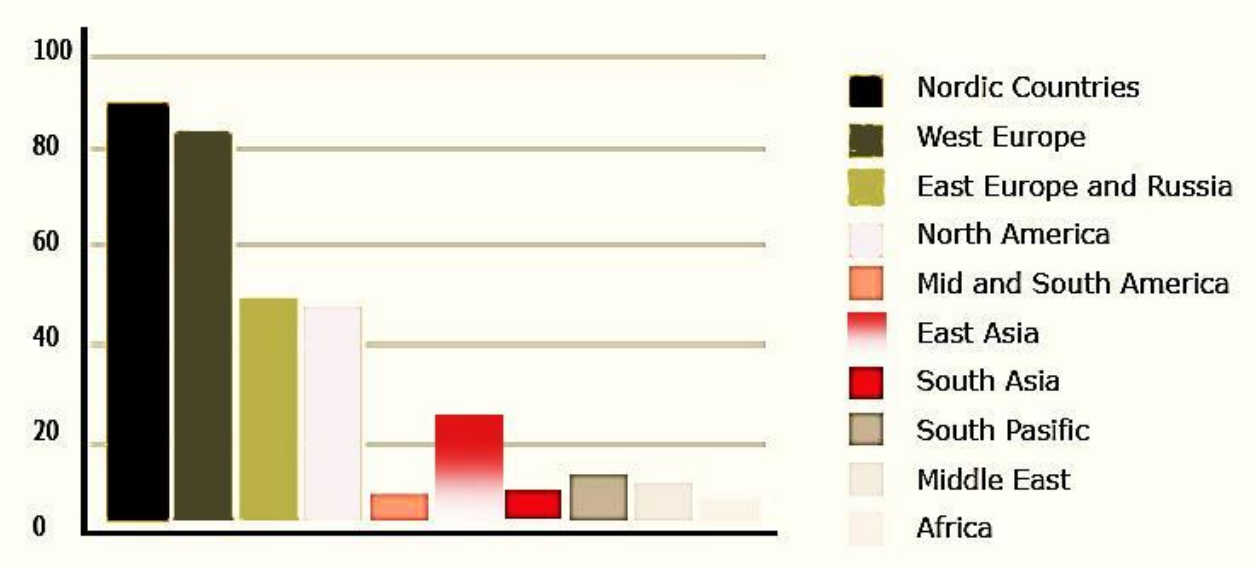

Figure 2 Targeted international markets (Aalto University survey 2013)

The target market of most of the companies is Nordic Countries and Western Europe. Russia and Eastern Europe surpassed North America, albeit US markets bring more revenue than Russia and East Europe. Because companies' target is usually one or two markets, and the first international market entry often determines the success of the internationalization, the choice of initial market entry is critical (Aalto University survey 2013). The following chapter 1.2 describes the purpose of this research.

1.2 Purpose of the research

The thesis is commissioned by a Finnish software company M-Files. The company is quickly expanding their business and partner network. M-Files have already resellers in 50 countries and over 2,000 paying customers in over 100 countries. The company core strategy includes strong growth strategy through reseller channel. Such growth strategy is very common in the ICT sector and many software companies and hardware manufacturers (for example Microsoft, Oracle, Dell and Apple) have successfully used the reseller channel for business expansions.

The purpose of this research is to find out how a software company can successfully expand its business to the Danish software market through reseller channel. The study explores the characteristics and trends of the Danish ICT and software market. Research question is

- *How to expand software business to the Danish market through the reseller channel?*

Sub-questions, in order to receive more information, are

- *What are the characteristics of the Danish ICT and software market?*
- *How and where do customers buy software in Denmark?*
- *How is the existing software competition in Denmark?*
- *Are the Danish ICT companies interested in to be M-Files resellers?*

The goal of the study is to give recommendations how M-Files can successfully enter the Danish market through reseller channel, as well as possibly find potential partners in the target country. In addition, other software companies can benefit from this research when they are expanding their businesses to the Danish software market. The following chapter 1.3 introduces the case company M-Files.

1.3 The case company M-Files

The software company M-Files was founded in 1989. The company's head office is located in Tampere, Finland. Other offices are located in Espoo (Finland), Solna (Sweden), Ratingen (Germany) and Dallas (United States). The Company has approximately 100 employees and the turnover in 2012 was 9 M€. Customers range from micro-sized firms to enterprises and represent all industries (M-Files 2013).

The company develops several software products. The flagship product is Enterprise Content Management (ECM) system, which is efficient and easy to use document management system. Other products are Document Management System (DMS), Quality Management System (QMS), Enterprise Asset Management (EAM) Human Resource (HR) and Contract Lifecycle Management (CLM). M-Files software products are available in several languages. The company has received several awards and accolades, including Finnish Technology Entrepreneurship Award and Ruban d'Honneur at the European Business Awards. M-Files have also AAA credit rating (M-Files 2013).

The products of the company are sold through vertical partner network solution providers and value-added resellers (VARs). M-Files have partnerships with leading information and communication technology providers (for example Microsoft, Salesforce and Autodesk). The company offers several partnership levels for marketing, selling and supporting their products. Partnership levels are; Level 1: M-Files Authorized Reseller, Level 2: M-Files Solution Provider and Level 3: M-Files Premium Solution Provider. Each level has its own characteristics, requirements, benefits and reseller commission. M-Files started to expand their business abroad in the late 1990s. Main market areas are at the moment Finland, United States of America, France, Great Britain, Switzerland, Canada and Australia (M-Files 2013).

M-Files' vision and ultimate objective is to be recognized as a global ECM solution provider in multiple industries by offering a highly configurable and user-friendly platform that meets specific customer needs faster and more profitably than any alternative on the market. M-Files' strategy is to grow through own actions. This means that they are building a strong M-Files ecosystem with several applications based on their technology and they will raise awareness of the M-Files brand and products with wide marketing mix. Their aim is also expand their partner network strongly (M-Files Strategy 2013). The following chapter introduces the structure of the study.

1.4 The structure of the study

The figure 3 describes the structure of the study. The study is divided into six chapters and the content of the each chapter is described more precisely below the figure.

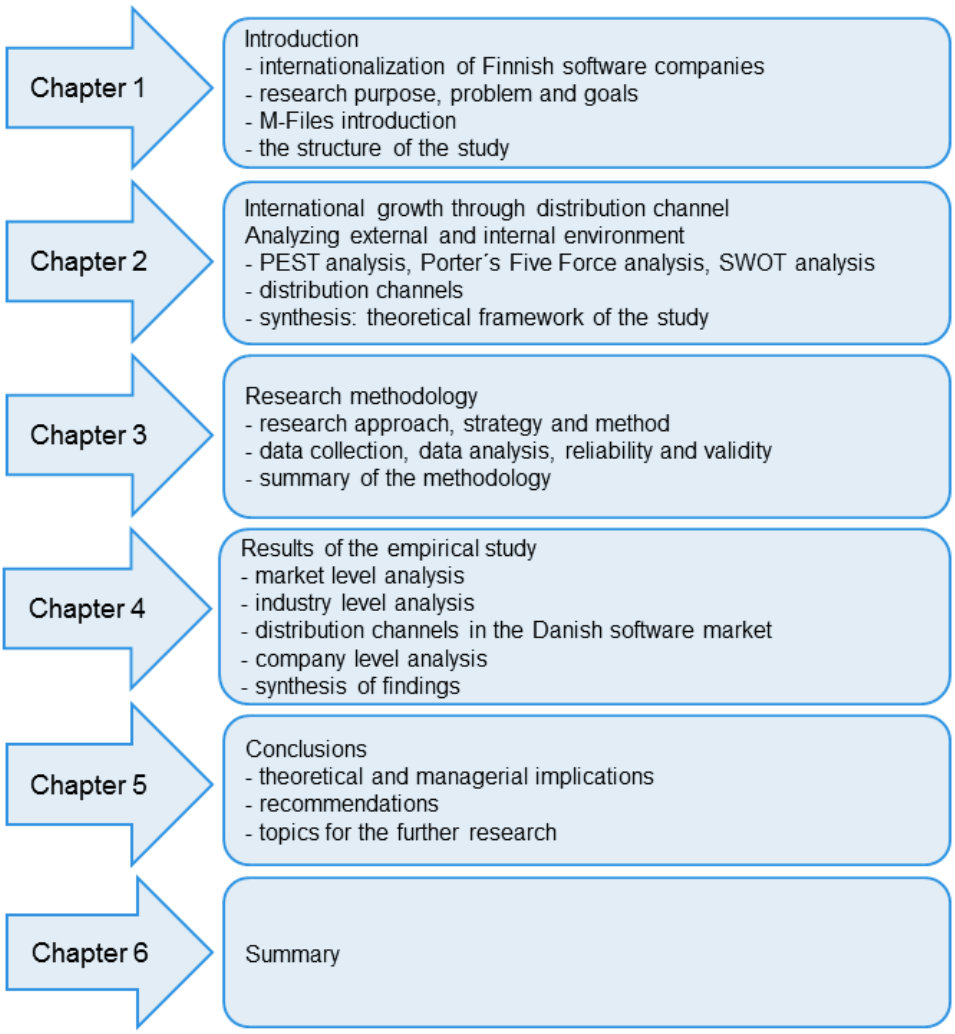

Figure 3 The structure of the study

The first chapter is the introduction. It describes the background of the research and presents research purpose, goals and problem. Then the case company M-Files and the structure of the study are introduced. Chapter two is the theoretical background of the study. It presents three external and internal environment analyzing tools; PEST analysis, Porter´s Five Force analysis and SWOT analysis. Next the chapter discusses distribution channels strategy, market entry strategies and channel design. The chapter continues by representing different intermediaries' types and discussing key issues when selecting channel partners. Then distribution channels and partners in software business are explained. The chapter ends with a synthesis which describes the theoretical framework of the study. Chapter three describes the research methodology. It presents research approach, strategy and method, data collection, data analysis, reliability and validity, and a summary of the methodology. Chapter four presents results of the empirical study; market level analysis on Denmark (PEST), industry level competition analysis on Danish software market (modified Porter´s Five Force analysis). Next the chapter discusses distribution channels in the Danish software market, its characteristics, how companies buy software in Denmark and the existing Enterprise Content Management (ECM) system and Document Management System (DMS) competition. The chapter presents also results of the company level analysis (SWOT analysis on M-Files). The end of the chapter presents synthesis of findings. Chapter five presents conclusions, theoretical implications, managerial implications, recommendations for M-Files and topics for further research. And finally, chapter six summarizes the study.

2 INTERNATIONAL GROWTH THROUGH DISTRIBUTION CHANNEL

2.1 Analyzing the external and internal environment

When a company is expanding business to the new market, a thorough market analysis is essential. Market analysis explores the potential market structure, size, competition, distribution channels and overall profitability. This information helps to assess product's chances of success in the new market and facilitates strategic and marketing planning. Market analysis is the phase that some companies want to skip for cost reasons. However, doing so can lead to major investment failures. Instead carefully made market analysis speeds up access to profitable business. It is important that the analysis is accurate, objective, and applicable to the business. The company's senior management commitment and involvement of the conclusions and the strategy planning is essential (Macmillan & Tampoe 2000).

There are a variety of market analysis models. Some of the models aim to describe company's internal environment, while other try to describe external environment or both. In most cases the most reliable results are obtained by using several models at the same time and combining the information. This research uses three analyzing frameworks; PEST analysis, Porter´s Five Force analysis and SWOT analysis. First, the PEST analysis was chosen because it is a clear and extensively used strategic tool for understanding the wide picture of the environment the company is operating. Second, the Porter's Five Force analysis was chosen because it is a strong model for understanding where the strength places in a business situation. Third, the SWOT analysis assists to describe company's strengths and weaknesses, and its opportunities and threats. All models are widely used and recognized techniques in economic science. In addition, used models complement each other very well. The following chapter describes more precisely the first used framework, the PEST analysis.

2.1.1 PEST Analysis

External analysis aims to describe what can influence the future of the company as a whole. The external analysis is usually described at three levels: 1) general changes in the business environment, 2) change within the industry and 3) actions of competitors and other specific cases (Macmillan & Tampoe 2000). The PEST analysis is a clear and extensively used strategic model for understanding the wide picture of the environment the company is operating. PEST is an acronym for political, economic, socio-cultural

and technological. These macro environment factors are usually outside the control of the company, and sometimes even threats to a company's operations. On the other hand, changes in external factors can also create new opportunities for businesses. PEST analysis may also include other variables. In many cases, the analysis includes the environmental factors and in that case, the analysis is called PESTE analysis (Kotler & Keller 2009).

By using PEST analysis, a company can ensure that the operations it executes are positively aligned with the forces of change. With the help of the analysis, a company can focus the effort and resources better and avoid mistakes. It is also useful, when a company is analyzing new target market (Mind Tools 2013). The figure 4 illustrates PEST analysis diagram.

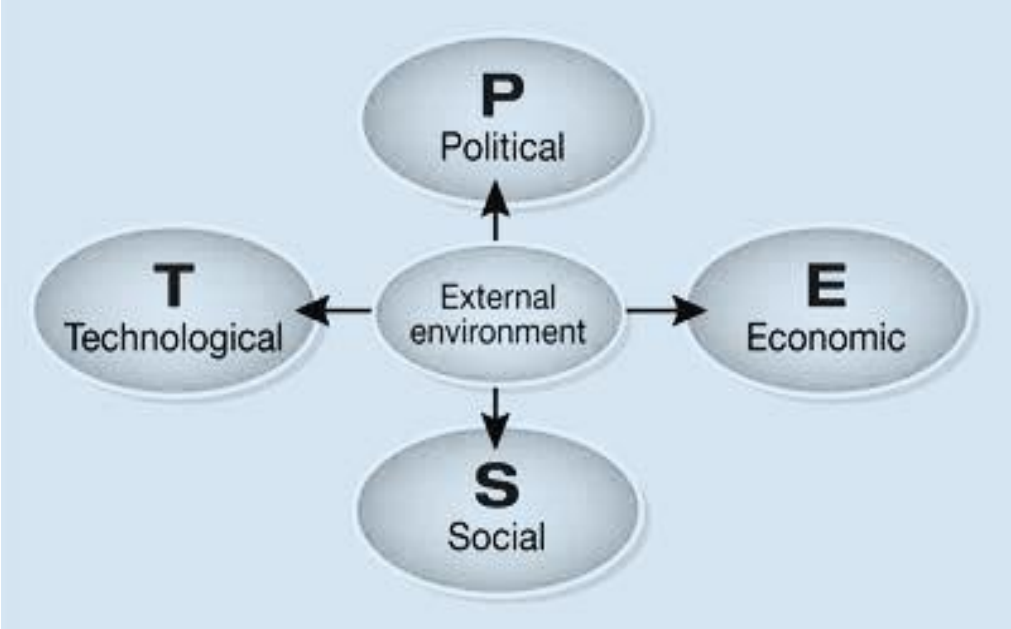

Figure 4 PEST analysis diagram

Political analysis focuses on analyzing factor such as political stability, legislation, trade regulations and tariffs and type of government regime. *Economic analysis* includes for example interest and inflation rates, efficiency of financial markets, type of economic system and economic growth rate. *Social analysis* focuses on lifestyle, class structure, education, culture, demographics and leisure interests. *Technology analysis* focuses on technical issues such as technology infrastructure, systems and hardware. The number of external macro-environment factors is unlimited. So it is essential to realize and priorize the factors that are relevant in each case (Kotler & Keller 2009). The next chapter 2.1.2 introduces the second used analyzing framework, the Porter´s Five Force analysis.

2.1.2 Porter´s Five Force Analysis

Porter's Five Forces framework is a simple and widely used model for industry level analysis. It was developed by Harvard Business School professor Michael Porter in 1979. The framework operates by examining at the strength of five major forces that influence competition. These forces are supplier power, buyer power, competitive rivalry, the threat of substitution and the threat of new entry. The stronger competitive forces in the industry are the less profitable it is (Porter 1998, 21; Morden 2007, 77). The figure 5 describes Porter´s Five Forces framework.

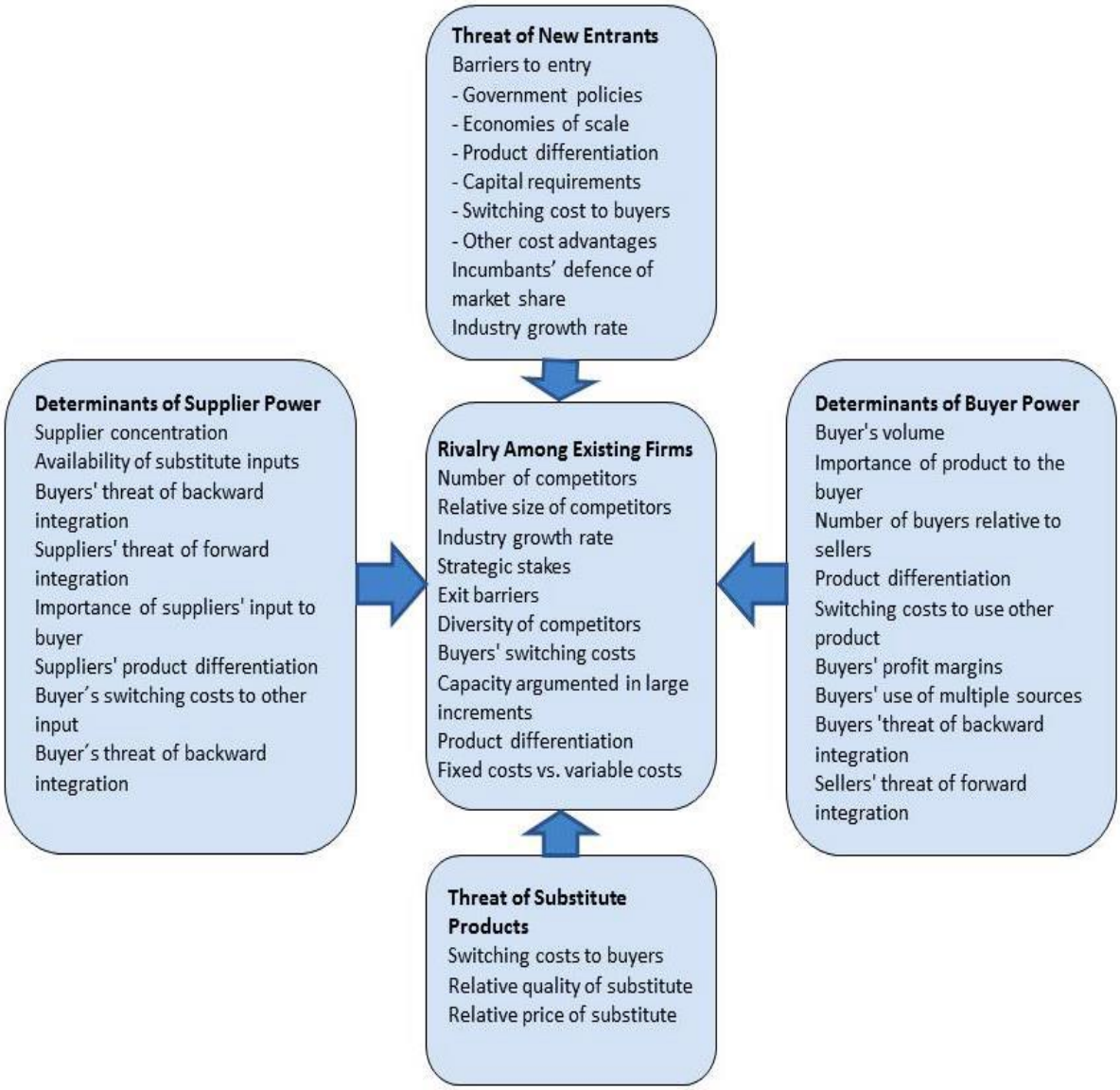

Figure 5 Porter's Five Force framework (Porter 1998)

Threat of new entrants describes how simple it is to enter the industry. If an industry is profitable and there are only one or two barriers to enter, the amount of competitors rises rapidly (Macmillan & Tampoe 2000, 102). When a large amount of companies compete in the same market, profits start to drop. So it is important for existing companies to create high barriers to stop all new entrants. According to Porter (1998, 24-25) six important sources of barriers are economies of scale, product differentiation, capital requirements, cost disadvantages independent of size, access to distribution channels and government policy.

Powerful *bargaining power of suppliers* enables suppliers to sell higher priced or lower quality products to the buyers. That impacts to the buying company's gains. Suppliers have a powerful bargaining power, if costs of switching materials are high, there are only few substitutes and few suppliers, and the product is essential to buyers (Porter 1998, 29; Morden 2007, 80).

Bargaining power of buyers describes how much pressure customers can place on a business. When buyers bargaining power is high, they can insists lower prices and higher quality. The power can be high, when there is only small number of buyers and switching costs to another competitive product is low, there are only few buyers that are buying large volumes, buyers are price sensitivity and the product is not important to the buyers (Porter 1998, 30; Macmillan & Tampoe 2000, 102).

Threat of substitutes illustrates how likely a buyer will switch to another (competitive) product. How similar are competitive products, how much does it cost to change product and what are the risks involved. If the switching costs are very high the threat is low. The significance of the threat posed by substitute products depends on how easily company is able to identify substitutes and the nature of the competitive threat (Morden 2007, 77; Macmillan & Tampoe 2000, 102).

Rivalry among existing competitors illustrates how hard or high is the competition between existing firms. Rivalry among competitors is high, if there are many competitors and little differentiation between products, exit barriers are high and industry growth is slow (Macmillan & Tampoe 2000, 103).

Porter´s Five Forces framework offers an effective tool for realizing the forces that affects in an industry. Nonetheless it can be difficult to use correctly. The industry has to be defined well and the tool should be used correctly. The model is usable for simple market structures, but is not necessarily the best for today dynamic markets. Nowadays markets are highly influenced by technological changes, and Porter's model cannot analyze rapid and dynamic changes well (for example technological breakthroughs, dynamic market entrants from start-ups, new business models). Some researchers have also criticized, that findings appear to overrule the point that some industries are more profitable than others. Porter himself has explained that globalization and governmental regulation affects the frameworks' reliability (Macmillan & Tampoe 2000). Even

though Porter´s Five Forces have some weaknesses, the researcher decided to use Porter´s framework in the research. The choice was based on the fact that Five Force is recognized and extensively used tool for industry analysis. In addition, the framework complements well other used frameworks, for example the SWOT model in the study. The chapter 2.1.3 introduces the third used analyzing framework, the SWOT analysis.

2.1.3 SWOT Analysis

SWOT analysis is a simple way to group the factors affecting the company's operations illustrative four-field form. The analysis describes a company's *strengths and weaknesses* and its *opportunities and threats*. The company is able control internal factors. Strengths will help the company succeed and implement goals and objectives. In turn, weaknesses prevent the company's success. By taking advantage of external opportunities business succeed better while the threats, in turn, jeopardize the success of the company, and sometimes even its existence (Morden 2007, 104, 617). SWOT analysis can be used widely in evaluating different issues. It helps management decisions and the results can be used to design proposals for action. A successful analysis requires a good knowledge of the company and its environments, and examination of the company's operations as versatile and objectively as possible (Subba Rao 2010, 70). The figure 6 describes the SWOT analysis framework.

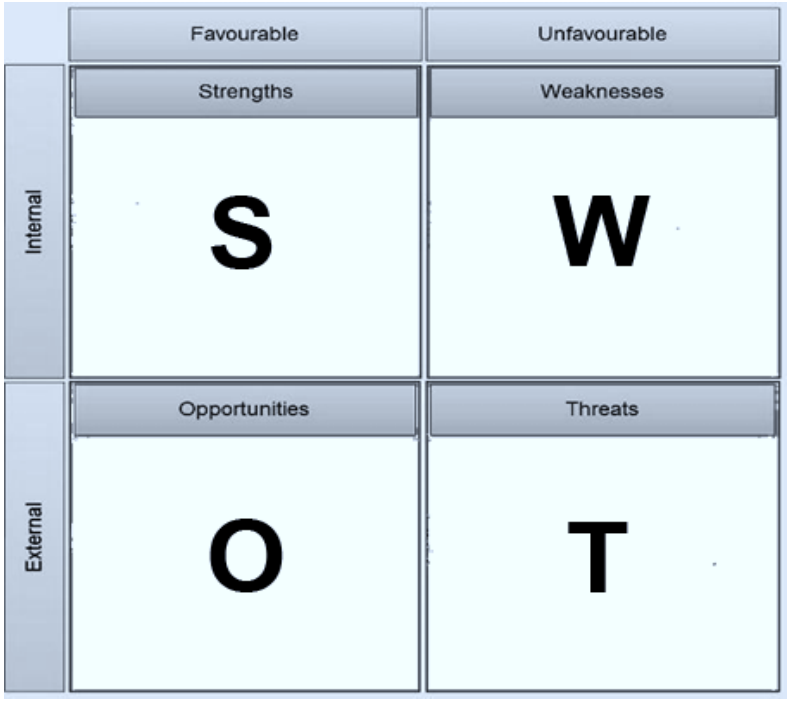

Figure 6 SWOT analysis framework

As all analysis frameworks and models, also SWOT analysis includes advantages and limitations. SWOT is a strong model, yet it involves a large subjective element. It should be used as a general guideline when planning business activities, not as an accurate guide. The SWOT analysis helps companies in many ways, for example it helps strategic planning and facilitates to distribute company's resources in a right way. On the other hand, it may cause companies to view environment as a very simple. Markets are often complex and unstable, and the perspective can be too subjective (Management Study Guide 2014).

All strategic decisions should be based on carefully analyzed information about the target market (environment, competitors and potential). A channel strategy includes the guidelines and principles on how a company assumes to achieve its goals in the selected market (Rosenbloom 2013). The following chapter 2.2 presents distribution channels theory. It describes channels and their purposes, and describes what kind of components distribution channel strategy and channel design includes.

2.2 Distribution channels

Producers do not sell products or services directly to the end customers, instead they use different intermediaries. These intermediaries form a distribution channel (also called a marketing channel or a trade channel) (Kotler & Keller 2009). A channel is defined as *"a set of interdependent organizations involved in the process of making a product or service available for consumption or use"* (Gorchels, West & Marien 2004, 5; Kotler & Keller 2009, 450; El-Ansary & Coughlan 1996, 1).

A channel refers to the processes and partners that move a product from the producers to the customers. A channel is the pipeline of a product or a service from producer to consumers. The channel connects producers with customers, handles logistics, post-sale services, supports and training and completes transactions and financing. Channels are also defined as "*vertical value-adding chains that create competitive advantage"* (Gorchels et al. 2004, 5).

According to Czinkota and Ronkainen (2004, 334) distribution channels include important connections that link producers and customers. These connections carry out different actions and are essential to channels. When a distribution is optimized, the system is working dynamically and it is able to react rapidly to the market changes. In a basic arrangement, a company can use following systems: 1. Company uses own sales people and sells directly to end users. 2. Company uses independent intermediaries (many times local). 3. The company uses an outside system (international and global channels). All of these systems can be used at the same time, none of these options are mutually

exclusive (Czinkota & Ronkainen 2004; Rangan & Bell 2006). The next chapter 2.2.1 describes channel strategy.

2.2.1 Channel strategy

A company should calculate carefully how much resource´s (for example sales and marketing) it is willing to use. Penetration to the foreign market can require only small investments, or it can require relatively large investments. Both have their advantages/disadvantages, and both can be also profitable (Ghauri & Cateora 2006, 275-277). There are many factors that affect what kind of market entry strategy a company will choose. Factors are, for example how the entry strategy is fitting to the company´s overall strategy and how much the company is willing to use resources in the target market (Ghauri & Cateora 2006, 277). The figure 7 illustrates factors influencing market entry strategies.

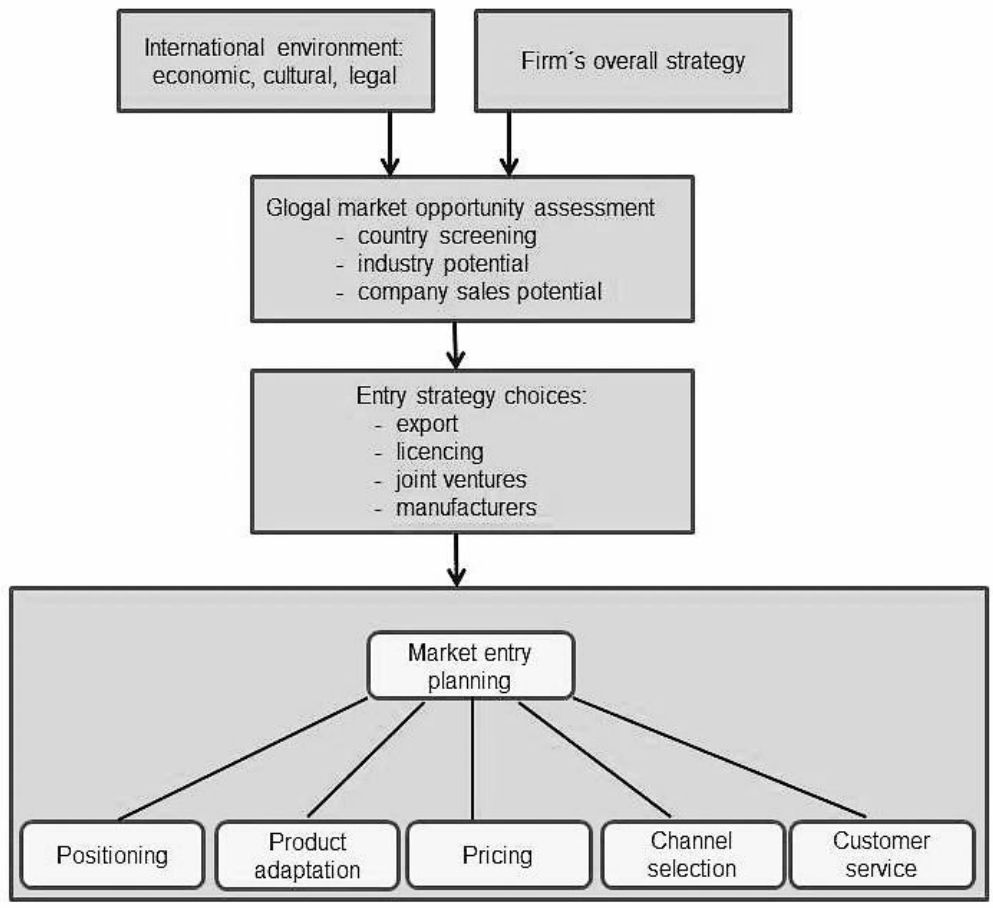

Figure 7 Factors influencing market entry strategies (Ghauri & Cateora 2006, 278)

The case company M-Files entry strategy choices are based on the company's overall strategy and the analyzed data about target markets. Their entry choices are business expansion through direct sales, reseller channel (licencing) and export. In recent years, the emphasis on many markets has been on channel sales, and direct sales have been the choice in North America. The choices are based on the fact that the investments and costs are much lower when using a reseller channel than, for example in direct investments. M-Files aims at growing quickly and looks actively means to successful internalization. Supporting growing channel sales may require local presence in some regions in the coming years. The next chapter 2.2.2 discusses channel design.

2.2.2 Channel design

A channel design means all the decisions that are related to developing new channel or reshaping exiting ones (Rosenbloom 2013, 180). In addition, Czinkota and Ronkainen (2004, 334) explain that the channel design refers to the channel length and width. In this case the length means what kind of intermediary types channel include, and width describe the number of institutions (Czinkota & Ronkainen 2004).

A company can apply a number of different direct or indirect sales channels. Direct sales channels are for example company´s own sales people, telemarketing or world-wide-web. Indirect sales channels are independent representatives, distributors, and dealers (Gorchels et al. 2004; Kotler & Keller 2009; Ghauri & Cateora 2006). An independent representative works as an external sales force to a supplier. Agents link together the buyer and seller. They get commissions for their work. Distributors and wholesalers buy products, but they have discounts off the original prize. Special kind of distributors are value added resellers (VARs) and dealers (Gorchels et al. 2004).

Czinkota and Ronkainen (2004, 334) emphasis that nowadays a channel of distribution should be seen as a team work, where each team member contributes own part. The team has a common goal and all team members should work towards that goal. When a company expands business to the foreign market and extends distribution channels into international arena, the environment where the company operates becomes much larger and more complex. The company needs to adapt its channels not only to the national environment but also to the international environment. Albeit the basic principles in channel management are the same company faces much more uncertainties and complexity in foreign cultures and countries (Rosenbloom 2013, 516). Stern (1992) emphasis, that to be successful in today´s international business environments, it is essential that a company is able to develop and manage strong and dynamic international distribution channels.

The distribution channel structure means a group of channel participants that have certain task in the selected channel. Channel participants are always interdependent relative to task performance (Rosenbloom 2013, 28). A company can use a single channel or multiple channels at the same time (Gabrielsson, Kirpalani & Luostarinen 2002; Stern et al. 1996). There are many ways to describe channel structures (Kotler & Keller 2009; Rosenbloom 2013). One clear and simple option is to use Julian Dent´s distribution structure model. Dent (2011) explains that there are three basic structures for a distribution system (see figure 8).

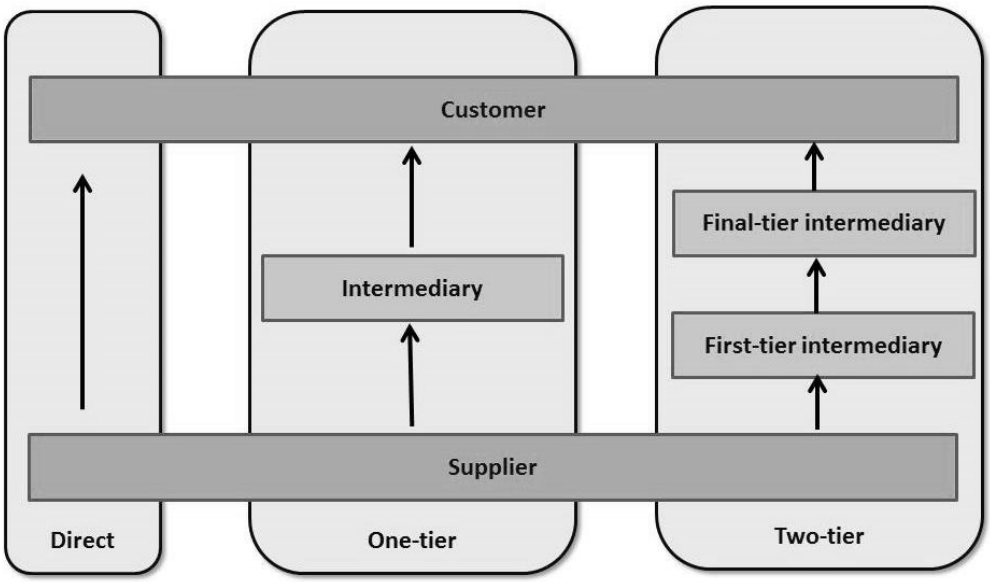

Figure 8 Distribution structures (Dent 2011, 12)

In a *direct* structure, all the resources are own and managed by the supplier and there is no intermediary involved in the process of getting goods to the markets (Dent 2011, 10). This kind of structure is suitable for small producers, who operate only local market and cannot afford to use other channels. A direct structure is useful also to the companies that can afford to sell their products directly via their shops (for example deluxe products). In addition, some farmers use successfully this kind of structure for some of their products (Dhotre 2010, 10).

In a *one-tier distribution structure*, there is only one set of intermediaries between the firm and customers (Dent 2011, 10). This structure is used when a firm offers additional services or when it is trying to improve products reachability. The structure is used for example in automobile and jewelry industry (Dhotre 2010, 10). In a *two-tier distribution* structure a supplier sells to intermediary and the intermediary supplies to the other intermediaries. This structure is used when thousands of intermediaries are needed to reach the customers (Dent 2011, 10) According to Dhotre (2011, 10) a two-tier distribution structure is used for example in a farming industry.

In addition there are also a *multiple-tiered distribution*, aggregators *and original equipment manufacturer (OEM) channel*. A multiple-tiered distribution is very similar to the two tiered distribution. The main difference is that the structure consists of three or more tiers. The additional tiers are usually necessary when dealing with complex markets. Gabrielsson et al. (2002) explain that in multiple-tiered distribution channel members are serving consumers in the same geographic area performing the same distribution functions. Aggregators links the demand or final-tier intermediaries in a way, that buying in bulk is possible. Buying in bulk brings economies of scale. In original equipment manufacturer channel the supplier´s product is embedded inside another, for example in ICT word, when the operating system is embedded into hardware with OEM licence (Dent 2011, 13-15).

Because domestic market has usually unique characteristics, channel configurations can vary a lot. Usually the links between participants are not only physical, but also informative and transactional (Czinkota & Ronkainen. 2004, 334). The figure 9 describes channel configurations in consumer products, industrial products and services.

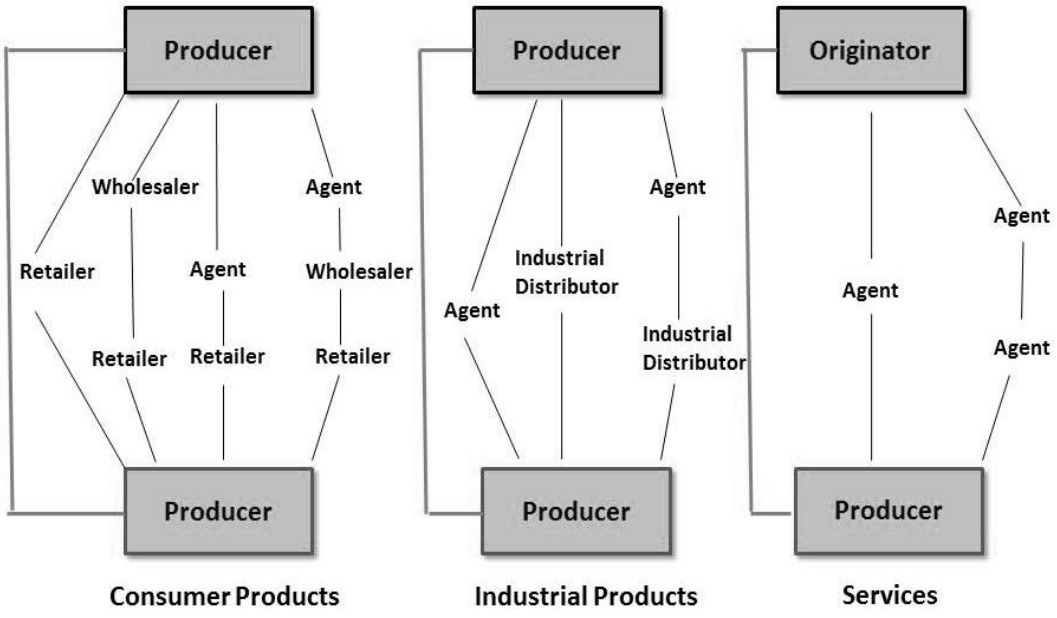

Figure 9 Channel Configurations (Czinkota & Ronkainen. 2004, 335)

In consumer products the channel configuration can be a one-tier distribution, a two-tier distribution or a multiple-tiered distribution. This means that there can be one or several sets of intermediaries between the firm and customers (wholesaler, retailer, agent). In industrial products and services the channel configuration is usually a one-tier distribution or a two-tier distribution. These configurations includes one or maximum two intermediaries (agent, distributor). Kim (1998) emphasis that supplier should carefully explore and analyze different channel structures and configurations, and choose the best

possible option. Afterwards it can be difficult to change channel and a bad choice can be destructive. Czinkota and Ronkainen (2004, 343) explain that when the channel design is specified, the next step is to find suitable intermediaries. Different types of intermediaries will be described next.

2.2.3 Intermediaries

Intermediaries are independent organizations or individuals which help sellers in the negotiation situations and distribution functions (Rosenbloom 2013, 29). Firms utilize intermediaries, if they do not have enough resources to do direct marketing and selling, or if they can get more income by using intermediaries (Kotler & Keller 2009, 130). According to Coviello and Munro (1997) the use of intermediaries in distribution channels assists resource allocation and enables companies to focus on the product development. It helps companies to grow faster than through direct sales and provides access to outside resources, which are particularly important on foreign markets.

In the early stage of company´s internationalization process, the use of intermediaries can be almost mandatory. Especially for the small companies it can be very difficult to expand their businesses without using some kind of foreign or domestic intermediaries. In turn, if the product or service is complicated and it needs plenty of adaption, it can be hard to be effectively utilized by outsiders. Also different cultural, geographical, governmental and political environments can complicate business and raise the costs in foreign market (Luostarinen & Welch 1990, 29).

First, the seller must decide what kind of relationship to have with intermediaries. The alternatives are *distributorship* and *agency* relationship. The *distributor* has relatively strong degree of dependence on the manufacturer firms, and contracts are likely to be on long term (Chauri et al. 2006, 377). Usually a distributor can offer a wide range of marketing services to the seller. Wild, Wild and Han (2006) emphasis that although using distributor reduces the exporter´s risk, it also weakens the exporters control over the prices actually charged to buyers. A distributor who charges unwarranted prices can stunt the growth of an exporter´s market share.

Agents have do not have so much freedom than distributors do. Agent works on a commission basis and do not physically manage the products (Czinkota & Ronkainen 2004, 345). This, in turn, allows the marketer control to make sure, for example, that the customer gets the most recent and appropriate product version. The seller defines' the guidelines and prices and require that agents provide information about customers and sales (Chauri et al. 2006, 371). Wild et al. (2006, 374) emphasis that agents should be chosen very carefully, it can be costly and difficult to terminate an agency relationship if problems arise.

Second, the international seller has to decide whether to utilize indirect exporting, direct exporting, or integrated distribution. *Indirect exporting* appears when a company sells its product to intermediaries, who then resell product to buyers in a market (Wild et al. 2006, 375). The seller can use somebody else´s channel instead of building own channels. This can bring costs savings in a short term. *Direct exporting* appears when a company sells directly to buyers in a target market (Wild et al. 2006, 374). When using direct exporting, the seller is directly responsible for the products in a foreign country (Czinkota & Ronkainen 2004, 345).

The third category of export marketing strategy, *integrated distribution,* requires the seller to make an investment into the foreign market. Although the last set of strategies indicates longer-term commitment to a market, it is riskier than the first two because the marketer is making a major financial investment (Czinkota & Ronkainen. 2004, 345-346).

Gorchels et al. (2004, 108) explain that in addition to determining whether the best location for the intermediary is domestic or foreign, it is useful to examine the differences between agent, distributor, and other intermediaries. Agents, brokers, manufacturer's representatives and export management companies (EMCs) generally do not take title to the products they represent. Distributors, dealers, jobbers, wholesalers, and merchants generally do take title. The table 1 describes international channel intermediaries.

Table 1 International channel intermediaries (Gorchels et al. 2004, 108)

Foreign (Direct)	Domestic (Indirect)
Agents	
Brokers Manufacturer's Representatives Management Agents	Brokers Manufacturers´ Export Agents Export Management Companies
Distributors	
Distributors Dealers Import Jobbers Wholesalers and Retailers	Domestic Wholesalers Export Merchants Complementary Marketers Export Jobbers
Other partners	
Licensees Franchisees Contract Manufacturers	

Other partners have contractual relations with the seller, or they offer special services. In *licensing* a seller has intangible goods. Seller gives the right to use the goods to the buyer in certain period of time (licence) (Wild et al. 2006, 382). *Franchising* means that a company gives the right to do trade to another business actor. A company gets revenues from the actor in form of fees and royalties (Dhotre 2010; Grochels et al. 2004; Wild, Wild & Han 2006). In *contract manufacturing* a company gives the right to produce its goods to another company. The contract may include different parts of production or the whole production process (Gorchels et al. 2004, 109). The following chapter 2.2.4 explains how important it is a find to good partner and what is the key criteria to consider when selecting channel members.

2.2.4 Selecting the right partner

Whether dealing with direct or indirect channel partners, it is important to find top representatives. McNaughton (2002) states that sometimes it can be challenging to find channel partners who have market and product knowledge, and ability to support the customers in required level. Mallen (1996) explain that for example the life cycle of a product may influence in channel and intermediaries selection. A new product may have difficulty in gaining approval by intermediaries. Then the manufacturer has to use channels much more selectively. In addition, if the product is very technical and it requires large amount of technical knowledge for the implementation and sale, the more selective in the choice of the partner the supplier has to be (Mallen 1996).

One of the most important decision for the company is to identify the ideal qualifications of potential partners. Company should seek suitability in terms of both strategy and resources (Cavusgil et al. 2012, 389). Rosenbloom (2013, 228) state that just as selection of a good employees is important to the prosperity of a company, so, too, is the selection of a channel members. Cavusgil, Mitri and Yeoh (1995) emphases face to face meetings with potential channel partners. And when negotiating with potential partners, it should always be remembered that the seller must adapt to buyer and "a visitor" should always follow local customs (Gorghels et al. 2004, 112).

Several sources exist for locating international trading partners. Global associations exist by country, and with the Internet, it is a relatively easy task to tap private and government databases for prospective business partners. In addition to private databases and services, some of which are associated with industry trade associations, business managers can explore state and national government databases (Gorchels et al. 2004; Rosenbloom 2013). Trade fairs are suitable places to explore how different intermediaries operate and how competent they are. In addition, existing and potential customers can give valuable advice and guidance when finding and selecting suitable partners (Gruner

and Schafer 1996). Jones, Wheeler and Young (1992) emphasis that supplier should find out how potential partner handles its customers.

The selection of international business partners is critical because of different cultures and long distances. There are some key points, which are useful when selecting international partners (Gorchels et al. 2004, 110):

- *Select distributors. Don't let them select you*
- *Look for distributors capable of developing markets, rather than those with a few obvious customer contacts*
- *Treat the local distributors as long-term partners, not temporary market-entry vehicles*
- *Support market entry by committing money, managers, and proven marketing ideas.*
- *From the start, maintain control over marketing strategy*
- *Make sure distributors provide you with detailed market and financial performance data*
- *Build links among national distributors at the earliest opportunity*

When selecting international partner, an important issue is to develop objective selection criteria. Distribution channel literature presents many general criteria lists for companies. However, any of the lists do not fit in all possible situations and conditions. Every company should do their own list that fits in their situation. Still, general lists can provide a good starting point for the company, when it is starting to plan its own checklists (Rosenbloom 2011, 220, 224). Figure 10 describes key criteria to consider when selecting channel members.

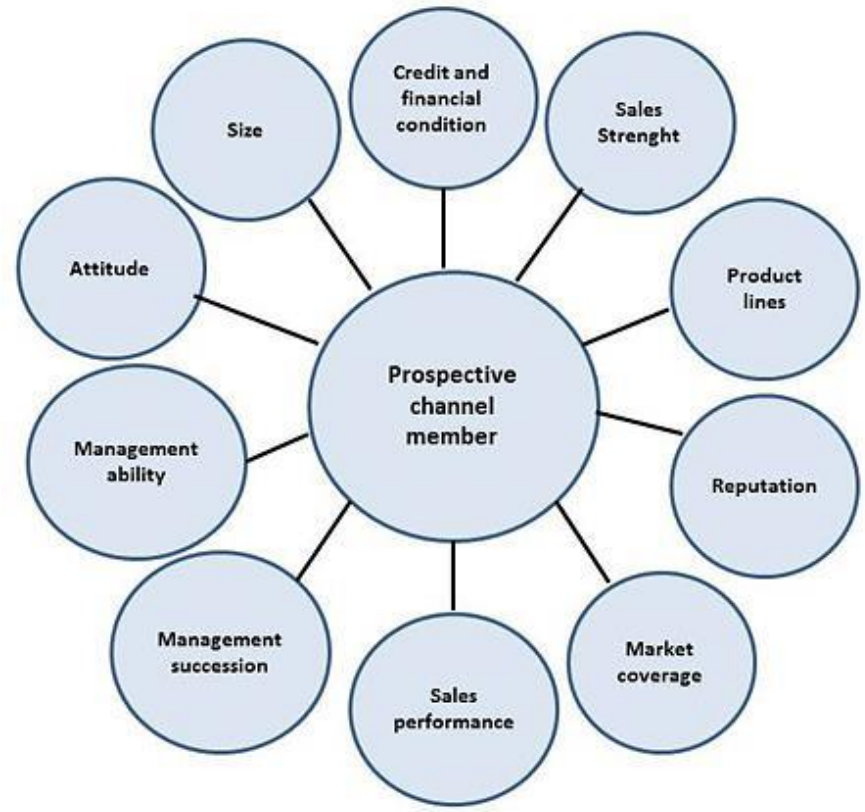

Figure 10 Key criteria to consider when selecting channel members (Rosenbloom 2011, 224)

The financial and credit position of the intermediaries is one of the most important criteria. It is also very good starting point on evaluating channel members (Czinkota & Ronkainen 2004, 351). The manufacturer can search detailed information from company reports and take contact to credit bureaus and trade organizations (Rosenbloom 2011, 222). However, all financial reports are not always comprehensive and reliable. Sometimes they may contain variations in interpretation differences and that case it should be asked a third-party opinion on the matter (Czinkota & Ronkainen 2004, 351). In addition, sometimes less well financed intermediaries can be more aggressive and effective. Such intermediaries can have more hunger to archive better results (Hlavacek & McCuiston 1983).

Sales strength and sales performance of prospective intermediaries are critical. Sales and marketing capacities is a very important criteria and the supplier should explore what market share the intermediary possesses of the market (Cavusgil et al. 1995). Companies can measure sales strength by number and quality of salespersons employed. If the product is very technical, the technical competence is important. Manufacturer can search sales performance data from different sources (for example local trade people and credit bureaus). Cavusgil et al. (1995) state growth is an important factor. If the intermediary does not grow, future expansion may be too laborious and hard.

Manufacturers often prefer intermediaries who do not compete with the manufacturer's line. It is wise to try to find intermediaries who carry complementary products, because they offer a better overall product mix to their customers (Rosenbloom 2011, 222).

It is important, that prospective intermediary's reputation is good. If the manufacturer is unknown abroad, the reputation of the channel member becomes the reputation of the manufacturer. A bad selection can be disastrous (Ghauri & Cateora 2006, 381). So if the intermediary's reputation is weak, it can badly damage the product or manufacturers own reputation. Conversely, if the intermediary's reputation is good, it can push up product reputation. Market coverage means that how well the intermediary is covering the graphical territory the manufacturer would like to reach. Generally the manufacturer would like to have the best territorial coverage as possible. Hlavacek and McCuiston (1983) state that in addition to geographical coverage, market segment coverage should always take into account.

Management ability is a critical factor when choosing channel members. On way to measure management ability is to investigate how affectively management organizes, manages, trains and retrains salespeople. Attitude applies to a prospective intermediary's aggressiveness, enthusiasm and initiative, and management succession means how successfully and sustainable the management has operated in the long run (Rosenbloom 2011, 222-223). The following chapter 2.2.5 discusses distribution channels and partners in software business.

2.2.5 Distribution channels and partners in software business

Software products have features of both information and material goods. Nevertheless, software includes certain functionality that information goods do not. Information goods value is based on their ability to affect or inform, but software value is based on what it does. Software products can be separated from the other industrial outputs many ways. Although the software can be duplicated with close-to-zero marginal costs, the first copy of the software may require significant development resources. The environment of software includes interdependencies which are not necessarily common within other high-technology sectors (Mäkelä & Mutanen 2005; Kittalaus & Clough 2009).

According to Messerschmitt and Szyperski (2003, 23) a software can be sold separately or bundled with another product. It can be static, changed or updated later. It can be originally installed or installed later. Because software is often integrated to the other information systems and hardware, the development of the software needs to be done thoroughly and carefully. Requirement specifications are essential in the development process. Software products resemble services and they need human or mechanical factor in order to work properly. In the software development process, it is possible to pro-

duce modules that form own unit. These modules are building blocks with many important features. It is possible to install modules as independent units or upgrade them independently. This kind of modular software building makes possible to develop software with several developers (Mäkelä & Mutanen 2005, 780).

Because the software is easy-to-replicate, the product development cycles are rapid and distribution costs are low, software market usually enlarges fast. This kind of environment is risky and highly competitive. It requires strong managerial practices and well planned strategies (Kittalaus & Clough 2009; 18; Mäkelä & Mutanen 2005, 782).

There are many good reasons why a software company creates and manages distribution system and partner networks. Networks and systems assist a company to build up a dynamic and effective distribution system and it can reach customers faster and easier (Salonen 2011). Building up a distribution system is also much more cost-effective and cheaper, than building up the whole sales organization. In addition, a local partner knows the target market and has already contacts to the customers and another operators, such as software, hardware and consulting companies (Kittalaus & Clough 2009, 26).

Today customers are not interested in a certain software product or how the software technically works. They want to streamline their processes, and solutions for their problems. This means that many times required solution cannot be achieved with the single software, or at least it requires large integrations, customizations and implementations. When choosing solutions for their problems, customers use often competent consulting firms. So in the software´s seller point of view, partnering with these firms may be important and profitable. Technology alliances can be important partners for the company. A company can do sales cooperation with other companies or the software can be preinstalled on another hardware platform. In this way the seller get access to end users, which otherwise would be difficult to reach (Kittalaus & Clough 2009, 26-27).

According to Messerschmitt and Szyperski (2003, 14) a software company can have five partner types: ISVs (Independent software vendors), VARs (Value added resellers), OEMs (original equipment manufacturers), Sls (System integrators) and Technological alliances. Independent software vendor produces software applications, which are used in different operating system and hardware platforms. Software can be for example certain niche software or embedded software. Value-added reseller is a firm which takes an existent product or solution and adds to its own value. The value can be for example a special application. Then the VAR resells the product. OEM refers to firm that purchases a product and includes it into their own product. OEM sells its products to distributors or end-users. A Systems Integrator (SI) integrates hardware and software products from different sellers. Technological alliances means companies cooperation. Cooperation can be for example in technology issues, marketing and sales (Kittalaus & Clough

2009). Each of partner types has their characteristics, advantages and shortcomings. The following chapter describes the theoretical framework of the study.

2.3 Synthesis: Theoretical framework of the study

The chapter discussed external and internal environment analyzing frameworks and distribution channels. In this research, PEST analysis, Porter´s Five Force analysis and SWOT analysis were utilized to describe external and internal factors that influence to the case company´s business expansion. The chapter presented also M-Files market entry strategy choices and discussed distribution channels and partners in software business. The figure 11 describes the framework of the study.

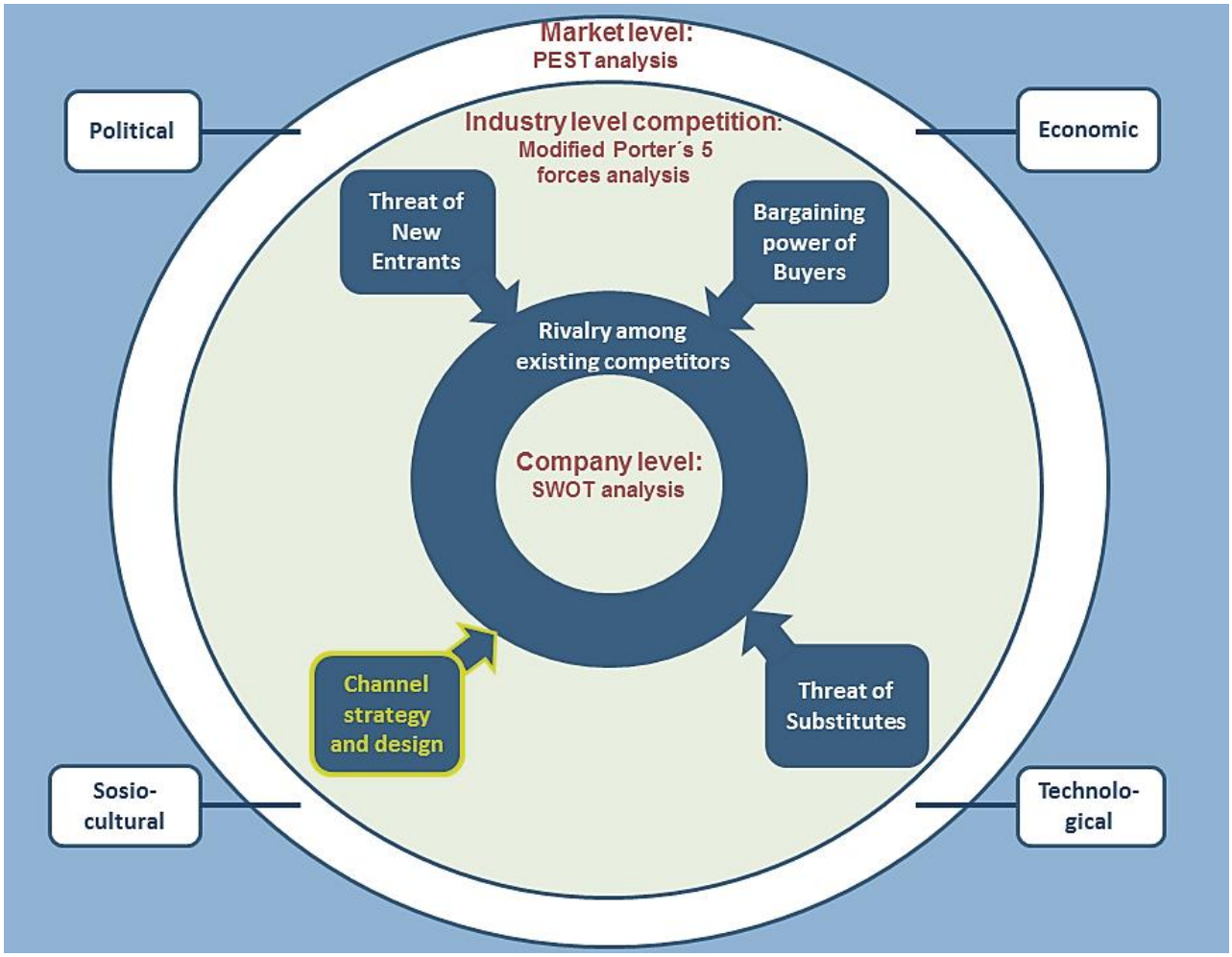

Figure 11 The framework of the study

When a company is expanding its business to the new market, it is important to analyze and understand *market level* (macro level) factors. Macro environment factors are usually outside the control of the company and sometimes even threats to a company's

operations. The PEST analysis is extensively used strategic tool for understanding the external environment where the firm is operating. With the help of the analysis, a firm can focus its effort and resources better, and avoid mistakes. It is also very useful, when a firm is analyzing new target market (Kotler & Keller 2009). By using PEST analysis, a firm can ensure that the operations it executes are positively aligned with the forces of change (Mind Tools 2013).

After the PEST analysis has been done, and the macro level factors have been identified, the next step is to analyze *industry level* competition factors. Porter's Five Forces is a simple and widely used framework for industry analysis. The framework operates by looking at the strength of five major forces that influence competition. These forces are supplier power, buyer power, competitive rivalry, the threat of substitution and the threat of new entry. The stronger competitive forces in the industry are the less profitable it is (Porter 1998, 21; Morden 2007, 77). In this research supplier power is removed from the framework, because it has no relevance in this research. Distribution channel strategy and design have been integrated to the industry level framework (see figure 11) since they fit to the industry level competition analysis, and channel components are essential parts of the case company´s business expansion strategy. Components include market entry strategy, channel structure, intermediaries and the criteria for selecting channel partners. They influence significantly the company´s operations in the target market.

The final step is to analyze *company level* factors. SWOT analysis is a simple way to group the factors affecting the company's operations in an illustrative four-field form. The analysis describes a company’s strengths and weaknesses and its opportunities and threats (Morden 2007, 104). The next chapter discusses methodological choices of the research.

3 RESEARCH METHODOLOGY

3.1 Research approach and strategy

Creswell (2009, 3) state that there are three types of research approaches; quantitative, qualitative and mixed methods. This research is conducted by using a qualitative research approach. The main reasons for choosing a qualitative research approach are the objective of the research and the research problem. The objective of this research is to find out how a software company can successfully expand business to the Danish software market through distribution channel. In addition, because the research explores real life phenomenon, and it attempts to describe organizations and human activities, the researcher's choice was to use qualitative research approach. Hirsjärvi et al (1997, 161) state that qualitative research attempts to describe real life and the subject as holistically as possible. The goal of the qualitative research is to get a generalization from the individual research results.

In quantitative research, variables are managed into the tabulated form. Then the material is transformed to the statistical form and conclusions are made based on statistical analysis (Creswell 2009, 4; Hirsjärvi, Remes & Sajavaara 1997, 137). The issues to be covered in this research are complex of nature and could not have been sorted out by using quantitative research methods. Ghauri and Gronhaug (2002, 87) state that if the research is difficult to conduct with quantitative methods, qualitative methods are useful. For decades, debate concerning different approaches has been active in social science. Nonetheless, it seems that both approaches are instruments which depend on the research questions asked (Eriksson & Kovalainen 2008, 5).

The term research strategy means research methodological choices as a whole (Hirsjärvi et al. 1997, 126). The research method can be separated from the research strategy. According to general classification, the method is a procedure guided by the rules, which allows science to search information or solve practical problem (Hirsjärvi et al. 1997, 183). According to Ghauri and Gronhaug (2002, 34) methods play different roles such as rules for communication, rules of inter-subjectivity and rules of logic. The research strategy and the choice of method depend on the research task and research problems (Hirsjärvi et al. 1997, 126).

Traditional research methods can be divided into three groups: 1 Experimental study which measures the effect of one variable to another variable. 2 Survey study which collect information in a standardized form of group of people. 3 Case study which collect detailed and intensive information about the individual case or a small number of cases in relation to each other (Hirsjärvi et al. 2009).

This study uses a case study as the appropriate research method. A case study is probably the most used approach in business research and it is generally used to describe a current situation (Ghauri 2004, 110). Yin (2003, 1) states that if the research questions are nature of how or why, case study is recommendable method. In this research, questions are of the nature how and why and the research focus is on the complexity of business-related phenomena. The research is exploring relationships and processes in real-life settings. It is also trying to get a holistic view of the phenomenon.

In a social environment relationships and processes are invariably interrelated and interconnected. It is very important to understand how different parts are linked to each other and how they interact. Denscombe (2010, 30) argue that a case study offers more chance than the survey approach. It can extract complex situations and provide explanations in various situations. A case is a naturally occurring phenomenon and a case study explores something that exists. It is not like an experiment or a situation that is artificially created. A case study research allows the researcher to use different types of data, sources and variety of methods (Denscombe 2010, 30-31). Ghauri (2004, 111) state that a case study is especially appropriate to international business research. This study is international business research and most of the data is collected from another country, cross-border and cross-cultural.

Eriksson and Kovalainen (2008, 115) state that a basic feature in case studies is the building of the single case or many cases. The research questions are trying to realize and figure out case or cases. Main purpose is to explore the case or cases in relation to its environments (Eriksson & Kovalainen 2008, 115; Denscombe 2010, 56). This study is a single case study and the researcher´s aim is to gain deep information on the issues under investigation so that the research can provide a holistic and contextualized description of the situation. According to Eriksson and Kovalainen (2008, 116) in single case studies the problem is the determination of the starting and ending point. However, this problem can be avoided by setting the research question carefully. When a case study involves several cases it is called multiple-case study. Comparison between two or more similar cases can help theory-formation and improve the generalization of the research. On the other hand it can also be disadvantage. The examination of individual cases can get deeper into the phenomenon than the number of cases examined (Eriksson & Kovalainen 2008, 116-117). Table 2 describes the case study approach characteristics.

Table 2 Case study approach characteristics (Denscombe 2010, 32)

	rather than	
Depth of study		Breadth of study
The particular		The general
Relationships/processes		Outcomes and end-products
Holistic view		Isolated factors
Natural settings		Artificial situations
Multiple sources		One research method

A case study is focused on an individual event rather than a wide range of events. In a case study the researcher is able to concentrate on one instance and gain information deeply. A case study research may reveal such information, that a survey approach with a large number of instances cannot reveal (Denscombe 2010, 31). There are three widely used research approaches in case studies; exploratory, descriptive and explanatory (Yin 2003). This research uses both exploratory and descriptive approaches. The research is trying to find out what are the characteristics and trends in the Danish ICT and software market, what are the practices and processes in the market, and how a software company can successfully enter to the Danish ICT market. Saunders, Lewis and Thornhill (2009, 139) explain that a*n exploratory study* is a way to figure out what is going on. It tries to evaluate the phenomena from a new perspective and gain new and different insights. Ghauri and Gronhaug (2002, 48) state it is especially useful if the research problem is poorly understood.

According to Saunders et al (2009, 141) there are three ways of conducting exploratory research. The first way is searching literature, second is interviewing professionals and third is performing interviews in groups. This research uses literature searching and professionals interviewing. Data collection methods are describes in the chapter 3.2. data collection.

Descriptive research tries to describe precise events, situations or persons (Saunders et al. (2009, 139). This study is trying to describe the Danish ICT market in general level and software market more deeper level. Ghauri and Gronhaug (2002, 49) argue that in descriptive research the problem is structured and well understood. Saunders et al. (2009, 139) state that descriptive research can be *"an extension of, or a forerunner to, a piece of exploratory research or a piece of explanatory research".*

3.2 Data collection

This research uses primarily two data collection methods, documentation and interviews. Documentation includes the case company M-Files internal documents, company´s marketing material (brochures, webpages) and relevant statistics and surveys. Interviews were conducted by using semi-structured interview (also called theme interview). Semi-structured interview was chosen because it can provide reliable and comparable qualitative data for the study. The interview type is flexible and it involves direct linguistic interaction between the interviewer and the interviewee. It allows to guide and control data collection in the interview situation and makes possible to get deep information and understand motives behind the answers (Hirsjärvi and Hurme (2008, 47).

In semi-structured interview, the theme of the subject and topics are pre-determined and interview progresses depend on the key themes. A semi-structured interview does not require experimentally induced collective experience, but is rather based on the assumption that individual's experiences, reflections and beliefs can be studied with this technique. The interview is not bound by the interview in a certain way, qualitative or quantitative, and it does not take a stand on the number of interviews or how deeply the subject is dealt with. Instead, the name reflects the fact that the most important thing in theme interview is that the interview proceeds in key themes instead of detailed questions (Hirsjärvi and Hurme (2008, 48). In this research interview themes are formed by using operationalization table (see appendix 1). The table connects the research problem, questions and theory. The purpose of the operationalization table is to connect the research theoretical part and the empirical part.

The following interview themes were used in the study:

Theme 1): *The characteristics of the Danish ICT and software market.* The purpose of this theme was to find characteristics, which describe the Danish ICT and software market. This theme was chosen because it provides an overview of the Danish markets. By using clarifying questions it was possible to get specific additional information.

Theme 2): *Software purchasing behavior in Denmark*. The second theme dealt with how and where companies buy software in Denmark. Do companies buy software from big global vendors, small local companies, resellers, internet, etc.? This theme was chosen because it helped to examine what type of channels companies use when they acquire software.

Theme 3): *Existing competition in Denmark*. The third theme dealt with how is the existing competition ECM (Enterprise Content Management System / DMS (Document Management System) competition in Denmark.

In this research potential interviewees were looked and mapped on the Danish IT journals and via the internet. Good advices and guidance were also received from the

Danish organizations such as the Ministry of Foreign Affairs of Denmark and The Danish IT Industry Association (ITB). The table 3 describes the overview of the interviews.

Table 3 Overview of the interviews

Company/location	Interviewee/title	Date	Time	Duration	Language
M-Files Tampere, Finland	Miika Mäkitalo CEO	26.11.2013	15.00-15.39	35 minutes	Finnish
M-Files Tampere, Finland	Sampo Torikka Channel Account manager	09.12.2013	10.00-10.49	44 minutes	Finnish
Bright Ideas Aars, Denmark	Karl Lausten CEO	20.12.2013	14.00-14.45	45 minutes	English
EG Copenhagen, Denmark	Peter Andersen Manager	02.01.2013	11.00-11.50	50 minutes	English
Solution Management, Copenhagen, Denmark	Steen Madsen CEO	03.01.2014	10.00-10.55	55 minutes	English
KMD Ballerup, Denmark	Kenneth Elkjaer Sales manager	21.1.2014	11.00-11.50	50 minutes	English
Tasklet Factory Aalborg, Denmark	Peter List CEO	07.02.2014	11.00-11.40	46 minutes	English

Interviews were conducted as an individual interview, based on theme interview framework in November 2013 – February 2014. Appendix 2 includes theme interview framework. Interviews were done by telephone and Skype application. Each of the interviewee was booked for one hour. Five Danish ICT organizations participated in the research. In addition, two M-Files personnel were interviewed. Interviews went well and relevant information was collected. The following chapter 3.3 presents data analysis.

3.3 Data analysis

The purpose of qualitative data analysis is to elucidate the collected data and generate new information. The purpose is to compress data without losing any essential information and to get clear and well understandable information (Eskola & Suoranta 1998, 138). According to Yin (2003, 103) case study includes three analytical strategies. The first strategy is to follow the theoretical propositions, second is to define and test rival explanations and third is to create a descriptive framework. In this research the researcher uses the theoretical propositions strategy. The research questions are derived from previous theories and the empirical data is compared to these theories. The study uses within-case analysis and the findings are compared to existing theories.

Analyzing data in case studies is a particularly difficult task because techniques are not well defined. In a case study, the researcher has to understand people´s point of views and interpret data against the background of the context (Ghauri 2004, 117). According to Yin (2003, 103) it is important to know different techniques, but the most important is to understand what should be analyzed and why. For case study researchers it can be difficult to filter data before the analysis starts. In this research the data were collected and analyzed in interactive way (see the figure 12). Ghauri and Gronhaug (2004, 179) argue that it is the best way to proceed in case study research. The procedure often leads to new questions and new data collection. Figure 12 describes this process.

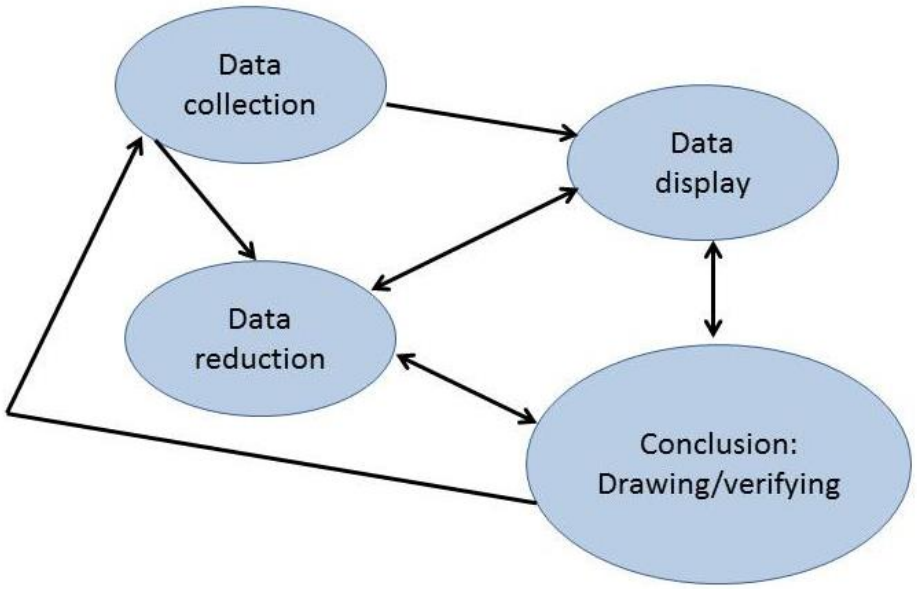

Figure 12 Component of data analysis: interactive model (Miles & Huberman1994, 10)

A qualitative analysis includes three coexistent flows: data reduction, data display, and conclusion; drawing/verification. All of the components continue during and after data collection. Data reduction is a process of choosing, clarifying focusing and transforming the information. It appears continuously throughout the research. Data reduction includes analytic choices and therefore it is a part of data analysis. Data Display is a collection of data that allows conclusion drawing and action taking. The third flow is conclusion, drawing/verification. First comes conclusion drawing, which is only half of the procedure. Then the conclusions have to be tested and verified by the analyst (Miles & Huberman1994).

The interviews were recorded on the recorder memory. Then the data from the memory was unloaded to the computer. Recordings were listened carefully through and then transcribed with a text editor. Each interviewee had own document and named by interviewee´s name. Then comments were collected to a single document and color code was used in transcription so that each interviewee had own color. After the transcription data analysis began. Conclusions were made by comparing the evidence gathered to the theory and previous studies. Conclusions of the study are described in the conclusions chapter.

3.4 Reliability and validity

In the scientific world debate between quantitative and qualitative methods has been lively for years. There has been confrontation in reliability and the evaluation of the research. Qualitative research has been criticized for the vagueness of reliability. The qualitative data analysis phase and the reliability cannot be separated in the same way that it is possible to do in the quantitative research. The reliability is also structured differently between these methods. In a qualitative research, the researcher must constantly weight choices he has made, and thus take a strain to coverage of analysis and the reliability of his work. Qualitative research is based on the researcher´s open subjectivity. In a qualitative study, the researcher is a key tool and the main criteria of the reliability is the researcher himself, and therefore the evaluation of the reliability applies to the whole research process. In a quantitative study, reliability means the reliability of the measurements (Eskola & Suoranta 1998, 209-210).

Yin (2003) emphasis, that a research design should express logical statements. Therefore, logical tests are suitable when measuring the quality of the research. These tests are commonly used in social research: construct validity, internal validity, external validity and reliability (Yin 2003, 34).

Creswell (2009, 190) states that in qualitative research, validity means that the researcher uses certain procedures to check the correctness of findings. Yin (2003, 35)

argue that *construct validity* can be challenging in case study research. Case study critics claim that researchers can fail to develop sufficiently good measures, and their subjective choice of data collection is unscientific. In order to achieve construct validity, the researcher has to choose the types of changes which will be investigated and show that the measures reflects the types of change that have been selected. The researcher can improve construct validity by using several sources, a chain of evidence, and reviewing the report by peer colleague (Yin 2003, 35-36). To increase construct validity in this research, the researcher have used several sources and established a chain of evidence. The research report was submitted to the commissioner regularly and the findings and the importance of the collected data were discussed between the CEO of the company and the researcher. To get a systematic process in the interviews, an interview guide was developed.

Internal validity affects causal or explanatory case studies. The foundation is built upon the theory and rival explanations and causal relationships are used for comparison. Four tactics can be used to add the internal validity 1. the pattern matching, 2. explanation building 3. addressing rival explanations, 4. logic models (Yin, 2003, 34, 36). To increase internal validity in the research, the researcher linked the analysis to theory identified in a literature review and used expert peer reviews.

External validity refers to the research findings and how findings can be generalizable beyond a particular case. Case studies are based on analytical generalization, while surveys are based on statistical generalization. In case studies the researcher seeks to generalize certain results to the broader theory (Yin 2003, 37). The objective of the case study is to collect fairly detailed information on the case under study. When the focus of the research is in one case, the generalization of the research results is always problematic and only in exceptional circumstances it is possible to make large generalizations (Eriksson & Kovalainen 2008, 117). That is the case also in this study. The research produces primarily information for the case company. However, also other software companies can benefit the results of the study when they are expanding business to the Danish market. Especially the findings from the Danish software market can be useful to the other companies.

Reliability means the stability and the consistency of the study. It refers to the probability, that if another researcher execute the same research, he/she will end up with the same kind of findings and conclusions (Creswell 2009, 190; Eriksson & Kovalainen 2008, 292; Yin 2003, 37). If the observations can be repeated, it can be assumed that explored phenomenon is real. However, the demand of repeatability is often unrealistic. Circumstances are continually changing and evolving. For example, the interviewed persons may already be in other positions or working in another company (Koskinen, Alasuutari & Peltonen 2005, 258). The purpose of reliability is to minimize biases and errors (Yin 2003, 37). In this research the researcher planned guidelines and steps how

to conduct the research. The researcher documented each step carefully, so that afterwards another researcher or auditor can repeat the research processes, and get the same findings and results.

3.5 Summary of the research methodology

The figure 13 describes methodological choices of this research. The purpose of the figure is to clarify and present methodological choices in a logical order. The choices are explained more precisely below the figure.

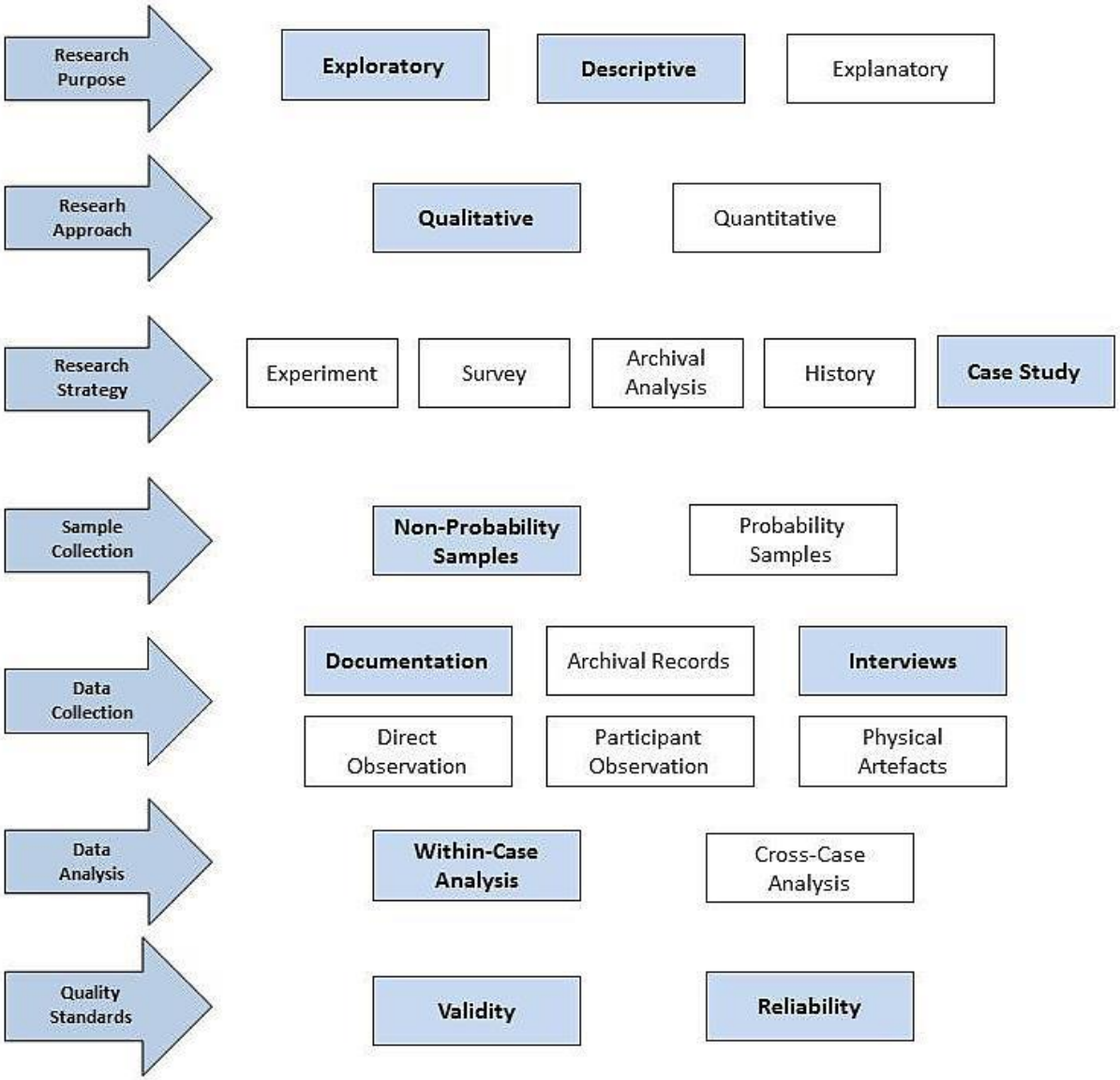

Figure 13 Summary of the methodology

The study was conducted by using a qualitative research approach. The main reasons for choosing a qualitative research approach were the objective of the study and the study problem. The objective of the study was to find out how a software company can successfully expand business to the Danish software market through reseller channel. In addition, because the research explores real life phenomenon, and it attempt to describe organizations and human activities, the researcher chose to use qualitative research approach. The study used a single case study as the appropriate research method. There are three widely used research approaches in case studies; exploratory, descriptive and explanatory (Yin 2003). The research uses both exploratory and descriptive approaches. The data was collected mainly by using documentation and interviews. The interviews were semi-structured interviews which were designed to collect comprehensive information about research subject. The study uses within-case analysis since the findings are compared to existing theories. Research reliability, construct validity, internal validity and external validity factors were also discussed in the methodology chapter.

4 RESULTS OF THE EMPIRICAL STUDY

In this chapter, the theoretical framework of the study is reflected to the information that was collected through documentations and interviews. The chapter preserves the structure illustrated in the chapter 2.3 Synthesis: Theoretical framework of the study. First, the chapter introduces PEST analysis on Denmark. Second, the Danish ICT market is described and modified Porter´s Five Force analysis on Danish software market is conducted. Then the chapter describes distribution channels in the Danish software market. Third, the SWOT analysis on the case company M-Files is introduced. Finally, the results are collected into the synthesis of findings.

4.1 Market level - PEST analysis on Denmark

4.1.1 Political

Denmark has constitutional monarchy with a parliamentary democracy. According to The Wall Street Journal and The Heritage Foundation (2013) the freedom of the press is guaranteed and the rule of law is well maintained. Protections of property rights are high and secured, and commercial laws are applied well. In Denmark property rights are respected and implementation is coherent with international grades. Denmark has efficient anti-corruption measures which uphold government integrity, and its regulatory environment is one of the best in the world. Denmark has flexible and efficient labor market and monetary conditions are on a solid ground (The Wall Street Journal and The Heritage Foundation 2013). Denmark’s corruption and bribery levels are practically zero. Figure 14 describes corruption and bribery level compared to other EU countries.

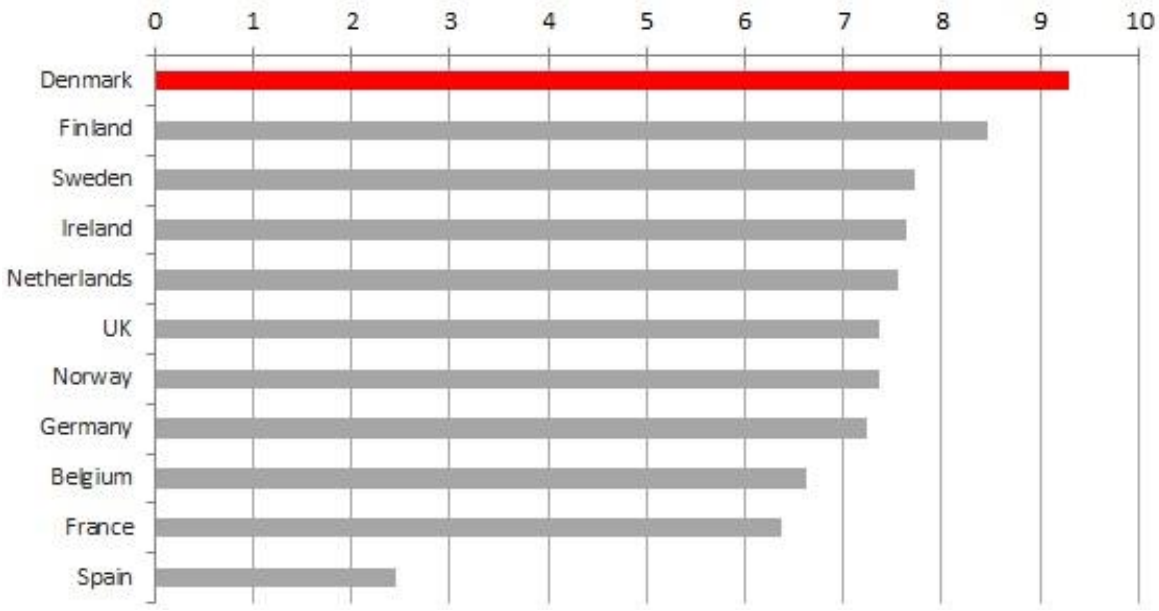

Figure 14 Corruption and bribery in Denmark (Ministry of Foreign Affairs of Denmark 2013)

For years Denmark has been top of the list in the international transparency lists index. This is one reason why so many foreign companies are interested in doing business in Denmark. The figure 14 shows that in the top three are Scandinavian countries, Denmark, Finland and Sweden. Then come Ireland, Netherlands, UK, Norway, Germany, Belgium and France. At the end of the list is Spain (Ministry of Foreign Affairs of Denmark 2013).

Denmark´s trade policy supports dynamic growth. The economy and investment regime is open, transparent and well administered. Recently, the banking sector has been a little instable. The top income tax rate is 56 percent and the top corporate tax rate is 25 percent. The overall tax burden equals almost 50 percent of total domestic income. Government spending is over 55 percent and public debt is slightly less than 50 percent of GDP (The Wall Street Journal and The Heritage Foundation 2013). Denmark is politically stable country. It has open democracy that implies freedom of press and open communication between government and citizens. Danish people enjoy a broad range of rights, such as freedom of speech and freedom of political activity (Denmark.dk 2013).

4.1.2 Economic

Denmark is a member of the European Union and its regulations and laws follow EU standards on many issues. Danish economy is dependent on foreign trade and Denmark supports strongly trade liberalization. It has good communication and distribution networks and highly educated and skilled labor. Denmark has many internationally well-

known companies in shipping and pharmaceutical industry (for example A.P. Møller - Mærsk, United Shipping & Trading Company and Novo Nordisk). The table 4 shows basic statistics of the Danish economy.

Table 4 Danish economy (The Central Intelligence Agency 2013; Finnish Ministry of Foreign Affairs Denmark 2013)

GDP (official exchange rate): $313.6 billion (2012 est.)
GDP real growth rate: - 0.6% (2012 est.) country comparison to the world: 184
Labor force: 2.784 million (2012 est.)
Currency: Danish Kroner, DKK 1 Krone = 100 Øre (DKK 5.9 = USD 1, 2012)
Unemployment rate: 6.0 % (2012 est.) country comparison to the world: 60
Budget: revenues: $174.1 billion expenditures: $187 billion (2012 est.)
Taxes and other revenues: 55.5 % of GDP (2012 est.)
Public debt: 45.6% of GDP (2012 est.) country comparison to the world: 76
Inflation rate (consumer prices): 2.4 % (2012 est.)
Exports: $104.9 billion (2012 est.) country comparison to the world: 37
Imports: $96.77 billion (2012 est.) country comparison to the world: 34
Most important export countries: Germany, Sweden, the UK, Norway and the US
Most important import countries: Germany, Sweden, Netherlands, Norway, China and the UK
Main natural resources: Petroleum, natural gas, fish, salt and limestone
Competitiveness: In World Economic Forum's Global Competitiveness Index 2011–12, ranks 8th among 142 countries (higher the rank, better the competitiveness)

Danes has high standard of living and unemployment rate is low, only 6 percent. Denmark's fiscal position is one of the strongest in the European Union. It´s public debt is 46 percent of GDP and inflation rate 2.4 percent. In the Global Business Environment ranking 2012-2016, Denmark is ranked third for doing business in the world, albeit taxation level is high. In World Economic Forums Global Competitiveness index 2011-12, Denmark was ranked eighth in the World.

4.1.3 Socio-cultural

Denmark is known as a country, where the welfare system is one of the best in the world. Denmark is a very safe country and it has free education and free healthcare. Good education is a key priority in Denmark and its education system emphasizes life-long learning, active participation and high academic standards. Over 50 percent of the year group enter higher education. The table 5 includes basic information about the Danish society.

Table 5 Danish society (The Central Intelligence Agency 2013)

Nationality: noun: Dane(s) adjective: Danish
Languages: Danish, Faroese, Greenlandic (an Inuit dialect), German (small minority) note: English is the predominant second language
Population: 5,556,452 (July 2013 est.) country comparison to the world: 112
Major cities - population: Copenhagen (capital) 1.213.822, Aarhus 319.094 , Odense 168.798, Aalborg 126.556 (2012)
Life expectancy at birth: total population: 78.94 years
Literacy: definition: age 15 and over can read and write, total population: 99%
Ethnic groups: Scandinavian, Inuit, Faroese, German, Turkish, Iranian, Somali
Health expenditures: 11.2% of GDP (2011) country comparison to the world: 12
Education expenditures: 8.7% of GDP (2009) country comparison to the world: 7
Urbanization: urban population: 86.9% of total population (2011) rate of urbanization: 0.5% annual rate of change (2010-15 est.)
Sanitation facility access: improved: urban: 100% of population, rural: 100% of population, total: 100% of population

The term “flexicurity” is an important in the Danish labour market. Flexicurity is an approach or a model that describes how Denmark is managing globalization, employment and economic growth. Many studies show that this model has been very effective and it has been one of the reasons why Danish society works so well. It is often said, that Danish are modest, friendly, communicative, easy going, happy and satisfied with their lives in Denmark (Denmark.dk 2013). Danish workers are considered reliable, honest and motivated. The working culture favors cooperation, teamwork and open dialog between people (Finnpro 2013).

4.1.4 Technological

Denmark is located in the center of Europe and its several ports offer a good access to European market. The technological environment is modern and highly developed. Denmark has excellent transportation, distribution and communication networks. Its road and railroad networks are advanced. The country offers free airspace, no night curfew and effective and fast customs clearance (Finpro 2013).

Denmark has strong life science industry clusters. Clusters include biotechnology cluster medical technology cluster. Research and development in the nanotechnology is also major strength in Denmark. The country is investing significantly in different applications in nanoscience. Denmark has 2200 clean technology companies and it is one of the clean technology centers in the world. The most important sub-sectors are wind power, bioenergy and smart grid. It is also a global maritime industry leader. The industry includes shipping, offshore and advanced maritime technology sectors (Ministry of Foreign Affairs of Denmark 2013). ICT sector is very important to the Danish society. Several organizations have ranked Denmark´s ICT as the best in the world. Many people think that it is the best place for testing ICT products and services (Finpro 2014). In software, wireless and mobile engineering Denmark is in top of the world. It has also a world leading position in sound technology with companies like Bang & Olufsen and AM3D. The following chapter 4.2 includes ICT market description and industry level competition analysis on the Danish market.

4.2 Industry level - market description and analysis

4.2.1 Description of the Danish ICT market

Denmark is a small, integrated and developed ICT country. It has strong ICT infrastructure and advanced research and development premises. Danish labor is highly educated and skilled. The government is strongly invested in the ICT education and the public sector has adopted new technologies. Danish consumers are willing to take part in technology development and they adapt rapidly new technologies. It has been said that Denmark is the best ICT test market in the world (Danish ICT and electronics federation. 2011).

Denmark´s digital eco system includes advanced ICT infrastructure and mobile markets. The eco system has a strong foundation in system development and integrations across industries. Figure 15 describes Denmark´s digital eco system (Danish ICT and electronics federation. 2011).

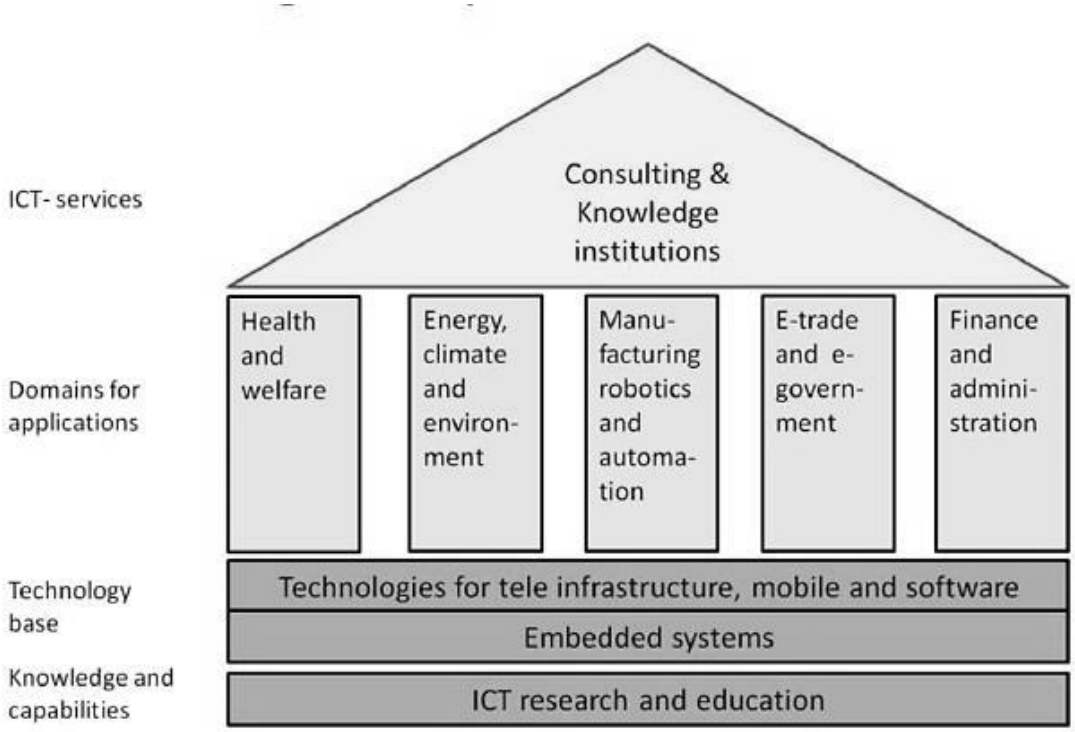

Figure 15 Denmark´s digital eco system (Danish ICT and electronics federation 2011)

In the Denmark´s digital eco system, innovation and ICT capabilities are effectively distributed. The research and development in the ICT sector is comprehensive. In 2007 ICT companies employed nearly 14,000 people within the sector. The majority of the R&D people work in the software and computing subsectors. Danish ICT consulting companies are known for their technical and commercial know-how (Danish ICT and electronics federation 2011).

According to global ICT surveys, Denmark is a leading country in ICT laws and network readiness. It has also highest number of broadband users per capita. Denmark is number two in the world on number of internet users per capita, technology meeting business requirements and E-government (Ministry of Foreign Affairs of Denmark 2014). Denmark has many successful companies in the ICT sector and the innovation capacity is extensive. In two years, the number of ICT enterprises increased from 12388 to 14588 (2200 enterprises). At the same time the number of full time employees de-creased from 88433 to 86414 (2019), see the figure 16 (Statistics Denmark 2013).

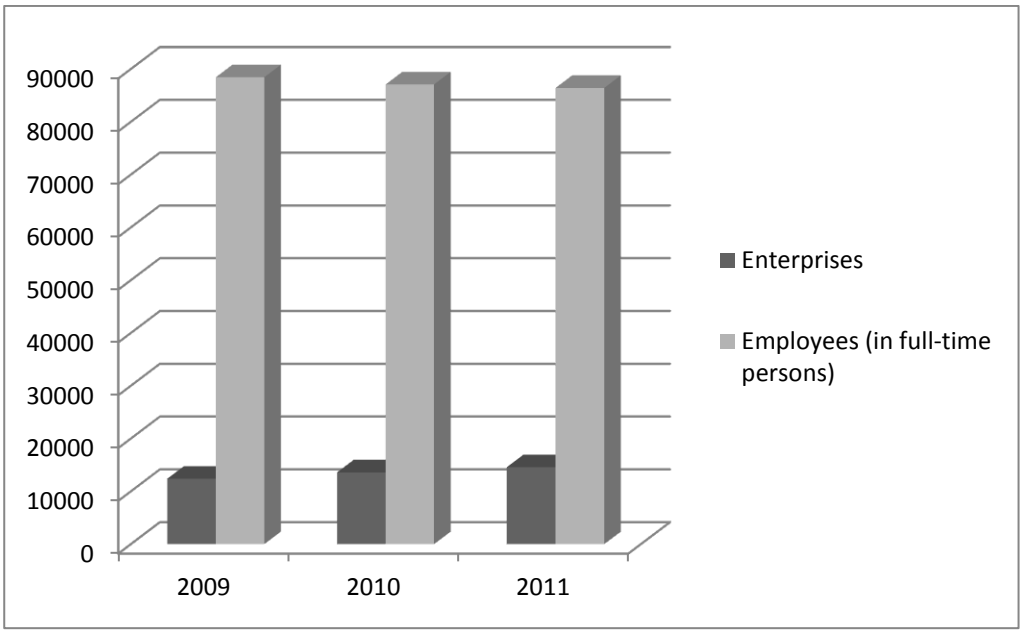

Figure 16 The number of ICT enterprises and full time employees (Statistics Denmark 2013)

According to Ministry of Foreign Affairs of Denmark (2014) Denmark has special knowledge in the following ICT areas: acoustics, wireless and mobile technologies, robotics, software development and integrations. The government of Denmark is strongly investing in these areas. Many international software companies have created research and development centers to the Denmark (for example Google, IBM, Microsoft, VMware) (Ministry of Foreign Affairs of Denmark 2014). The figure 17 describes the type of computer services provided and how large a part of the total turnover each service contributes with in 2012.

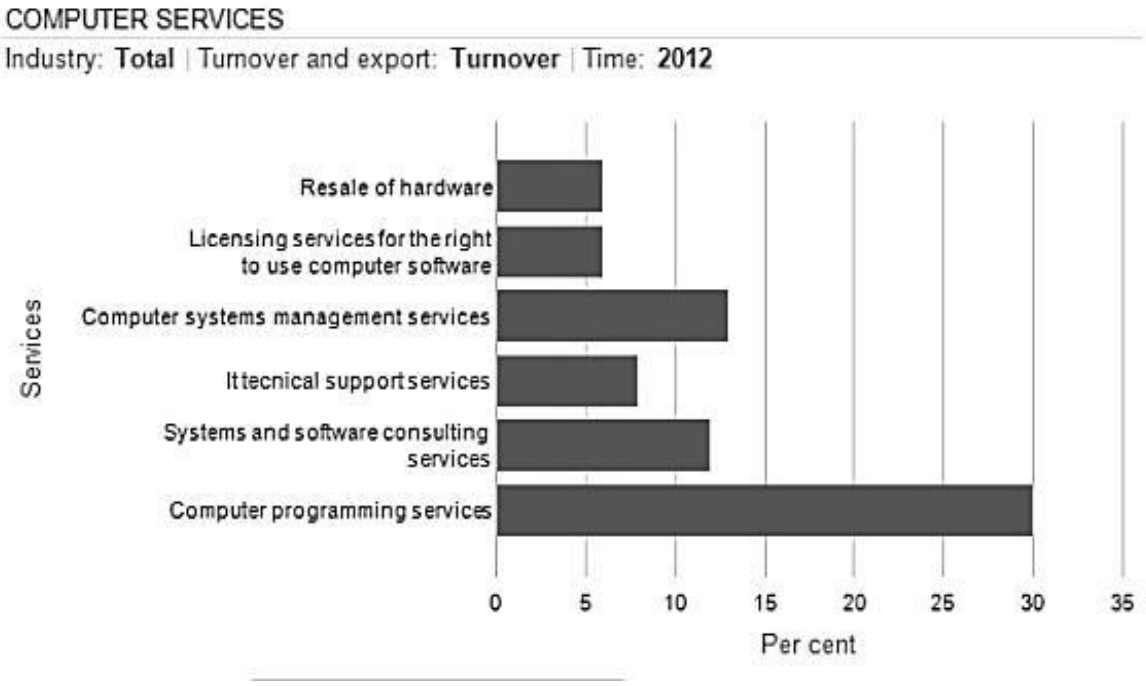

Figure 17 Computer services and turnover in 2012 (Statistics Denmark 2013)

Computer programming services has clearly the biggest turnover (30 percent). Then come computer systems management services (13 percent), systems and software consulting services (12 percent), IT technical support services (8 percent), resale of hardware (6 percent) and licensing services for the right to use computer software (6 percent). The table 6 describes computer service subsectors and how the turnover has developed in years 2009-2012.

Table 6 Turnover development in computer services subsectors 2009-2012 (Statistics Denmark 2013)

COMPUTER SERVICES
Turnover and export: **Turnover** | Industry: **Total** | Unit: **Per cent**

	2009	2010	2011	2012
Total	100	100	100	100
Computer programming services	21	24	24	30
Hardware consultancy services	3	3	2	3
Systems and software consulting services	11	11	16	12
It tecnical support services	8	6	6	8
Network management services	2	1	2	1
Computer systems management services	25	21	13	13
Other information technology and computer services	4	4	5	3
Data processing, hosting and related services	5	4	8	7
Web portals content	2	2	2	2
Publishing of computer games	1	0	1	1
Systems software, packaged	1	1	0	0
Application software, packaged	1	0	1	0
Software downloads	0	0	1	0
Online software and software downloads	0	1	1	1
Licensing services for the right to use computer software	5	6	6	6
Maintenance and repair of office and accounting machinery	0	0	0	0
Maintenance and repair of computing machinery	0	1	0	1
Resale of software	3	3	4	4
Resale of hardware	4	6	6	6
Other resale	1	0	1	2
Other additional products n.e.c.	1	4	2	2

In three years, the turnover of computer programming services has grown 9 percent. It is the only sub-sector that has been clearly grown in years 2009-2012. In the same period of time data processing, hosting and related services and resale of software have grown 2 percent. Systems and software consulting services, online software and software downloads, licensing services for the right to use computer software, maintenance and repair of computing machinery, other resale and other additional products have grown only 1 percent. At the same time computer systems management services has decreased 12 percent. Application software (packaged), systems software (packaged), other information technology and computer services and network management services have decreased 1 percent. The other sub-sectors have remained the same (Statistics Denmark 2013).

4.2.2 Analysis on Danish software market

According to modified Porter´s Five Force analysis, *buyer power* is based on the size of the buyer in relation to M-Files, and it can be high or low. Large listed companies are used to determine the terms of the contract as they wish. In addition, the power can be weak because of high switching costs. Solutions are not always standardized and the buyer cannot easily switch to another solution (solutions usually integrated to the other ICT-systems and company´s business processes have been modified in accordance with the software).

Market has *competitive rivalry*. Software industry is growing fast and the competition between existing companies is fierce. M-files have few large competitors, such as IBM and Microsoft, which have wide and versatile but not very agile and low cost solutions. Many large companies use Microsoft's or IBM's solutions, because their solutions are reliable and secure even though costs are high. In addition, the market has a number of small companies that produce ECM and DMS solutions. These companies are focused to serve small and medium-sized companies and their solutions are cheaper and more agile. Such solutions are offering for example Teamsoft (ECM, DMS), SimaNet (ECM), Mdoc (DMS), DanCMS (ECM) and BlueCielo (ECM).

M-Files strength lies in product differentiation. The company has created solutions, which stands out from many other competitors' products. M-Files products represent a new approach to data management, and it provides a good protection against competition. Generally speaking software industry customers are quite loyal if the seller has efficient products/services and support works well.

Even though M-Files have easy to use solutions and they use advanced technology, there are *threats of substitution*. Large competitors have plenty of resources and they can rapidly develop more agile, easy to use and innovative solutions. New technology can replace old technologies and smaller competitors can develop better solutions and grow really fast.

Software market has *threat of new entry*. Internet and mobile networks facilitates software marketing and distribution significantly. Technology changes rapidly in the software business and new technologies and innovations occurs, this could also help new entry´s. On the other hand, it takes a long time to develop good and reliable software and services. Development requires diverse professionals and experience, not only programmers and other ICT-professionals.

The Danish software market consists of big global software companies such as Microsoft, IBM and Oracle. In addition, it has many small, innovative niche-oriented companies. Large international companies have a wide range of different software solutions, while smaller companies usually develop solutions for business systems and applications for mobile and telecommunications. Denmark has globally recognized research in

software development. Software companies are succeeded especially in security and encryption solutions, acoustics, embedded solutions and business software (Ministry of Foreign Affairs of Denmark 2014).

According to interviewees Danish software market is centralized. Largest software clusters are in the largest cities; Copenhagen, Aarhus, Odense and Aalborg. The figure 19 describes where the largest clusters are located.

Figure 18 Denmark´s software clusters (modified from denmark.dk)

Even though the Danish software sector is considered to be advanced, Danish software development has always been a little bit behind compared to, for example the development in other countries in Scandinavia. This opens up opportunities to innovative foreign companies.

> *"I think that in generally Danish software sector development has always been a little bit behind compared to, for example, Finnish and Swedish….And I believe that is one reason why market offers opportunities to foreign companies."(Peter Andersen, Manager, EG)*

On the other hand, software market is international and competition is fierce. Penetration to the Danish market is not necessary easy. Karl Lausten explains that solutions have to provide real benefits and competitive advantage to the customers. It is also very helpful if solutions have been proved to be good in another country. According to Peter

Andersen and the Ministry of Foreign Affairs of Denmark (2014) Danish ICT and software market is one of the best test markets in the world. Danish ICT infrastructure is highly developed and the penetration for personal computers, smartphones and other terminal devices is very high.

Large Danish companies are looking for advanced solutions and products that will enhance their business processes. According to Steen Madsen and Kenneth Elkjaer, this is not always the case in small companies. Small companies can be quite cautious to acquire new solutions. Even though Danish companies are interested in new solutions and they are willing to try applications, they are not always willing to buy one. Peter Andersen states that when selling software to small companies, the hardest part is to convince that they really need the solution. All interviewees think that mobile and wireless applications sub-sector is growing fast.

> *"Wireless applications and mobile services are clearly a growing sub-sector here. Customers require that they can use applications and services with different terminal devices, including mobile devices such as smartphones and tablets. Danish mobile and wireless networks are advanced, which facilitates the use of different mobile and wireless devices"(Karl Lausten, CEO, Bright Ideas)*

Companies are very interested in mobile and wireless applications. Danish advanced ICT infrastructure facilitates the use of mobile and wireless devices. Lower costs, higher efficiency and more transparent business models affect also favorably to the development of this sub-sector. Advanced mobile solutions allow access to the company's systems regardless of physical location. For example in ERP systems work orders can be received where employees are and information can be processed where the recipients are. This makes company's processes more efficient, reduces costs and management. Interviewees argue that Danish outsourcing market will continue growing in the future.

> *"I believe that outsourcing continues growing since companies are constantly trying to achieve cost savings and improve their performance. And in many cases, outsourcing brings cost savings for companies. Companies can better focus on their core competences."(Peter Andersen, Manager, EG)*

Denmark software engineer's wages are amongst the highest in Europe and that is affecting to the competitiveness of Danish software companies. Globalization is forcing firms to incessantly enhance their competitive edge. Usually outsourcing decreases internal costs and enables firm to concentrate on its core competencies. Security sector is a very fast growing sub-sector in Denmark. Sales manager Kenneth Elkjaer explains

that protecting business information is critical to company's success, he described the situation as follows:

> *"Companies are very interested in security solutions. Nowadays almost everything in connected to the internet and different types of security threats have increased. Customers are using several terminal devices, tablets and smartphones….It is extremely important that customers can use systems and devices in a secure way."(Kenneth Elkjaer, Sales Manager, KMD)*

Technology development, globalization, new threats and changes in working conditions pose new challenges for companies. Increased level of virtualization makes physical and virtual systems integrated protection increasingly important. Various mobile terminal devices will bring a number of risks to the companies. In the Danish software market cloud computing solutions are growing. Cloud computing means that computing resources are provided as a service over a network. The CEO of Tasklet Factory argues:

> *"It seems that cloud computing solutions continue growing. In the Danish software market companies are especially interested in Software as a Service solutions."(Peter List, CEO, Tasklet Factory)*

The basic cloud service models are Software as a Service (Saas), Platform as a Service Paas and Infrastructure as a Service (Iaas) (Cloud Computing Association 2014). In Saas applications are deployed over a network, typically the internet and they are accessible via program interface or a browser (for example Google apps, Facebook and Twitter). PaaS is a platform where users can build applications using different tools and services supported by the provider (for example Google App Engine and Windows Azure). IaaS means processing and storage capacity, networking and different resources where the user manages operating systems and applications (for example ServePath and Amazon Web Services) (Cloud Computing Association 2014).

Danish companies are increasingly interested in how they can improve their business by using different business and social media solutions. The CEO of Solutions Management states:

> *"Nowadays companies are very interested in social business and e-business solutions. There is also a growing demand for advanced Customer Relationship Management solutions and Business Intelligence solutions" (Steen Madsen, CEO, Solutions Management)*

4.2.3 Distribution channels in the Danish software market

In Denmark distribution channel varies depending on the product or service. For many, a natural distribution channel is a local partner or internet. In the public sector (municipalities and state-owned companies) solutions are purchased through a public procurement process. The process can be complex and take time (Ministry of Foreign Affairs of Denmark 2014). This may surprise solution providers. It is therefore recommended that public procurement should be done in cooperation with a local partner (Ministry of Foreign Affairs of Denmark 2014). In the private sector the buying process is more straight forwarded. The manager of EG explains:

> *"Large companies buy software directly from big software vendors or they use consulting companies, smaller companies usually use local partners. Danish customers are usually aware of the opportunities and threats in the ICT world. They require high quality and safe products.*"*(Peter Andersen, Manager, EG)*

. Usually companies buy software direct from large software vendors or local partners. In the Danish market customers often rely on professional consulting companies. These companies can strongly influence on the selection of the supplier and products. Customers are not interested in a certain product, but in a solution for their business problems. They are interested in how they can improve their business processes more efficiently.

According to interviewees Danish companies want to buy software from reliable suppliers. Reliable supplier means that supplier has been in the ICT sector for some time and is perceived to be reliable. Because of the nature and complexity of software, the suitable solution is not usually achieved by a one software product. Many times software solution requires substantial customizing, integration and implementation operations (Kittalaus & Clough 2009, 26). Today, information and communication systems and solutions are connected to each other. It requires careful planning and professional deploying to ensure that systems communicate in efficient and secure way.

Interviewees think that it is quite difficult to penetrate the Danish software market. Market is quite small compared to other markets in Europe. It has many competitive companies and new ones are entering market constantly. The CEO of Tasklet Factory argue:

> *We have a rather small software market compared to other countries in Europe, and it can be quite difficult to penetrate the Danish software mar-*

> *ket. But in the other hand, if the product is good and the prize is right, market offers opportunities."(Peter List, CEO, Tasklet Factory)*

Denmark has a rather long history in the software development and it has a wide range of educated and skilled labor. That is why market has so many Danish software companies. On the other hand, Danish are willing to test new technologies and solutions if they can see that solution can bring real benefits and competitive advantage. The challenge is to get Danish companies also buy the solution.

Two of the Danish interviewees are M-Files resellers and thus familiar with M-Files solutions. The other three did not know the company or its products. Existing resellers in Denmark believe strongly in M-Files solutions. Steen Madsen (reseller) states:

> *I think that M-Files has good solutions. Their technology is advanced and innovative. I believe that their products have market potential in Denmark."(Steen Madsen, CEO, Solutions Management)*

Albeit Danish market is highly competitive, it seems like it has potential customers for the case company M-Files. The company uses effective technology which distinguishes them from the other competitors in the field.

4.3 Company level - SWOT analysis on M-Files

The case company M-Files *strength* lies in product differentiation. Products are based on advanced technology, which provides a good protection against competition. Solutions are agile and high quality and products are developed continuously. In addition, mobile access to applications increases significantly the usability of the products. Product prizes are reasonable compared to competitors and the personnel is educated and competent. The company's management is committed and they have a clear vision and goals. M-Files have developed an advanced Quality Management System (QMS). M-Files QMS enables to enhance company's quality management in an efficient way.

M-Files have *opportunities*. The amount of data is growing constantly and efficient document management in organizations is more and more important. The software market is growing rapidly and the company has a good opportunity to grow fast internationally. Internet and mobile networks facilitates software marketing and distribution significantly, which makes easier to reach new customers and market areas.

The company has some *weaknesses*. M-Files brand recognition is fairly limited outside of Finland and the company has a small amount of large company references. Weaknesses include product portfolio wideness in relation to the size of the company.

M-Files face also *threats*. The company has large number of competitors and competition is fierce. Because the nature of the industry, it is relatively easy to enter to market. Internet and mobile networks facilitates software marketing and distribution, which can help new entrants. The industry is changing fast and new technologies and innovations can replace old technologies rapidly.

4.4 Synthesis of findings

This chapter presents synthesis of findings. Figure 20 illustrates synthesis in the market level and in the industry level competition).

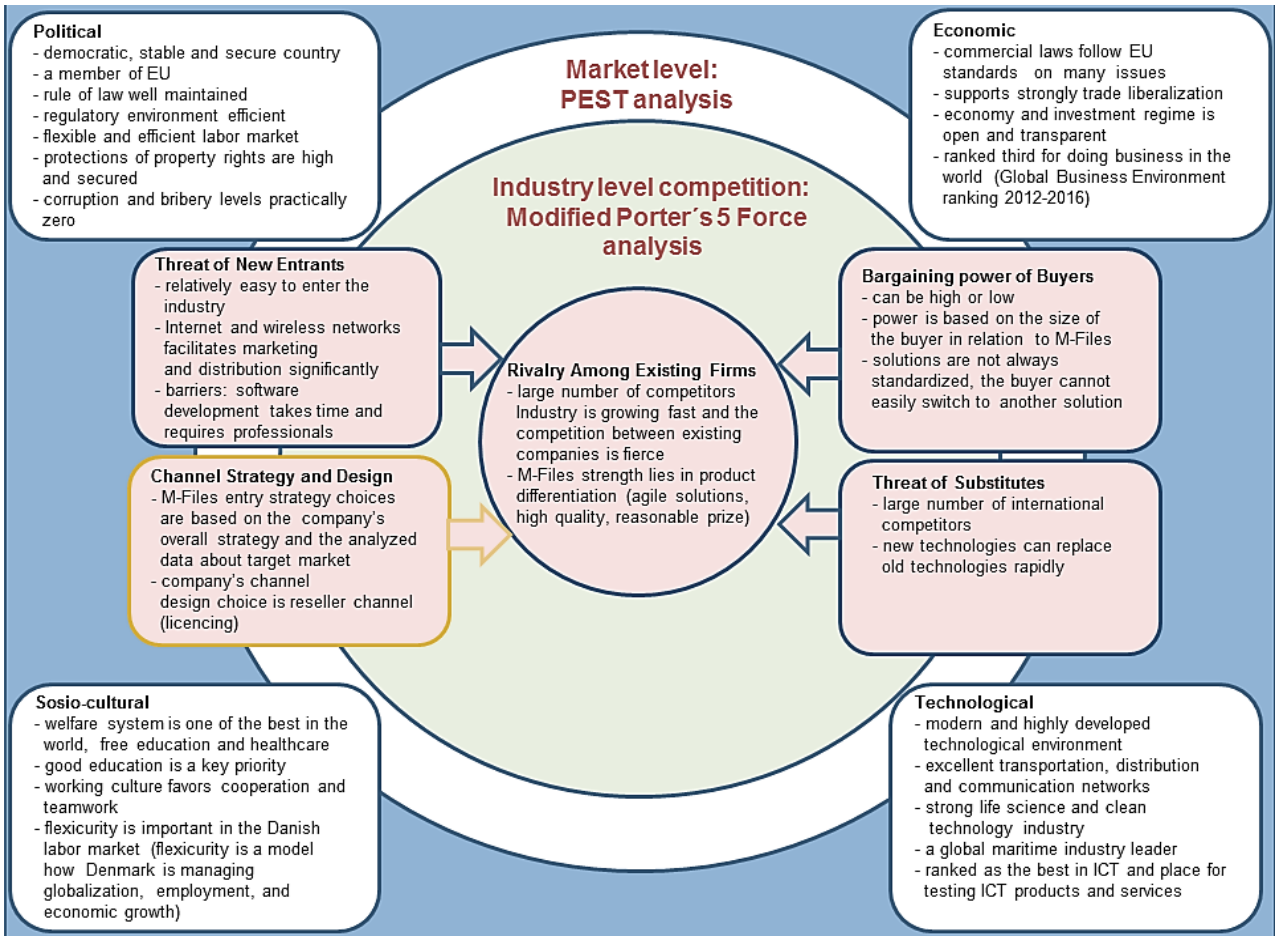

Figure 19 Synthesis of findings in the market level and the industry level competition

Denmark's *political* environment is stable. It is a member of the European Union and its regulations and laws follow EU standards on many issues. Denmark has efficient anti-corruption measures which uphold government integrity. Property rights are respected and implementation is coherent with international grades. Denmark's *economy*

and investment regime is open, transparent and well administered. Monetary conditions are on a solid ground and its trade policy supports dynamic growth. In the Global Business Environment ranking 2012-2016, Denmark is ranked third for doing business in the world.

Denmark's *sosio-cultural* environment is advanced. Denmark is known as a country, where the welfare system is one of the best in the world. It has free education and free healthcare. Good education is a key priority in Denmark. The education system emphasizes lifelong learning, active participation and high academic standards. Danes have high standard of living and working culture favors cooperation, teamwork and open dialog between people. Denmark's *technological* environment is modern and highly developed. It has excellent transportation, distribution and communication networks. The most important industries in Denmark are maritime, life science, clean tech and information and communication technology.

The *competition in the industry level* is hard. Software industry is growing fast and the competition between existing companies is fierce. Because the nature of the software business, it is relatively easy to enter the industry. Danish market has a number of competitors and new ones are entering to the market constantly. Internet and mobile networks facilitates software marketing and distribution significantly. People and businesses are connected and it is relatively easy to reach new customers and areas.

M-Files strength lies in product differentiation and continuous product development. The company has created solutions, which stands out from many other competitors' products. Even though M-Files have easy to use solutions and they use advanced technology, there are threats of substitution. Large competitors have plenty of resources and they can rapidly develop more agile, easy to use and innovative solutions. New technology can replace old technologies and smaller competitors can develop better solutions and grow really fast. M-Files choice to use a reseller channel in the business expansion to the Danish market is based on the company's overall strategy. On the base of the study findings, this strategy is well justified in this pace of the company's business expansion. However, the market situation is changing constantly and the company is growing and internationalizing fast. Therefore, the channel strategy and design in the Danish market can change rapidly, if the company's management finds good justification for changes.

Figure 21 illustrates synthesis of findings in the company level (SWOT analysis on M-Files)

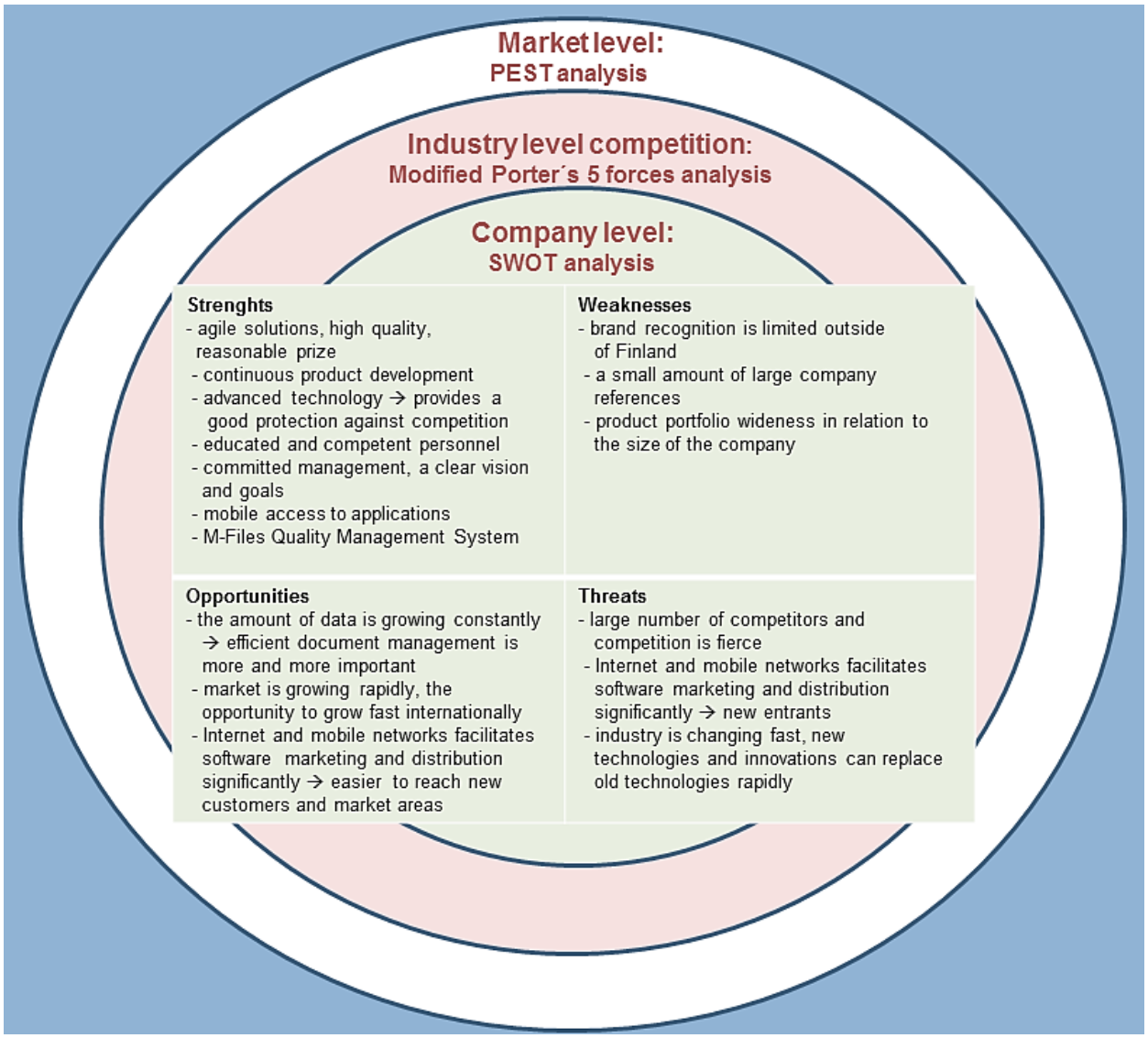

Figure 20 Synthesis of findings in the company level

M-Files solutions are based on advanced technology, which provides a good protection against competition. Solutions are advanced, easy to use, agile and high quality. Solutions are also developed continuously for different needs. The company's personnel and the management are educated, motivated and committed. However, the industry is changing fast and new technologies and innovations can replace old technologies rapidly.

M-Files brand recognition is fairly limited outside of Finland and the company has only a small amount of large company references. Weaknesses include also product portfolio wideness in relation to the size of the company. The company has a lot of opportunities to grow since the amount of data is growing constantly and efficient docu-

ment management in organizations is more and more important. In addition, today software market is international and it is growing rapidly.

5 CONCLUSIONS

Based on the market level analysis, Denmark is stable and secure country. The rule of law is well maintained and regulatory environment is one of the best in the world. It has flexible and efficient labor market and monetary conditions are on a solid ground. In the Global Business Environment ranking 2012-2016, Denmark is ranked third for doing business in the world. Denmark has highly educated and skilled labor, and workers are considered reliable, honest and motivated. The working culture favors cooperation, teamwork and open dialog between people. The overall technological environment is modern and highly developed.

Several international organizations have ranked Denmark´s information and communication technology as the best in the world. Many people think that it is the best place for testing ICT products and services. Denmark's ICT market is small compared to, for example Sweden. Small market size is one of the reasons, why market is easy to manage and measure. Denmark has advanced research and development premises. The government is strongly invested in the ICT education and the public sector has adopted new technologies. Danish consumers are willing to take part in technology development and they adapt rapidly new technologies. All in all, the Danish ICT environment supports strongly information and communication technology deployment, and hence many foreign ICT companies are interested in to do business there.

Base on the industry level analysis, Danish software market consists of large international software companies such as IBM and Oracle. In addition, it has many small, innovative niche-oriented companies. Large international companies have a wide range of software solutions, while smaller companies usually develop solutions for business systems and applications for mobile and telecommunications. Even though software market is international and competition is fierce, Danish software market offers good opportunities to innovative foreign companies. Large Danish companies are looking for solutions that will improve business processes, although small companies can be quite cautious to acquire new solutions.

Danish software market is centralized in the largest cities. At the moment Danish companies are especially interested in Enterprise Resource Planning (ERP) systems, advanced Customer Relationship Management (CRM) solutions and Business Intelligence (BI) solutions. Based on the analysis, following growing trends are clearly seen in the Danish software market; mobile and wireless applications, outsourcing, security solutions, cloud computing, social business solutions and e-business solutions.

In Denmark distribution channels varies depending on the product or service. For many, a natural distribution channel is a local partner or internet. In the public sector solutions are purchased through a public procurement process. In the private sector the buying process is more straight forwarded. Danish companies are buying software from

reliable suppliers. Usually they buy software direct from big software vendors or local partners. Because of the nature and complexity of software, the suitable solution is not usually achieved by a one software product. Many times software solution requires substantial customizing, integration and implementation operations. Solutions and systems are connected to each other and they have to communicate in efficient and secure way.

In the Danish market, customers frequently use professional consulting companies. These consulting companies can strongly influence on the selection of the supplier and products. In Denmark, customers are not interested in a certain product, but in a solution for their business problems.

Danish ECM and DMS market is dominated by large international companies. Their solutions are extensive and rather expensive. In addition, the market has a number of small companies that produce ECM and DMS solutions. These companies are focused to serve small and medium-sized enterprises and solutions are cheaper and agile. Such solutions are offering for example SimaNet (ECM), Mdoc (DMS) and Teamsoft (ECM, DMS).

The competition is fierce in ECM and DMS solutions and it can be quite difficult to penetrate the Danish ECM and DMS market. Market is quite small compared to other markets in Europe. It has many competitive companies and new ones are entering market constantly. Denmark has a long history in the software development and it has a wide range of educated and skilled labor. On the other hand, Danish are willing to test new technologies and solutions if they can see that solution can bring real benefits and competitive advantage, this opens up opportunities for foreign companies.

Based on the company level analysis, M-Files strength lies in product differentiation and continuous product development. The company has created solutions, which stands out from many other competitors' products. Although the company has advanced solutions, there are threats of substitution. M-Files have a significant amount of competitors. Large international competitors have plenty of resources and they can rapidly develop more agile, easy to use and innovative solutions. New technology can replace old technologies and smaller competitors can develop better solutions and grow really fast.

Danish market has threat of new entry. Internet and mobile networks facilitates software marketing and distribution significantly. People and businesses are connected and it is easier to reach new customers and areas. Technology changes rapidly and new technologies innovations occurs, this could also help new entry´s. On the other hand, it takes a long time to develop good and reliable software and services. Development requires diverse professionals and experience.

Albeit Danish market is highly competitive, market has potential customers for M-Files. M-Files products have characteristics' that provides competitive advantage in the market. The company has a strong market position in Finland and it has successfully

expanded software business through distribution channel to many countries. Therefore, it has a good opportunity to expand business successfully also to the Danish market.

5.1 Theoretical implications

The research used three analyzing frameworks, PEST analysis, Porter´s Five Force analysis and SWOT analysis. PEST analysis offered a clear big picture of the target country. Porter´s Five Force analysis offered a framework, which operates in the industry level by looking at the strength of five major forces that influence competition. It provided valuable information on competition forces in the market. However, it should be remembered that today ICT and software market are highly influenced by technological changes, and Porter's model cannot analyze rapid and dynamic changes very well (for example technological breakthroughs, dynamic market entrants from start-ups, new business models). Distribution channels theory was the base to understand why and what kind of distribution channels the case company use and what kind of channels target market companies' (customers) use. It also helped to understand why market entry modes and channel design are important when expanding business to foreign country. The channel strategy and design were integrated to the industry level competition analysis. SWOT analysis offered a simple way to group the factors affecting the company's operations illustrative four-field form.

The scientific contribution of the study is crystallized in the mix of three analyzing frameworks and distribution channel strategy and design in the business to business environment. Frameworks described factors in different levels; the market level, the industry competition level and the company level. Together they offered a complete picture of the environment, where the company is going to operate.

In this research, it was important to explore external and internal factors that influence to the case company's business expansion choices in the target market. An important theoretical contribution of the study is the channel strategy and design integration to the industry level competition framework. The integration refined and clarified industry level competition analysis and helped in the interpretation of the findings. In addition, it enhanced the understanding of the big picture in the industry level.

Another contribution of the study is that used analyzing models' should be used together, since alone they offer incomplete information about the target market and the company's opportunities to succeed there. Any model alone is not comprehensive, and models and different elements should be combined with case by case basis. In this research the credibility of the used frameworks is based on the fact that they are well-known, extensive used and accepted frameworks. In addition, semi-structured inter-

views were able to reveal new data and confirm existing information about the target market.

Of course, the scientific contribution would be a more comprehensive, if more frameworks would have been used and if the research would have been for example a multiple case study including several software companies. However, this study was commissioned by a one Finnish software company, and that is why used research method was a single case study.

5.2 Managerial implications

First, Denmark has a very ICT business friendly environment. It has excellent distribution and communication networks. Several organizations have ranked Denmark´s information and communication technology as the best in the world and many people think that it is the best place for testing ICT products and services. Danish consumers are willing to take part in technology development and they adapt rapidly new technologies. Danish business environment, advanced infrastructure and companies interest in ICT solutions makes the overall environment very attractive for software and other ICT companies.

Second, Denmark's ICT and software market is relatively small compared to many other countries in Europe. And since the market is small, it is easy to manage and measure. This can be on important fact when a software company is considering business expansion to the Danish market. In Denmark, companies are not interested in a certain product, but in a solution for their business problems. Companies are interested in how they can improve their business processes more efficiently.

Third, Danish software market is centralized. Largest software clusters are in the largest cities; Copenhagen, Aarhus, Odense and Aalborg. From these clusters, a software companies can most likely find suitable resellers. At the moment Danish companies are especially interested in Enterprise Resource Planning (ERP) systems, advanced Customer Relationship Management (CRM) solutions and Business Intelligence (BI) solutions. The following growing trends are clearly seen in the software market: mobile and wireless applications, outsourcing, security solutions, cloud computing, social business solutions and e-business solutions. When expanding software business to the Danish market, it is important to take into account these trends.

Fourth, in Denmark distribution channels varies depending on the product or service. For many, a natural distribution channel is a local partner or internet. In the public sector solutions are purchased through a public procurement process. In the private sector the buying process is more straight forwarded. Danish companies are buying software from reliable suppliers. This means that they usually buy software direct from big soft-

ware vendors or local partners. In Denmark some customers prefer to use professional consulting companies. These consulting companies can strongly influence on the selection of the supplier and products, and in this light, consulting companies can be important partners for software companies.

Fifth, even though the competition is fierce in ECM and DMS solutions, Danish market offers opportunities for foreign companies. Danish companies are willing to test new technologies and purchase solutions, if they can see that solution can bring real benefits and competitive advantage. Penetration to the Danish market through distribution channel requires advanced solutions and objective selection criteria for channel partners.

5.3 Recommendations for the case company

Denmark is an interesting target country for the case company M-Files for several reasons. Danish companies adapt fast new technologies, the ICT infrastructure is best in the world and overall business environment is very ICT business friendly. Denmark's software market is quite small and thus it is easy manage and measure. It has been said that Denmark is the best place to test ICT products and services, and in this light, market provides also a very good test place for M-Files solutions (for example new solutions and improvements on existing applications).

Danish software market is centralized in the largest cities; Copenhagen, Aarhus, Odense and Aalborg. M-Files should focus on these areas when they are searching potential resellers. Danish companies expect that solutions can be also used wirelessly and with different terminal devices. M-Files have taken mobility into account on their solutions and that fact should be emphasis on the Danish market. In addition, Danish companies are very interested in cloud solutions beside local installed solutions. A number of companies are going to switch to use cloud based solutions because they provide cost-effectiveness. M-files have cloud solution products and that is a clear advantage in the Danish market.

In Denmark distribution channels varies depending on the product or service. Danish companies are buying software from reliable suppliers. This means that they usually buy software direct from big software vendors or local partners. In addition, some of the companies prefer to use professional consulting companies. These consulting companies can strongly influence on the selection of the supplier and products, and in this light, consulting companies can be important partners for M-Files.

M-Files choice to use reliable local resellers at this stage of business expansion is well justified. However, the company should pay attention to the selection criteria for their channel partners. One of the most important decisions for the software firm is to

identify the ideal qualifications of potential partners. The importance of a good and objective criteria list can never be over-emphasized. And when the criteria list is done, it should be used coherently.

Danish customers are open minded and interested in new technology. All interviewee´s were interested in M-Files solutions and they believed that the company has potential customers in the Danish software market. M-Files solutions are based on advanced technology, which provides a good protection against competition. However, the industry is changing fast and new technologies and innovations can replace old technologies rapidly. The competition in the international software market is fierce. Continuous product development, competent personnel and active marketing are more and more important to M-Files.

5.4 Topics for further research

The research provides a large amount of material for further research. Business expansion and distribution channels in the software business are wide frameworks, and this research investigated only a small part of them. This research focused to explore how a software company can expand business to the Danish market through distribution (reseller) channel. The perspective of the research was deliberately narrow, and it did not explore what other distribution channel alternatives a software company may use, or perhaps should use in the Danish software market.

One interesting further research area would be to investigate new technology distribution channels such as internet and mobile networks compared to traditional distribution channels in business expansions. How new technology and traditional channels can be combined, and thus to obtain more efficiency and better results. Which channels are the most effective for each product category and how for example the target country´s culture effect to the selection of the distribution channel.

Another challenging topic would be to investigate online channels. Online channel technology and applications are developing rapidly and the use of online channels will certainly grow in the future. It would be interesting to investigate what kind of different online channels are now available and can for example, internet or a single online solution be a sufficient distribution channel alone. The topic is new and there are only few existing studies on the subject.

A very interesting research topic would be what kind of distribution channels knowledge intensive companies, for example Finnish ICT SME´s are using in different stages of internationalization. How various characteristics of ICT products influence in selection of the channel and the pace of internationalization.

In addition, it would be interesting is to investigate Asian or African market. These markets are growing fast and that opens up interesting opportunities to many companies. It would be challenging to explore what factors are affecting to the choice of distribution channels in Asian and African market, and what should be emphasis on these markets.

6 SUMMARY

The purpose of this study was to find out how a software company can successfully expand business to the Danish software market through reseller channel. The study was commissioned by a Finnish software company and it was conducted using a qualitative research method by analyzing external and internal business environment, and interviewing Danish ICT organizations and M-Files personnel. Interviews were semi-structured interviews, which were designed to collect comprehensive information on the existing ICT and software market in Denmark. The research problem was explored using four sub problems:

- *What are the characteristics of the Danish ICT and software market?*
- *How and where do customers buy software in Denmark?*
- *How is the existing competition in Denmark?*
- *Are the Danish ICT companies interested in to be M-Files resellers?*

The research used three external and internal analyzing frameworks; PEST analysis, Porter´s Five Force analysis and SWOT analysis. PEST analysis offered a clear big picture of the target country market level environment. Porter´s Five Force analysis offered a framework, which operates by looking at the strength of five major forces that influence competition in the industry level. Distribution channels theory was a base to understand why and what kind of distribution channels the case company uses, and what kind of channels target markets companies' uses. It also helped to understand why market entry modes and channel design is important when expanding business to foreign country. Channel strategy and design were integrated to the industry level analysis. The integration refined and clarified industry level analysis and helped in the interpretation of the findings and to understand the big picture in the industry level.

The empirical findings revealed that Denmark has very business friendly ICT environment. Several organizations have ranked Denmark´s information and communication technology as the best in the world and many people think that it is the best place for testing ICT products and services. Denmark's ICT and software market are relatively small, compared to many other countries in Europe. And since the market is small, it is easy to manage and measure. Danish software market is centralized. Largest software clusters are in the largest cities; Copenhagen, Aarhus, Odense and Aalborg. From these clusters, software companies can most likely find suitable resellers. At the moment Danish companies are especially interested in Enterprise Resource Planning (ERP) systems, advanced Customer Relationship Management (CRM) solutions and Business Intelligence (BI) solutions. The following growing trends are clearly seen in the software market: mobile and wireless applications, outsourcing, security solutions, cloud computing, social business solutions and e-business solutions. When expanding soft-

ware business to the Danish market, it is important to take into account these trends. For example, when a software company is considering selling solutions in the Danish market, a cloud solution can be a better choice than a local installed solution. Another example is that solutions should support mobile devices. Danish companies expect that solutions can be used also wireless and with different terminal devices.

In Denmark distribution channels varies depending on the product or service. For many, a natural distribution channel is a local partner or internet. In the public sector (eg, municipalities and state-owned companies) solutions are purchased through a public procurement process. In the private sector the buying process is more straight forwarded. Danish companies are buying software from reliable suppliers. This means that they usually buy software direct from big software vendors or local partners. Some customers prefer to use professional consulting companies. These consulting companies can strongly influence on the selection of the supplier and products, and in this light, consulting companies can be important partners for software companies.

Even though the competition is fierce in ECM and DMS solutions, Danish market offers opportunities for foreign companies. Danish consumers are willing to take part in technology development and they adapt rapidly new technologies. Danish companies are willing to test new technologies and purchase solutions, if they can see that solution can bring real benefits and competitive advantage. Penetration to the Danish market through reseller channel requires advanced solutions and objective selection criteria for channel partners. One of the most important decisions for the firm is to identify the ideal qualifications of potential partners. And when the criteria list is done, it should be used coherently. Based on the findings, Danish companies are interested in advanced and efficient software solutions. Interest towards M-Files solutions was clearly seen and the company has excellent opportunity to expand business to the Danish market through reseller channel.

Since the research explored the Danish ICT and software market, the results of the study may offer valuable information also to the other software companies which are expanding their business to the Danish market.

REFERENCES

Aalto University. 2013. Finnish Software Industry Survey 2013 <http://softwareindustrysurvey.org/SlidesFinland2013.pdf>retrieved 15.11.2013

Asundi, R.K. (2001) *Globalization and Its Managerial Implications.* Globalization and Its Effects on Strategies for Small and Medium-Sized Businesses. Greenwood Publishing Group Inc., Westport.

Cavusgil, S.T- – Knight, G. – Riesenberger, J.R. (2012) *International Business.* The New Realities. Second edition. Pearson Education Inc., New Jersey.

Cavusgil, S.T. – Mitri, M. – Yeoh, P. L. (1995) Selecting Foreign Distributors: An Ex pert Systems Approach. *Industrial Marketing Management*, Volume 24, 297-305.

Cloud Computing Association. 2014. Cloud computing <http://cloudcomputingassn.org/wordpress/> retrieved 02.02.2014

Coviello, N. – Munro, H. (1997) Network relationships and the internationalisation process of the small software firm. *International Business Review,* Vol. 6 (4), 361–86.

Creswell J.W. (2009) *Research Design. Qualitative, Quantitative, and Mixed Methods Approaches.* Sage Publications Inc., England.

Czinkota, M. R. – Ronkainen, I. A. (2004) *International marketing.* 7th edition. South-Western, Cincinnati, Ohio, United States of America.

Czinkota, M.R.– Ronkainen, I.A.– Zvobgo, G. (2011) *International Marketing.* South-Western Cengage Learning, United Kingdom.

Danish ICT and electronics federation. 2011. Position Paper - Danish ICT Industry Innovation for Society. Senior Advisor Henrik Valentin Jensen. <http://publikationer.di.dk/di/31/> retrieved 3.1.2014

Denmark.dk. 2013. The official website of Denmark. Society. < http://denmark.dk/en/society/> retrieved 30.12.2013.

Denscombe, M. (2010) *The Good Research Guide. For small-scale social research projects.* Fourth Edition, Open University Press, McGraw-Hill Education, England.

Dent, J. (2011) *Distribution Channels. Understanding & Managing Channels To Market.* 2nd edition. Kogan Page Limited, London.

Dhotre, M. (2011) *Channel Management And Retail Marketing.* Himalaya Publishing House, Mumbai.

Eriksson, P – Kovalainen, A. (2008) *Qualitative Methods in Business Research*. Sage Publications Ltd, London.

Eskola, J. – Suoranta, J. (1998) *Johdatus laadulliseen tutkimukseen.* Gummerus Kirjapaino Oy, Jyväskylä.

Finpro. 2014. Denmark country profile <http://www.finpro.fi/web/10304/130> retrieved 31.12.2013.

Gabrielsson, M. – Kirpalani, M. – Luostarinen, R. (2002) Multiple channel strategies in the European personal computer industry. *Journal of International Marketing*, Vol. 10 (3), 73–95.

Ghauri, P. – Cateora, P. (2006) *International Marketing.* Second Edition. McGraw Hill, London.

Ghauri P. – Gronhaug, K. (2002) *Research Methods In Business Studies.* A Practical Guide. Second edition. Pearson Education Limited, England.

Ghauri, P. – Gronhaug, K. (2005) *Research Methods In Business Studies.* A Practical Guide. Third edition. Pearson Education Limited, England.
.

Glenn, J. C. (2010) *Handbook of Research Methods*. Oxford Book Company, New Delhi, India.

Gorchels, L. – West, C. – Marien, E. J. (2004) *The Manager's Guide to Distribution Channels.* The McGraw-Hill, New York, United States of America.

Gruner, S. – Schafer, S. (1996) Finding Overseas Agent. *Journal of Marketing,* May 1996, Volume 18, Issue 6, 108.

Hirsjärvi, S. – Hurme, H. (2008) *Tutkimushaastattelu. Teemahaastattelun teoria ja käytäntö*. Yliopistopaino, Helsinki.

Hirsijärvi, S. – Remes, P. – Sajavaara, P. (1997) *Tutki ja kirjoita.* Gummerus Kirjapaino Oy, Jyväskylä.

Hirsjärvi, S. – Remes, P. – Sajavaara, P. (2009) *Tutki ja kirjoita*. Kariston kirjapaino, Hämeenlinna

Hlavacek, J.D. – McCuistion, T.J. (1983) Industrial Distributors-When, Who, and How?. *Harvard Business Review*, March-April, 96-101.

Jones, M.V. (1999) The internationalization of small high-technology firms, *Journal of International marketing*, Vol. 7, No. 4, pp.15-41.

Jones, M., –Wheeler, C. – Young, S. (1992) European Marketing and Distribution in the 1990s: The Case of the Machine Tool Industry in the UK. *European Journal of Marketing*, Volume 26, 17-33.

Kim, Y. (1998) A Study on Marketing Channel Satisfaction in International Markets. *Logistics Information Management*, Volume 11, 224-231.

Kirk, J. – Miller, M.L. (1986) *Reliability and Validity in Qualitative Research*. Sage, London.

Kittlaus, H.B. – Clough, P. N. (2009). *Software Product Management and Pricing. Key Success Factors for Software Organizations*. Springer, Berlin Heidelberg.

Knight, G. – Cavusgil, S.T. (2004) Innovation, organizational capabilities, and the born global firm. *Journal of International Business Studies*, Vol. 35, No.2, 124-141.

Kotler, P. – Keller, K. (2009). *Marketing Management. 13th Edition*. Pearson Prentice Hall, New Jersey.

Koskinen, I. – Alasuutari, P. – Peltonen T. (2005) *Laadulliset menetelmät kauppatie-teissä.* Vastapaino, Tampere.

M-Files Oy. (2013). Strategy material. Company internal material.

M-Files Oy. (2013). Partner Program. Company internal material.

Macmillan, H. – Tampoe, M. (2000). *Strategic Management. Process, Content, and Implementation.* Oxford University Press Inc, Oxford.

Mallen, B. (1996) Selecting channels of distribution: A multi-stage process. *International Journal of Physical Distribution & Logistics Management,* Vol. 26 (5) 5–21.

Management Study Guide. 2013. SWOT analysis.< http://www.management-studyguide.com/swot-analysis.htm> retrieved 6.3.2014.

McNaughton, R. B. (2002) The use of multiple export channels by small knowledge-intensive firms. *International Marketing Review,* Vol. 19 (2), 190–203.

Messerschmitt, D.G. – Szyperski, C. (2003) *Software Ecosystem. Understanding an Indispensable Technology an Industry.* The MIT Press, Massachusetts.

Miles, M.B – Huberman, A.M. (1994) *An Expanded Sourcebook. Qualitative Data Analysis*.Sage Publications, Inc., California, USA.

Mind Tools. 2013. PEST Analysis < http://www.mindtools.com/pages/article/newTMC_09.htm> retrieved 23.10.2013.

Ministry of Foreign Affairs of Denmark. 2014. Invest in Denmark. <http://www.investindk.com/Why-Denmark/Compare-Denmark> retrieved 31.12.203.

Ministry of Foreign Affairs of Denmark. 2014. Invest in Denmark. <http://www.investindk.com/> retrieved 31.12.2013.

Ministry of Foreign Affairs of Denmark. 2014. Invest in Denmark. <http://www.investindk.com/Clusters/ICT.>retrieved 3.1.2014

Morden, T. (2007) *Principles of Strategic Management.* Third Edition. Ashgate Publishing Limited, England.

Mäkelä, M.M. – Mutanen, O. (2005) *Research in software business: Implications of the special qualities of software as a good.* 2005 IEEE International Engineering Management Conference.,780-783.

Porter, M. E. (1985) *Competetive Advantage. Creating and Sustaining Superior Performance.* The Free Press, USA.

Porter, M. E. (1998) *On Competition.* Harvard Business School Press, Boston, MA.

Rangan, V.K. – Bell, M. (2006) *Transforming Your Go-to-Market Strategy. The Three Disciplines of Channel Management.* Harvard Business School Publishing, Boston, Massachusetts, United States of America.

Robson, C. (2002) *Real World Research.* John Wiley & Sons Ltd, United Kingdom.

Rosenbloom, B. (2013) *Marketing Channels. A Management View.* 8th International Edition. South Western, Cengage Learning, Canada.

Salonen, P. I. 2011. Do you know how to work and build a software sales channel? Dr. Petri I. Salonen Blogpost. http://www.drsalonen.com/blog/?p=508, retrieved 22.10.2013.

Saunders, M. – Lewis, P. – Thornhill, A. (2009) *Research methods for business students.* 5th ed. Essex. Pearson Education Limited, England.

Statistics Denmark. 2014. Computer services. <http://www.dst.dk/en/Statistik/emner/serviceerhverv/it-servicevirksomhed-serviceydelser.aspx>retrieved 5.1.2014

Stern, L. W. (1992). *Marketing channels. 4th ed*. Prentice-Hall Inc., New Jersey.

Stern, W.S.–El-Ansary, A.I–Coughlan, A.T. (1996) *Marketing Channels.* 5th edition. Prentice Hall Inc., New Jersey.

Subba, R.P. (2010) *Introduction to International Business.* Himalaya Publishing House, India.

The Wall Street Journal and The Heritage Foundation.2013. 2013 Index of Economic Freedom <http://www.heritage.org/index/country/denmark> retrieved 30.12.2013.

Varto, J. (1992) *Laadullisen tutkimuksen metodologia.* Kirjayhtymä Oy, Helsinki.

Wild, J.J. – Wild, K.L .– Han, J.C.Y. (2006) *International Business. The Challenges Of Globalization.* 3th edition. Pearson Education Inc., New Jersey.

Yin, R.K. (2003) *Case Study Research. Design and Methods.* Third Edition. Sage Publications Inc., California, USA.

APPENDICES

6.1 Appendix 1 Operationalization table

The research question	The Research Sub-questions	Theory	Sources	Data collection methods
How to expand software business to the Danish market through the reseller channel?	What are the characteristics of the Danish ICT and software market?	PEST Analysis, SWOT analysis, Porter´s Five Forces Analysis	Macmillan & Tampoe 2000; Kotler & Keller 2009; Morden 2007; Porter 1985, 1998	documentation, statistics, qualitative research: semi-structured interviews
	How and where do customers buy software in Denmark?	Marketing/ distribution channels literature	Czinkota & Ronkainen 2004; Dent 2011; Dhotre 2011; Gorchels, West & Marien 2004; Kotler & Keller 2009; Rangan & Bell 2006; Rosenbloom 2013; Stern, El-Ansary & Coughlan 1996	qualitative research: semi-structured interviews
	How is the existing competition in Denmark?	Porter´s Five Forces Analysis	Porter 1985, 1998; Morden 2007; Macmillan & Tampoe 2000	documentation, qualitative research: semi-structured interviews
	Are the Danish ICT companies interested in to be M-Files resellers?	PEST Analysis, SWOT analysis, Porter´s Five Forces Analysis	Macmillan & Tampoe 2000; Kotler & Keller 2009; Morden 2007; Porter 1985, 1998	qualitative research: semi-structured interviews

6.2 Appendix 1 Theme Interview Framework

Matti Saari
Turku School of Economics/
International Business date

Theme Interview Framework

BACKGROUND INFORMATION

Name:	
Title:	
Company:	
City:	
Country:	

1. How long you have worked in the ICT sector?
- in the Danish ICT sector?

2. What kind of ICT solutions your company provides?
- hardware, software, consulting

INTERVIEW THEMES

THEME 1
THE CHARACTERISTICS OF THE DANISH ICT AND SOFTWARE MARKET

What are the characteristics of the Danish ICT and software market?

Prompt questions:

What kind of companies there are?

- small / large
- local / global
- hardware, software, consulting

How companies are located?

- capital region?
- large clusters?

What kind of software´s products or services companies purchase in the Danish software market?

- licence software, other
- local installed solutions/cloud services

What trends can be detected in the Danish software market?

- outsourcing, mobile/wireless solutions, big data, e-business, social media, business intelligence, etc.?

THEME 2

SOFTWARE PURCHASING BEHAVIOUR IN DENMARK

How and where do customers (companies) buy software in Denmark?

Distribution channels (traditional channels/online channels)?

- direct from the software companies
- big / small software vendors
- local companies/partners
- hardware/software distributors, resellers
- via consulting companies
- internet based distribution channels

THEME 3

EXISTING COMPETITION IN DENMARK

Existing software competition in the Danish market?

- what kind of companies; global, local
- existing Enterprise Content Management System/Document Management System competition?
- what kind of solutions companies are offering (licence, cloud solutions, tailored solutions, etc.)
- prize, agility, scope, innovative solutions?

Are you familiar with the software company M-Files and their solutions?

Solutions:

- Enterprise Content Management (ECM) system
- Document Management System (DMS)
- Quality Management System (QMS)
- Enterprise Asset Management (EAM)
- Human Resource (HR)
- Contract Lifecycle Management (CLM)

OTHER COMMENTS REALTED TO THE SUBJECT