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Internationalization process and its challenges of Finnish fast-food chains

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ABSTRACT

The aim of the study is to understand and analyse key factors for starting and maintaining the internationalization process of Finnish fast-food chains and to understand the possible challenges in the foreign market after starting the internationalization process. The thesis takes a close look into the internationalization process through the capabilities of a company.

The framework of the study covers the internationalization process from the dynamic capabilities' perspective. The business aspects of the internationalization process are market evaluation, operating model, financial and human capital, and business environment. The literature review introduces the business aspects through the dynamic capabilities and the possible challenges in the internationalization process and afterwards. The dynamic capabilities are described through sensing a change, seizing opportunities, and reconfiguring the change.

The methodology of the study is qualitative because the research aims to understand the internationalization process of different kinds of markets. The chosen method for the research is a multiple case study. The thematic interviews in semi-structured forms are made for leaders that had or are in the top management position in the Finnish foodservice sector.

The findings reveal common steps and challenges in the internationalization process. However, there are differences between the companies depending on the markets. Therefore, the research provides a practical framework to understand the internationalization process from different market perspectives. When a company wants to internationalize, it should acknowledge the four business aspects of the internationalization process which are market evaluation, operating model, financial and human capital, and business environment. The findings reveal that the common mistake in market evaluation is the lack of a deep evaluation. In the operating model, the companies need to consider having strong management in the targeted market. This leads to the human capital perspective where the companies should find employees that share the same motivation as them. The business environment on the other hand reveals internal and external challenges. The internal challenges are related to personnel and location. In contrast, the external challenges are related to legislation and turmoil.

There are three possibilities for future research. The first one is to focus on managerial capabilities for the internationalization process. The second one is to interview various people in the company to get understanding of the comprehensive internationalization process. The third possibility is to study how the company reacts and adapts to rapidly changing environments in different markets.

KEYWORDS: Internationalization, dynamic capabilities, challenges, foodservice, fast-food chain

Vaasan yliopisto**Johtamisen akateeminen yksikkö**

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TIIVISTELMÄ

Tutkimuksen tavoitteena on ymmärtää ja analysoida keskeisiä tekijöitä suomalaisten pikaruokaketjujen kansainvälistymisprosessin käynnistämiseksi ja ylläpitämiseksi, sekä ymmärtää mahdollisia haasteita ulkomaisilla markkinoilla prosessin käynnistämisen jälkeen. Opinnäytetyössä tarkastellaan kansainvälistymisprosessia yritysten kyvykkyyksien kautta.

Tutkimuksen viitekehys kattaa kansainvälistymisprosessin dynaamisten kyvykkyyksien perspektiivistä. Kansainvälistymisprosessin liiketoiminnallisia näkökulmia ovat markkinoiden arviointi, toimintamallit, taloudellinen ja inhimillinen pääoma sekä toimintaympäristö. Kirjallisuuskatsauksessa esitellään liiketoiminnan näkökulmia dynaamisten kyvykkyyksien ja mahdollisten haasteiden kautta kansainvälistymisprosessin aikana ja sen jälkeen. Dynaamiset kyvykkyydet ovat kuvattu tekijöiden, kuten muutoksen havaitseminen, mahdollisuuksien hyödyntäminen ja muutoksen uudelleenkonfiguroinnin kautta.

Tutkimuksessa käytetään kvalitatiivista tutkimusmenetelmää, koska tutkimuksen tavoitteena on ymmärtää erilaisten markkinoiden kansainvälistymisprosessia. Tutkimusmenetelmäksi on valittu useita tapaustutkimuksia. Puolistrukturoidut teemahaastattelut pidetään ihmisille, jotka ovat olleet tai ovat edelleen suomalaisten pikaruokaketjujen ylimmässä johtoasemassa.

Tulokset paljastavat kansainvälistymisprosessin yleisiä askeleita ja haasteita. Yritysten välillä on kuitenkin eroja riippuen markkinoista, minkä takia tutkimus tarjoaa käytännön puitteet kansainvälistymisprosessin ymmärtämiselle eri markkinanäkökulmista. Yrityksen halutessa kansainvälistyä, sen tulee tunnistaa kansainvälistymisprosessin neljä liiketoiminnan aluetta, jotka ovat markkinoiden arviointi, toimintamalli, taloudellinen ja älyllinen pääoma sekä toimintaympäristö. Tulokset paljastavat, että yleisin virhe markkinoiden arvioinnissa on syvällisen tutkimuksen puute. Lisäksi yritysten toimintamallissa tulee huomioida vahva johtaminen kohdemarkkinoilla, mikä johtaa inhimillisen pääoman näkökulmaan, jossa yritysten tulisi löytää työntekijöitä, joilla on samoja motivaatiotekijöitä yrityksen kanssa. Liiketoimintaympäristö puolestaan paljastaa sisäiset ja ulkoiset haasteet. Sisäiset haasteet liittyvät henkilöstöön ja sijaintiin. Ulkoiset haasteet puolestaan lainsäädäntöön ja yhteiskunnan kriiseihin.

Jatkotutkimukselle on kolme mahdollisuutta. Ensimmäisenä on keskittyä kansainvälistymisprosessin johtamiskykyyn. Toisena on haastatella yrityksen eri henkilöitä, jotta saadaan kokonaisvaltaisempi käsitys kansainvälistymisprosessista. Kolmantena on tutkia, miten yritys reagoi ja sopeutuu nopeasti muuttuviin ympäristöihin eri markkinoilla.

AVAINSANAT: Kansainvälistyminen, dynaamiset kyvykkyydet, haasteet, ruokapalvelu, pikaruokaketju

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1 Introduction

The introduction chapter will first introduce the background of the research, then the research problem and questions, and in the end, the structure of the thesis.

1.1 Background of research

Globalization has increased trade and partnerships between companies around the world over the years (Sagini, 2014). In 1993, the European Union (EU) created a single internal market in Europe that made the trade between businesses and citizens easier. This internal market allowed free movements of services, goods, capital and people and citizens were able to live, work, study and do business freely across the borders. This created more trust between the businesses and countries in Europe. Moreover, since international trade has previously been dominated by large companies, internationalization was now increasingly possible for smaller companies as well. (EUR-Lex, 2021)

The Internationalization of companies has been extensively studied over the years. In the 1960s, the first internationalization studies were done, and since then the interest in the topic has continued increasing. (Monferrer et al., 2015). Researchers have found various processes and theories around the subject studies (Castaño et al., 2016; Kananen, 2010; Luukanen, 2004; Hintsala & ammattikorkeakoulu, 2016). However, there are not that many studies on the internationalization process of the Finnish service sector perspective. This research will especially focus on the perspective of a fast-food chain through the company's capabilities.

The companies often consider going to the international market because either the domestic competition has intensified, they desire to increase the profit and expand sales or they notice that the targeted country has little competition (Ahokangas & Pihkala, 2002; Albaum & Duerr, 2011; Vahvaselkä, 2009) Since the Finnish market is very limited because the potential for growth and the amount of potential customers are low, the

growing Finnish companies aim for the international market quite early on in their strategy (Lindfelt, 2022; Finnvera Oyj, 2001). Moreover, a service export is a growing sector because the Finnish companies tend to choose that sector for growth rather than for example the technology exports option (Rikama, 2017). Furthermore, some of the Finnish growing companies work in a narrow segment which forces them to aim for the international market because the business only in Finland is not profitable. Finnish companies can rarely bypass the international market because it affects the domestic market too, and that is why understanding the internationalization process and its challenges are significant for the process of growth. (Finnvera Oyj, 2001)

Even though there are many theories and processes around internationalization for companies, there are not that many made of the Finnish market, especially recent ones for the service sector since the market is rapidly changing. Also, each company's starting point is different and the circumstances in each country are different. Therefore, it is important to study the internationalization from the perspective of Finnish companies, especially from the perspective of Finnish fast-food chains, and not just rely on researches that are conducted in other contexts studies (Castaño et al., 2016; Kananen, 2010; Luukanen, 2004; Hintsala & ammattikorkeakoulu, 2016). This perspective is important to study for two reasons. Firstly, this topic is not widely studied. Secondly, the Finnish food-service sector has phase extreme challenges in the rapidly changing environment.

Success in the international market demands a lot of resources, competencies, persistence, and risk-taking capacity from the company (Vahvaselkä, 2009, p. 160–161). When the company is considering internationalization, the management of the company must carefully weigh the conditions and capabilities for internationalization and growth. It needs to prepare the strategy well from every perspective. The company needs to consider and do a market evaluation, operating model, financial and human capital plans, and business environment investigation. (PwC, 2022) To be able to succeed in the inter-

national market, the company should understand deeply the foreign market. The companies rarely know the foreign market deeply because different countries work differently, and therefore having a good network or hiring a local employee or partner would be significantly important for the understanding. (Lindfelt, 2022)

1.2 Objective and research problem

Due to the background of the study, the purpose of this thesis is to analyse the Finnish service companies' internationalization process. The market for internationalization will be narrowed to the European market. The companies on the other hand will be narrowed to the small Finnish fast-food chains that are established in Finland after 2009 to understand the food service business after the finance crisis in 2008. The aim of the study is to understand the key factors that increase or decrease the internationalization process of Finnish fast-food chains and to investigate are there any challenges after the internationalization process has started in the new targeted market. The internationalization process will be studied through the dynamic capabilities which are the company's competencies and resources. The dynamic capabilities also reflect the company's ability to acquire new and innovative forms of competitive advantage (Helfat et al., 2007; Archidvili et al., 2003). The main research objective will be the following:

The study aims to analyse key factors for starting and maintaining the internationalization process of Finnish fast-food chains

To understand the research problem deeply and specify the research area, the objectives for the research must be selected. The objectives will give a clearer view of the steps that need to be considered to find the solution for the research. Furthermore, the additional research questions will clarify a deeper level of the main research problem. The additional objectives of the research will be the following:

- *To define the market aspects for internationalization when a Finnish fast-food chain considers going for the international market*

- *To find the challenges that hold the Finnish fast-food chain from going to the international market or staying there*

This thesis will provide important contributions that will help answer the research objectives and questions. There are no wide researches on the internationalization process for Finnish fast-food chains or even researches of the factors for the internationalization of Finnish fast-food chains. Since this topic is not widely studied, this thesis will be informative for Finnish fast-food chains or similar service companies in Finland that want to internationalize.

The contributions of the research will be categorized into theoretical and managerial contributions. The theoretical contribution will focus on the factors for internationalization, to understand its challenges, and investigate the process through the dynamic capabilities. In contrast, the managerial contribution will focus on and analyse from the practical level of the internationalization process, the factors for it and how companies have managed the internationalization after starting the business in the new targeted market. The data will be collected through interviews.

1.3 Structure of the thesis

This research is divided into five main chapters. The research begins with an introduction chapter. This chapter discusses the background of the research, introduces the research problem and questions, and describes the structure of the thesis and its key definitions. To understand the internationalization process of the Finnish fast food chain companies, it is important to understand what internationalization, challenges, and business aspects of internationalization mean. The business aspects of internationalization include market evaluation, operational model, financial and human capital, and business environment.

The second chapter will introduce an overview of the existing literature and theoretical approaches that are the most important for thesis-specific topics. The chapter will discuss the internationalization process for Finnish fast-food chains. First, it will investigate the proactive and reactive reasons for internationalization. Then it will introduce the relevant theory for the research. After that, there will be a discussion of the challenges of internationalization.

The third chapter will present the research methodology of the study. First, the qualitative research method will be introduced. This study uses the qualitative method to get a deeper understanding of the companies and it will be analysed in more detail in its chapter. Furthermore, there will be an introduction to the implementation process of the research. In the end, there will be a discussion of the validity and reliability of the research.

The fourth chapter will introduce the empirical part of the study. Firstly, it will process the reasons that got the companies to enter the international market. They can be proactive or reactive reasons. Secondly, there will be a deeper investigation of the internationalization process and how the business aspects have been thought through before and during the internationalization process. Thirdly, the resources of the company for the internationalization process will be introduced and discussed. Furthermore, the findings of the challenges will also be introduced. After that, there will be a discussion of the companies' future aims and development ideas for their internationalization processes.

The fifth chapter has a cross-case analysis of the findings of the empirical study. There will also be a discussion between the theoretical framework and the empirical data. They will be done through dynamic capabilities, and in the end, the framework of the study will be presented.

The sixth chapter will have the conclusions and recommendations of the research. This chapter will introduce the findings and conclusions of the research. Due to the analysis

and summary, there will be recommendations for the internationalization process and how to acknowledge the challenges of the internationalization process. In the end, there will be suggestions for future research.

2 Internationalization process for Finnish fast-food chains

The chapter on the internationalization process for Finnish fast-food chains will first define the term internationalization process. Secondly, there will be an analysis of the reactive and proactive reasons for internationalization both from general and Finnish companies' perspectives. Thirdly, the business aspects for internationalization will be introduced. After the internationalization theory will be introduced. It will help investigate the internationalization process from a more specific perspective. In the end, there will be wider research on internationalization process challenges from the Finnish fast food chains' perspective.

2.1 Definition of internationalization process

There are various definitions of internationalization because the phenomenon has been studied for a long time and the concept of internationalization has received various explanations depending on the author of the research. In addition, internationalization has been studied from different dimensions such as from the small companies to the large companies' perspective, or from innovation, entrepreneurship, or strategic decision-making perspective. (Castaño et al., 2016; Doh & Luthans, 2018; Hegge, 2002) Moreover, according to Kranj & Kanj-razj (2006), internationalization has been described from different perspectives depending on the researchers. It has been for example studied from organization theory, strategic, marketing and small business management perspective.

Since there are too many definitions for internationalization, in order to understand the concept, there must be an investigation of what previous studies have meant by internationalization. Table 1 has a list of descriptions of the internationalization concept from previous studies. According to Welch & Luostarinen (1988), internationalization is seen as a process that increases involvement in international operations. The process increases the company's awareness of the direct and indirect influences that can affect its future international activities. In the process, the company may also open up activities

in other countries. (Beamish, 1990) Another description of internationalization according to Ahokangas (1998) is that it is a process where the company move, collects and develops resources for its international operations. Moreover, other definitions of internationalization after the 2000s are that internationalization is interpreted as a process that progresses in stages from domestic operations via exports and foreign direct investments to a full-size functional multinational business (Saarenketo et al., 2008). International entrepreneurship is also seen as it enables the company to discover, develop and implement opportunities over the borders in order to create future goods and services (Oviatt & McDougall, 2005).

Table 1 Definitions of internationalization.

Author	Year	Description
Welch & Luostarinen	1988	"Internationalization is the process of increasing involvement in international operation"
Beamish	1990	"Internationalization is the process where companies become more aware of the future direct and indirect effects of international business and initiate and execute transactions with parties in other countries"
Ahokangas	1998	" Internationalization is the process where companies move, collect, and develop resources for their international operations"
Oviatt & McDougal	2005	"International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services"
Saarento, Puumalainen, Kyläheiko & Kuivalainen	2008	"Internationalization is interpreted as an orderly process progressing incrementally from domestic operations, via exports and foreign direct investments (FDIs), to full-fledged multinational business"

Despite various definitions, researchers seem to agree that internationalization is a multidimensional process. It does not develop from a decision or event; it rather develops step by step over time. (Kenny & Fahy, 2011; Welch & Paavilainen - Mäntymäki, 2014). This perspective is shown in the definitions of internationalization. The process can be studied from one part of the process or as a whole process. It can also be studied from the perspective of the general or operational level. It has been acknowledged that the

companies need various strategies to implement their different solutions in internationalization. Therefore, the internationalization process is often analysed as part of a company's strategic behaviour. (Reinikainen, 2001)

2.2 Reasons for internationalization

There are many reasons to internationalize, but the main reason is the desire to secure the company's profitability and growth (Albaum & Duerr 2011; Lindfelt, 2022). Since Finland is a small country from the business market perspective and therefore the domestic market will quickly become too small, the market forces and lures Finnish companies to internationalize their operations (Lindfelt, 2022; Finnvera Oyj, 2001). The reasons for internationalization can be divided into reactive and proactive reasons. In a proactive approach, the company chooses and desires to go for the international market. In this approach, the company is more marketing-oriented, and the proactive motives influence the market selection. The proactive approach is a very formalized and systematic process. In contrast, in the reactive approach, the company is forced to expand in the new market because of the changes in the operating environment such as overcapacity or competitive pressures. However, in the reactive approach situation, the company has a passive role when selecting the market. It is more influenced by filling unsolicited orders or waiting for initiatives. (Czinkota 2005; Albaum & Duerr 2011; Hollensen 2020) Next, there will be a more detailed analysis of the proactive and reactive reasons from the Finnish perspective.

2.2.1 Proactive reasons

According to Czinkota (2005), proactive reasons come internally in the company and they are incentives for internationalization. Proactive reasons can be for example profit potential or exclusive knowledge. Other reasons (table 2) can be an opportunity to win, having a unique product or service, having a technological advantage and exclusive information, owning a committed and passionate management, getting tax benefits or benefits from mass production, or getting low production costs (Palomäki et al., 2017).

There are many different reasons for Finnish companies to internationalize. The proactive reasons can come from the potential market opportunities that are created after expanding into the international markets which attract the companies to look beyond the domestic field of operation to international growth markets. Especially, the opportunity to gain more profit from the unique product or services, mass production, having low production costs, and getting tax benefits attracts the Finnish companies to internationalize. (Palomäki et al., 2017)

The aim of internationalization is that the company can find growth opportunities. It can for example reduce its production costs and increase its operations with new production capacity and additional orders. However, the key factor in the internationalization process is the management of the company who should be enthusiastic, goal-oriented, and committed to the firm. (Palomäki et al., 2017) Often the initiators of internationalization in the company come from internationally oriented and motivated management who is brave with the coming challenges from the international market. Often, in the end, it is the CEO who makes the final decision on internationalization, and therefore the implementation and the success of the process depend on his commitment to internationalization. (Kailaranta, 1998, p. 13; Vahvaselkä, 2009, p. 62 – 63.) Nevertheless, internationalization is neither a matter of course nor a necessity. Many Finnish small and medium-sized companies operate only in the Finnish market and do not plan to expand internationally because it involves various risks and increases competition, which decreases the enthusiasm of the companies. The management in the company may feel that the most rational move is to expand and established operations first in Finland, and then after succeeding, they can consider going international. (Palomäki, et al., 2017)

According to the research of Luostarinen and Suomi kauppa- and teollisuusministeriö (1994), reasons for the internationalization of Finnish companies in the Helsinki metropolitan area can be studied through macro-, micro- and micro-million factors. The macro factors are related to domestic country-specific push factors and target country-related

pull factors. The push factors can be for example the small and transparent domestic markets and the peripheral location. In contrast, the pull factors can be the size and strength of the market. The micro-factors on the other hand are related to the internal factors in the company. These factors can be for example the coverage of product development costs and the benefits of integrating operations. Moreover, the micro-million factors are related to the decision-making process and decision-makers of the company. The micro-million factors can be for example uncertainty and risk tolerance, and the strong motivation to internationalize.

Table 2 Proactive and reactive reasons for internationalization (Palomäki et al., 2017).

Proactive reasons	Reactive reasons
<ul style="list-style-type: none"> • Opportunity to make profit • Having unique product • Technological advantage • Desire and commitment of the management • Tax benefits • Available resources • Production costs 	<ul style="list-style-type: none"> • Competitive pressures • Overproduction • Shrinking or matured domestic market • Overcapacity • Legislative changes in Finland • Competitors' or partners' internationalization

2.2.2 Reactive reasons

Reactive reasons force the company to internationalize instead of guiding it for a potential profit like proactive reasons. The reactive reasons lead the company to react to the rapid changes in the operating environment. The reasons that lead the company to expand are for example overcapacity and competitive pressure. (Czinkota, 1999) Other reasons (table 2) can be overproduction, shrinking or matured domestic market, having proximity to customers and distribution channels, domestic legislative changes, or competitors or partners are internationalizing (Palomäki et al., 2017).

Finnish companies have a variety of reasons to internationalize. The reactive reasons can come from a competitive situation, pressure in the matured domestic market, overcapacity or the domestic legislative changes (Palomäki et al., 2017). The Finnish market is small and easily saturated. For example, in Sweden, the market is twice as large as in Finland and in Germany, the market grows more than 10 times. (ktsh consultancy, 2021) Moreover, the tax regulations for the companies in Finland can be very heavy, and therefore it is not attracting Finnish companies to expand domestically because it may not be lucrative. For example, even though there are some successful small-size beer breweries in Finland, and they would have even more consumers if they produce more, it is not profitable. If a small-size brewery expands to a medium-size brewery, it gets more tax regulations that will make the company unprofitable. Therefore, expanding can be complicated in Finland. (Herrala, 2019)

The aim of internationalization is that the company will differentiate itself from its competitors, create credibility and a new image for its operations and build new types of partnerships and networks. The right connections and partnerships are valuable and needed in the new foreign market. (Palomäki et al., 2017)

2.3 Business aspects for Internationalization

The internationalization process has four different business aspects that should be considered before entering the international market. Well-prepared planning and perseverance will help the company to avoid pitfalls along the way and to exploit its competencies for succeeding. The business aspects for internationalization (figure 1) are market evaluation, operating model, financial and human capital, and business environment (PwC, 2022). The business aspects will be defined in more detail in the following paragraphs.

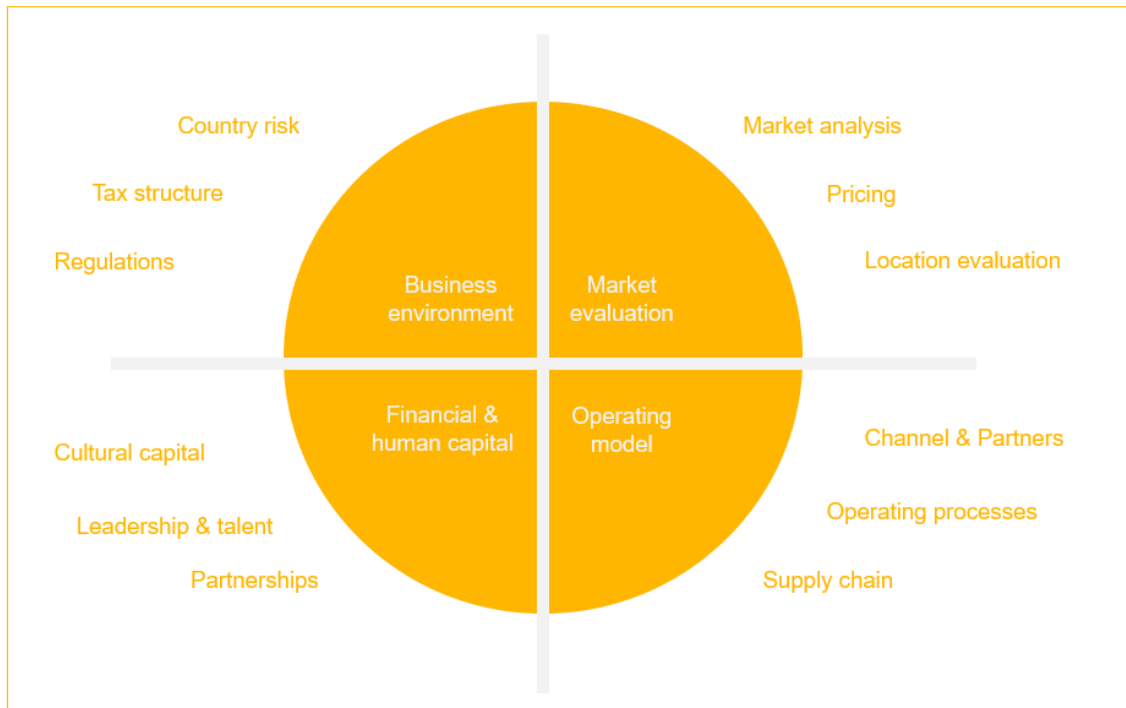


Figure 1 Business aspects for internationalization (PwC, 2022).

2.3.1 Market evaluation

The internationalization process is a huge investment that takes a lot of time and assets from the company, and therefore it is significantly important to get some knowledge and evaluate the market, clients, end-users of the product or service, and the competitors beforehand. It is not enough to know where and how the clients or end customers have bought their products or services, but it is smart to understand how the closest competitors work in the market. In the company, especially the top management needs to understand the uniqueness and the better quality of their products and services against the rivals. (Äijö, 2008, p. 51–52)

Market evaluation means analysing how suitable the business is for the targeted foreign market. It is accessing the attractiveness of new markets and regions, identifying the right customers, evaluating the products and services and their prices and costs (Bradley, 2005, p. 221). Practically, at first, the company needs to analyse its market potential. The market potential goes from the potential customer segment and their buying behaviours

to what is the competition in the market (Larimo & Kontkanen, 2007, p. 219). Moreover, the company can analyse whether the market is a red or blue ocean. If the market has a lot of competition and a small customer segment, it is the red ocean, and therefore it will be harder to get profit from the market. In contrast, if the product or service is new on the market, where there are not that many competitors and many potential customers, it is a blue ocean situation. The company will have better chances to profit, create uncontested market space and make the competition irrelevant in the blue ocean. However, it must be noted that the blue ocean is not guaranteed success. It can happen in practice that there will not be enough customers and demand. (Siegemund, 2008, p. 27; Kim & Mauborgne, 2005)

Another aspect to evaluate is the location of the market. The company needs to consider for example, should it head to big or small cities, what country is suitable with its market offerings, and how much competition and potential customers the location has (Bingham & Eisenhardt, 2011). The right internationalization location for the company can be analysed through macro-and microanalysis. The macro analysis can be created with the help of the PESTEL analysis which keeps inside the political, economic, social, technological, environmental and legal perspectives (Brennan, 2014, p. 44-46). However, understanding the macro-level does not mean that the company can influence the market, but with the analysis, they can be prepared and aware of how the macro-level aspects affect the market and the companies there (Vahvaselkä 2009, p. 161).

The third aspect that affects the market evaluation is the price and costs of the product or services. This aspect can be analysed through the micro-level. The micro-level analysis includes the access to the market and the price for it, and the access to analyse the existing competitors and potential profits. The aspects that have an influence on the competitiveness are customers, subcontractors, suppliers, distributions, resellers and other stakeholders. In addition, the micro-level analysis can investigate internal factors in the firm such as the company's and management's competencies and resources. (Morrison, 2009, p. 284–285; Vahvaselkä, 2009, p. 160–161)

2.3.2 Operating model

After doing the market evaluation and choosing the targeted market, the company should choose the right operating model that delivers the business to the foreign market. The elements that create an operating model are people, process and technology. It consists of operating processes, channels, partners and supply chain. Through these operating model elements, the company analyses for example its processes, locations, organization brand, the employees, decision-making methods and software applications. (Hollensen, 2004, p. 272; De Vries et al., 2011)

There are many different operating models that companies can use for internationalization. The options can be inward internationalization, direct and indirect exports, own exports, having own overseas subsidiaries and having different forms of cooperation. Inward internationalization happens for example when the company purchases raw materials or technologies from abroad. Moreover, direct exports mean exporting through foreign intermediaries while indirect exports mean subcontracting to a domestic client or exporting through the domestic intermediaries. Furthermore, the cooperation forms can be project operations, alliances and management agreements. (Ahokangas & Pihkala, 2002, p. 24)

The operating model can also mean in a practical way what kind of business operation the organization wants to run. The business options are for example establishing a local store, buying another company, or creating an online store. When a company wants to establish a local store, it should create an operating model from a local store perspective. It should analyse the potential of the targeted market, its competitive position, the corporation and all the possible regulatory specificities for the business. The questions that it should consider are that is it necessary to establish a new store for the targeted market from the organization's view or is the establishment more inherent in the performance of statutory obligations. (PwC, 2022)

Another way to internationalize is to establish a subsidiary in a foreign market. The company can for example create a production or marketing unit or buy another existing company (Ahokangas & Pihkala 2002, 24.). When a company is considering growing through acquisitions, it should analyse before buying the value of the purchasing company, its business and the risks related to it. They should also consider before or after the purchase how will they implement and control the businesses as one company. It is significantly important that the organization can internally communicate. Therefore, the company should consider how it will manage the control and reporting procedures of the acquired company to achieve the desired common control environment. (PwC, 2022)

Since digitalization is rising globally, online sales have grown significantly in recent years, and traditional ways of selling products and services have often gone hand in hand with new or substitutable ways. The sales and its channel strategy are an integral part of successful sales growth. Especially, rapid international growth requires a well-functioning channel strategy and effective operational guidance. When a company wants to open an online store, it is important to create a workable channel strategy for growth that can be multi-channel or focused on a single channel. Since the potential customers can be spread around the globe, the competition is also often significantly high. (PwC, 2022) On the other hand to the high number of rivals, the potential customers are significantly higher than the domestic market in Finland can offer. The internet can act as a global distribution channel for the online store and at the same time as an advertising and communication channel. In addition, the internet and e-commerce have enabled us to go over the geographical location and have made it easier to reach the international market. (Ahokangas & Pihkala, 2002, p. 56)

2.3.3 Financial and human capital

These intellectual capitals consist of investment roadmaps and partnerships, leadership and talents, and cultural capital. These capital assets refer to the challenges of creating partnerships, finding talents, securing financial support and acknowledging cultural differences. (PwC, 2022)

Financial capital is an important part of the internalization process because international growth requires funding. The financial capital consists of assets of the company that can be measured in terms of money value. Often, the funding, in the beginning, comes from the bootstrapping such as from a bank loan, a state treasury, or public organizations. In Finland, companies can get funding from Business Finland which is a public organization owned by the Finnish government (Business Finland, 2022). The companies can also apply for funding from the Finnvera which is a financing company owned by the state of Finland. The Finnvera provides financing for the start, growth and internationalization of enterprises and guarantees against risks arising from exports. (Finnvera, 2022). A significant international leap of growth often requires the involvement of investors. They can secure funding and lead to a network of contacts. When the company is considering its financial capital options, it should consider and negotiate with its potential investors, identify if there are any barriers to eligibility for funding, and take tax considerations into account. (PwC, 2022)

Human capital on the other hand is important to the business because having the right people working is the key to long-term success. According to Zhang and Wang (2021), when the company finds the right employees, the human capital effect directly on the rate of growth, and indirectly through convergence toward a stable growth path. The term human capital, it is defined traditionally like in 1964 as an individual's skills, knowledge, and other attributes that come from education and work experience. Today, after 2015 human capital has been defined more as it relates to economics, psychology, and human resource management. (Metz et al., 2022)

In a digitalized world, it is good to note that potential employees can be all around the globe. Modern tools and globalization have enabled people to work anywhere in the world, and therefore the company needs to be aware of the regulations and obligations regarding business travel and remote working. There can be obligations and regulations for example in terms of payroll reporting, social security and taxation and labour law

issues. (PwC, 2022) However, globalization has also a positive impact. The internet has enabled companies to utilize international knowledge and network to discover international markets. (Andersson & Wictor, 2003).

Regarding human capital and its cultural capital, a diverse team is more and more appreciated because people from different backgrounds give diverse perspectives. The term cultural capital itself refers to cultural assets which come from skills, knowledge, and dispositions that are needed for accessing cultural products, educational qualifications and cultural products themselves. These cultural assets introduce one's cultural competencies and so they contribute to one's social status and position. (Leguina et al., 2021)

2.3.4 Business environment

The business environment is defined as a collection of external factors of the company. They can be for example customers' needs and expectations, supply and demand, clients, suppliers, regulations by government, social and market trends, innovation in technology and economic changes. These elements affect the operational side of the company and how it works directly or indirectly, and therefore they can have an influence on the business organization's environment level. (Maitrayee, 2022)

When a company wants to expand the business to a new foreign environment, it should acknowledge the targeted territory's complex laws, regulations, political and economic stability. It should consider strategic risks, institutional landscapes, regulation and tax structures. It is important to identify what registration and reporting guidelines there are in the foreign country and what taxes will be payable. Furthermore, it is recommendable to create a risk management plan. (PwC, 2022)

It is notable that there are different regulations in different countries for starting, operating, and closing a business, and naturally, it can be assumed that they would have an impact on the outcomes of the company. According to Gaganis (2019), there can be negative impacts and risks when entering a foreign market. Firstly, the costly regulations can

have a negative effect on the companies' incorporation. Secondly, the entrants are nowadays large which can change the regulations so that they are discouraging the incorporation of the small companies. Thirdly, in the countries that have high market entry regulations, the value-added per employee grows more slowly in these so-called high-entry industries.

2.4 Dynamic capabilities

The internationalization process can be studied through dynamic capabilities which are the company's competencies and resources. To be able to understand the dynamic capabilities, it is important to understand the resources and competencies. According to Eisenhardt and Martin (2000), the resources are the heart of the strategy leading and they are related to physical, human and organizational competencies that are used for implementing value-creating strategies. The physical assets here can be specialized equipment, geography or location. The human assets are the expertise in the industry. The organizational assets on the other hand can be the superior sales force. These competencies are important in strategic leadership. Many researchers defined the dynamic capabilities to be the ability of a company to integrate, build, and transform the company's internal as well as external resources and capabilities to respond to a rapidly changing environment (Teece and Pisano, 1994; Eisenhardt and Martin, 2000; Helfat et al., 2007). Unlike operational capabilities which are defined as the performance of the existing operations, the dynamic capabilities are defined as the capabilities of the company at the strategic level aiming for the future. Therefore, the dynamic capabilities are used to explain the performance of companies and the maintenance of sustainable competitive advantage in rapidly changing environments. The dynamic capabilities also reflect the company's ability to acquire new and innovative forms of competitive advantage (Helfat et al., 2007; Ardichvili et al., 2003).

According to Teece et al. (1997), the company's internal and external capabilities have an influence on the deployment of the dynamic capabilities. Many studies emphasize the necessity of dynamic capabilities when dealing with rapidly changing environments.

However, according to Eisenhardt and Martin (2000), dynamic capabilities can be also used to manage more stable environments. For example, the uncertainty and complexity of the environment affect the deployment of dynamic capabilities. (Aragon-Correa and Sharman, 2003.)

The dynamic capabilities alone are not enough for the transformation in the rapidly changing environment unless the top management can adapt to new environmental conditions. (Eisenhardt and Martin 2000; Helfat et al., 2007) For example, environmental uncertainty and complexity have an influence on decisions and actions in the deployment of dynamic capabilities (Aragon-Correa and Sharma, 2003). Therefore, the dynamic capabilities depend on the dynamism of the environment and managers' interpretations of the company's business environment. The managers' opinions on what and how to use dynamic capabilities are key factors in the ultimate successful performance of dynamic capabilities. (Aragon-Correa and Sharma, 2003)

According to Teece (2018), the dynamic capabilities can be described through sensing a change, seizing opportunities, and reconfiguring the change (figure 2). These are so-called the upper-level of dynamic capabilities. These competencies direct and aggregate various ordinary capabilities and the second-order dynamic capabilities. These competencies also emphasize the importance of the leaders' role in identifying and exploiting new strategic opportunities, organizing company capabilities, and designing business models and new organizational forms (Augier and Teece, 2007).

The first dynamic capability of the upper-level is sensing the change. In this stage, the opportunities and threats will be identified (figure 2). For example, the company can sense that there are technological possibilities or technological development opportunities in the firm. Detecting environmental change involves exploring customer needs, technological opportunities, hidden demand, industry and structural development of the market. (Day, and Schoemaker, 2016; Teece, 2018) The data collection of the customer information is an extremely important basis for the development of services.

However, identifying the opportunities related to services is complex and challenging because the information is deeply embedded in customer-specific processes and functions which are understood only after creating the service in customer encounters. (Kindström et al., 2013)

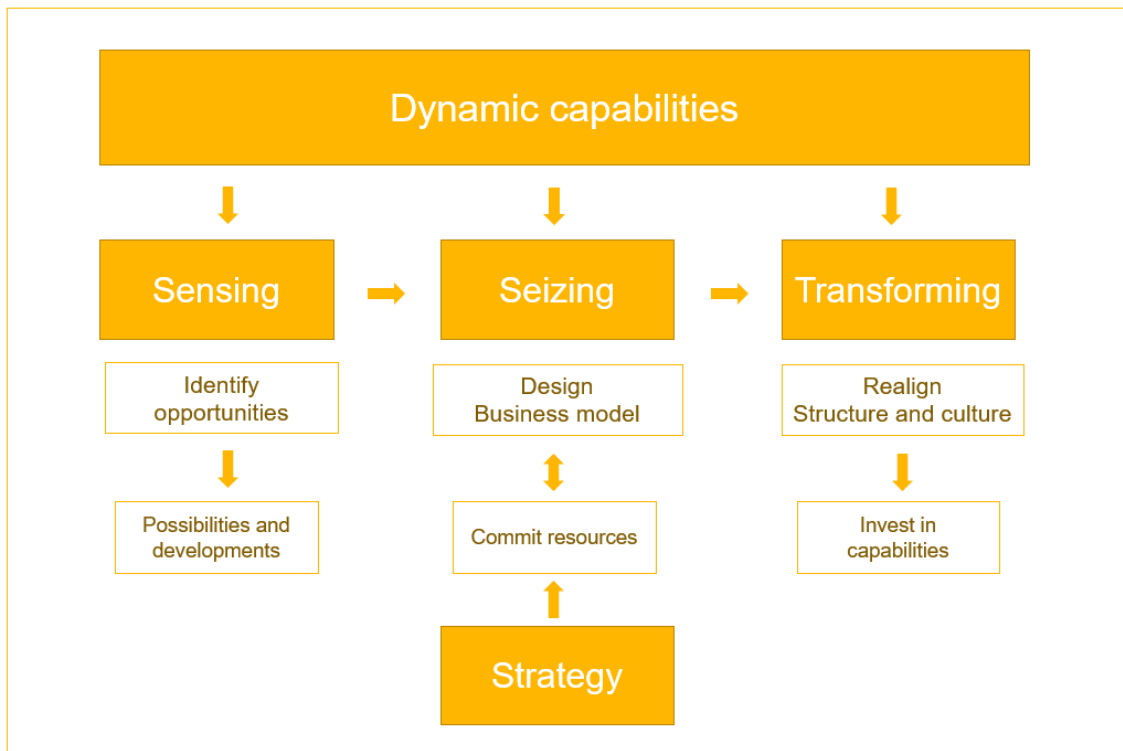


Figure 2 Framework of the upper-level of the dynamic capabilities (Teece, 2018).

The second dynamic capability of the upper-level is seizing. In this stage, the business model can be designed and refined. (figure 2) The dynamic capabilities combined with strategy can refine a defensible business model. When the company identifies a new opportunity, it must intervene with new products, processes or services. (Teece, 2018) In the environmental change, the company must adapt and integrate the information observed from the market and utilize it for strategic purposes (Jantunen et al., 2012) and for market-based decisions (Wang and Ahmed, 2007). Barreto (2010) and Day (2011) emphasize the company's decision-making in seizing opportunities. The company's ability to make timely and market-oriented decisions are crucial in seizing opportunities

(Barreto, 2010). Also, the company needs to do decisions guided by the current needs of customers and behaviour as well as signals of their changing needs (Day, 2011).

The second competence leads to the reconfiguring stage which can be the organizational transformation. The reconfiguring is the third stage of the dynamic capabilities. In this stage, the structure and the culture can be realigned. (figure 2) For example, the existing capabilities can be aligned or there can be an investment in the additional capabilities. (Teece, 2018) According to Wang and Ahmed (2007), this stage emphasizes the company's adaptability to the rapidly changing environment. Adaptability refers to a company's ability to identify and take advantage of emerging market opportunities. It also enables companies to make comprehensive and ongoing changes to products, services, resources, capabilities, and organizational practices. In order to achieve the change, the company must overcome the structural slowness caused by routines or past path dependencies that committed the company to a business model threatened by the rapid change in the business environment. (Suddaby et al., 2020) According to Helfat and Peteraf (2015), the role of management is highlighted in facing the change. The top management needs to have the ability to solve problems effectively. The leaders have a key role in creating an open atmosphere where failures can be learned and experimentation is the norm, not the exception. (Teece, 2007; Day and Schoemaker, 2016)

The internationalization process of Finnish companies tends to happen through gradual phases. According to Luostarinen (1979), companies internationalize in stages. First, they gain experience in markets they are economically, geographically and culturally close to, then they will apply them to more remote areas. Finnish service companies from the capital area tend to start their internationalization journey from the European market (Rikama, 2017). By focusing on the countries close by, the companies can use their experience from the early stages of internationalization to avoid various business risks in the future. Internationalization begins with foreign trade and later with foreign investment. (Luostarinen, 1979)

According to Luostarinen (1994) internationalization research related to Finland has shown that in addition to country-specific factors, there are so-called push and pull factors related to the operating environment that has affected the internationalization process. The so-called push domestic drivers are market size, economic transparency and remoteness of locations from the growth centres. The most important factors in the target country as the so-called pull drivers are the size and transparency of the foreign market. However, the importance of different factors varies from region to region. In Europe, acquiring marketing channels and the need to be close to the customer have been the main reasons. In contrast, in eastern Europe, the establishment of subsidiaries has been complicated by various non-tariff barriers to trade. Legislative uncertainty and the burden and slowness of bureaucracy have been a barrier to the establishment. Despite these problems, presence in a growing market has been considered important. (Borsos-Torstila, 1999)

At the beginning of the 2000s, business services have been raised to be the heart of economic growth. The services have become important intermediaries for other companies and their internationalization has been considered to have great potential. (Mankinen et al., 2001) According to Rikama's survey (2017), even in 2017, business services have continued to be central to economic growth and a reason to internationalize. The second important export factor is industrial products. Therefore, there is huge potential to continue growing in the international market with the service sector. However, it is important to create a good strategy and seek opportunities through dynamic capabilities.

2.5 Internationalization challenges

Challenges can mean very different in diverse contexts. In general, a challenge can be something that needs a great effort mentally or physically in order to succeed. Therefore, the challenge examines a person's abilities. (Cambridge dictionary, 2022) In contrast, in the business world, the challenge is a situation that threatens a business from pursuing success by hindering or derailing it. Businesses may face challenges in having regular

customers, reaching the customer needs, finding motivated employees, maintaining a good reputation and doing enough marketing in the red ocean market. (Indeed, 2021)

For this research, it is important to understand what challenges mean in the context of the internationalization process. There can be many different challenges in the business areas, from marketing, sales to HR. The first challenge can happen in selecting foreign markets. Companies tend to choose a market that they prefer to be into and especially the SMEs are often interested in finding a low-risk path to international markets, where national dominants and large international companies are challengers (Ribau et al., 2016). However, companies should use more rational approaches for decision-making. They can use for example the firm's priorities, the objective data and the final profit margins as the decision drivers. In the end, the aim of international business is to increase the company's cash flow, but also to secure its position in the domestic market. (Ribau et al., 2016).

The second challenge can lay in adapting the business model. When the company wants to enter the foreign market, it should keep in mind that it is crossing cultural, linguistic, religious and regulatory borders. Therefore, it is important to understand cultural and language differences and make sure that the company language will be translated correctly in the company. Moreover, managing the across cultures may have some challenges such as should the company have high ranking employees for making the decision or should the employees be equal, and they are encouraged to collaborate in decision making. These aspects will give the direction that should the company hire local managers or send an expatriate from the headquarter to manage the new team. In the end, the main resources of the company for success are the people and their skills, motivation and enthusiasm. (Ribau et al., 2016; Stillman, 2022)

Another perspective to investigate the possible challenges is going through the PESTEL analysis which is used to monitor and analysed the general or macro-environmental factors (Brennan, 2014, p. 44). The framework is also used for the preparation of scenario

and trend analyses in the course of recognizing trends and uncertainties. (Hedin, 2014, p. 166). Political factors refer to the degree how a government affects the economy or some specific industry. In the internationalization process, the company should get familiar with the government policy, foreign trade policy, tax policy, political stability, corruption, labour law and trade restrictions. These factors should be considered before entering the market. The second factor is the economic factors which can be the economic growth, exchange rates, interest rates, inflation rates and unemployment rates. The social factors on the other hand affect by external factors. These are for example social infrastructure, cultural considerations, literacy levels, demographic trends, and religious beliefs. Even though these factors are beyond the company's control, they may affect its operation. From technical factors perspective, technological advancements may affect the industry and its operations. Technological elements can be for example technology incentives, level of innovation, automation, R&D activity and technological change. Furthermore, environmental factors such as climate, weather and environmental policies can affect the business. For example, from an agriculture perspective, there can be restrictions to protect the habitats, endangered species, and local regulations because of wastewater disposal, toxic emissions, or non-renewable extraction. The last perspective is legal factors such as laws regarding consumers' protection, employment, copyright and patents. (Brennan, 2014, p. 44-46)

Moreover, the challenges of internationalization can be measured through strategy, market, marketing, finance and human resource management perspective. For many Finnish companies, internationalization and placing products on the international market is vital for the business because the domestic market is so small, and the growth is more potential in the international market. In addition to the small size market, the manufacturing costs are expensive in Finland. Therefore, the companies in Finland are not in a position to compete in low-cost, labour-intensive, or raw material-intensive sectors unless they take the manufacturing process abroad. Moreover, often distribution plays a key role in international trade and almost all products end up with end customers through various distribution channels. (Äijö, 2008, p. 47-8; Lindfelt, 2022)

When the company wants to internationalize, it has three strategic decision areas which are why we internationalize, where would we internationalize and how would we internationalize to the target market (Vahvaselkä, 2009, p. 61). Moreover, it is good to acknowledge that the same company can use many different methods, depending on the situation and the market. For example, one country may have its own subsidiary, and another may use resellers. (Lindfelt, 2022)

In Finland, the internationalization of small and medium-sized enterprises, in other words, SMEs, can be more challenging than large, long-growing companies. When studying the companies' internationalization process, new and small companies are seen to be more in a disadvantageous position compared to larger companies. As a result, SMEs are seen to be at greater risk of failure when entering international markets. (Lee, 2012, p. 2) Especially the financial risks are particularly high for the SMEs in the internationalization process. The lack of money affects the success of the company and the ability to internationalize. However, SMEs can succeed alongside large companies if they have, for example, a unique service, product or idea. SMEs can compete in the market by leveraging their expertise. Therefore, money is not always the issue. (Zucchella & Siano, 2014, p. 23)

According to Vahvaselkä (2009) and Äijö (2008) internationalization challenges can be the unknown brand name of the company, tough competition, lack of price competitiveness, lack of resources, lack of market, customer and competition information, employees' insufficient skills, initial investment costs and barriers to trade related to customs, taxes, regulations and permits. One of the most common mistakes in the internationalization process (figure 3) is that the company assumes that the target market is similar to its own. In that scenario, the market may not be studied and therefore the practices of the business culture may not be understood, competitors and operation of the purchasing process are not known and what kind of services and products the potential customers are into. The business culture practices can vary significantly, even if the target market is geographically close. Therefore, the farther the company goes from the domestic

market, the more different the culture and the purchasing behaviour of potential customers become. Cultural differences affect the trade process between the exporter and the importer. It is impossible to fully prepare in advance for cultural and customs differences, but small-scale market research or pilot marketing can be helpful. (Kananen, 2010, p. 22-23.)



Figure 3 Mistakes in internationalization process that creates challenges (Lindfelt, 2022).

Another common mistake (figure 3) is that the company's business model is not adapted to the new market. Companies often operate with the same concept that is used in the domestic market and they are not willing to or prepared to change or integrate their business model in the new market as needed. The new market and culture require customization and flexibility in companies' operations such as in deliveries and in distributor partnerships. It should be acknowledged that starting a business requires more than starting a company. Especially, in the internationalization process, when setting up the operations in the target country, the company must acknowledge the compliance issues related to the company to meet a minimum level. The compliance issues are related for example to the company law, accounting and employment regulations. (Lindfelt, 2022)

The third common mistake (figure 3) is that the company underestimates its time resources. Internationalization often takes more time than planned. The company tends to underestimate its time resources for internationalization, and it tries to implement the business quickly to the international market alongside its own domestic business. Especially when the company starts operating directly, there tend to be surprised about what is needed and how long it takes to establish a company in a foreign country. The internationalization process takes time, and the management of the company must be strongly committed to it. If there are not enough internal resources, it could even hire an external expert to help. (Lindfelt, 2022)

Through the time resources, it can be acknowledged that management is a significant factor in foreign business. It is important to ensure the eligibility of persons that will be appointed to management positions. Otherwise, it can slow down the establishment or be costly if, for example, the company needs to use outside resources such as hiring professional leaders abroad. In European countries, there are hardly any issues or surprises regarding the eligibility matter. However, there can be regulations regarding management positions such as the board of directors or CEO. For example, in some situations, the company needs to consider which nationality is required of persons in management positions. These matters should be clarified well in advance. (Lindfelt, 2022)

The last common mistake (figure 3) is that the company underestimates the internationalization costs that are required. From a financial point of view, the challenge may occur when the company cannot or does not want to invest enough money in the internationalization project. It expects to get the result in short term, which is not often possible. Therefore, when the process is under-budgeted, it can be surprising when the costs increase from what was originally planned. (Viitala & Jylhä, 2013) For example, travel expenses, employees' salaries, and costs of production and translation of advertising material can be forgotten from the budget calculations (Lindfelt, 2022). Also, the form of internationalization has an influence on the costs. Establishing own units in the target country is more expensive and riskier than, for example, licensing or contract to manufacture. On the other hand, if the export costs to the destination country are high, the

product may lose its competitive advantage due to the price increase. (Kananen, 2010, p. 75)

From the Finnish companies' perspective, according to Rikama's survey (2017), in the previous years, the most threats for the Finnish companies to internationalize have been the manufacturing costs, competitive market and funding. The cost challenges affect all kinds of companies from international companies to highly growth-oriented companies. In addition, the highly competitive market, lack of labour and funding struggled strongly the highly growth-oriented companies. International companies tend to have fewer issues with getting the right employees to their companies. Furthermore, from the internal perspective, the segments that needed the most development were sales and marketing. This urge has remained the same for many years. (Rikama, 2017)

3 Research methodology

This chapter investigates the internationalization process and its challenges for Finnish fast-food chains through interviews with these types of companies. Firstly, the method used for this research will be introduced. Secondly, the data collection method will be introduced. In the end, there is an introduction on how the data has been analysed in the research.

3.1 Research method

In research methods, the data will be collected, interpreted and analysed. The result of this is either accepting or rejecting the present theory or creating a new theory. The methods consist of measures that allow observations and data to be collected from the observation unit to support interpretations. The two most used research methods are quantitative and qualitative. (Kananen, 2008, p. 16–17)

The main difference that deviates these two methods from each other is that the meanings of the data in the quantitative method are analysed through numbers, and in contrast, the meanings of data in the qualitative method are analysed through expressed words (table 3). The results in the quantitative method are collected through numerical and standardized data. In contrast, the results of the qualitative through numerical and standardized data. In contrast, the results of the qualitative method are collected through non-standardized data that requires classification into categories. Moreover, the analysis in the qualitative method is conducted through the use of conceptualization, while in the qualitative method, the analysis is conducted through the use of diagrams and statistics. (Saunders et al., 2007, p. 247)

Table 3 Differences between the quantitative and qualitative data (Saunders et al., 2007).

Quantitative data	Qualitative data
<ul style="list-style-type: none"> • Based on meanings derived from numbers • Collection results in numerical and standardized data • Analysis conducted through the use of diagrams and statistics 	<ul style="list-style-type: none"> • Based on meanings expressed through words • Collection results in non-standardized data and requires putting the data into categories • Analysis conducted through the use of conceptualization

3.1.1 Qualitative method

The research approach chosen for this study is qualitative. This research method enables to analyse and understand the object's behaviour and decision reasons. In qualitative research, the data is collected through interviews, surveys, observation and documentation. (Heikkilä, 2014, p. 15; McNiff, 2013, p. 108-109) The qualitative research method is well suited for the research when there is an interest in the detailed structures of events rather than their general distribution, there is an interest in the significant structures of individual actors involved in certain events, there is a study of natural situations that cannot be experimental, or in which it is not possible to control almost all influencing factors, or there is a desire to obtain information about causal relationships related to certain cases, which cannot be investigated with the help of an experiment (Metsämuuronen, 2006, p. 88). The aim of using this research method is to understand the actions and decisions of the Finnish fast-food chain companies for internationalization and to understand the causing challenges. Moreover, there are not that many objects to study since the amount of these types of Finnish fast-food chains that have started the internationalization process after 2009 is small. Therefore, it cannot be the quantitative research method because it requires a large and representative data sample

to be reliable. The qualitative research method does not aim to make statistical generalizations but to understand or interpret the target phenomenon.

The qualitative research method type is decided depending on the objectives of the research. As the internationalization process is a bit different in different companies, especially when they aim for different markets compared to each other, the quantitative method will not give a deep understanding in each case. Therefore, the interview method from qualitative research is considered to be the most suitable for the objectives of this study. The interview method is considered the best option due to its flexibility where the answers available could be requested to be clarified and deepened (Hirsjärvi et al., 2006, p. 88). Moreover, the aim of the interviews is to cover the topic as comprehensively as possible, and the survey alone could not have provided an opportunity to take the research in the most relevant direction. The experiences of the target companies are assumed to differ to such an extent that the answers focused on different parties.

The interview forms of the qualitative research method are a form interview, a thematic interview and an open interview, which can be carried out both as individual interviews and as group interviews, depending on the goal (Vilkka, 2005, p. 100–101). Regardless of these types, it is possible to combine these interview methods as a combination or alternatively, depending on the research problem and resources. (Tuomi & Sarajärvi, 2002, p. 73) The chosen type of interview for the research is a semi-structured thematic interview which is conducted as an individual interview. In the thematic interview, it is typical that the topics of the interview are known, but the order and exact form of the questions are not predetermined (Hirsjärvi & Hurme, 2008, p. 47-48; Kananen, 2008, p. 73). Since the internationalization process is very different and depends on what is the situation and where is the company aiming, the individual interview is a natural choice. Also, as the target companies' internationalization process is relatively young, the founders or top management are considered to be the right people to answer the questions about the international development and strategic choices of the companies. In addition, there is a questionnaire supporting the thematic interview (Appendix 1). This method is

considered suitable for the study, as the questionnaire is used to collect the body of the research topic, which is then deepened with the interview method. The purpose of the questionnaire is to find out more effectively the current state of the company's international operations and to facilitate comparisons between companies.

3.2 Data collections

The aim of the research is to understand and map the reasons through the actions and decisions of the Finnish fast-food chain companies for internationalization and to understand the causing challenges to the internationalization process. Therefore, the thematic questions are grouped in a semi-structured form into three themes, which include sub-questions (Appendix 1). The forms of the questions are derived from the research problems as well as from the summary of the theoretical framework. The main three themes are the following:

1. Beginning of the internationalization process
2. Development of the internationalization
3. Challenges, promoters and success factors identified in the company's internationalization process

The questionnaire has more detailed questions related to these themes so that they could be studied from a deeper level. From the literature perspective, the questions are more detailed through the lens of dynamic capabilities. First, the questions focus on the aspects that increased the internationalization process. Then the focus is on the aspects that have created issues and challenges after going to the targeted market. In the end, the questionnaire is considered to be successful in supporting the interview. It provided a quick overview of the current situation of international business and provided insights into potential challenges along the internationalization process. The form also facilitated the comparison of companies at a later analysis stage.

The target companies of the study are selected through searching the Google and own knowledge. The aim was to find Finnish fast-food chain companies who have been established in Finland after 2009, have spread the business around quickly and have started the internationalization to other markets than domestic. As the timeframe and industry were small, it was clear from the beginning that the amount of the targeted companies would be small. However, some of the companies had an experience with more than one internationalization process. This gave more perspective on different kinds of markets and internationalization processes. Moreover, the market was narrowed to the European market.

After choosing potential companies, the interviewer called by telephone the top management of the potential companies. Even though the top management was busy, they were happy to be a part of the study and accepted the interview. Therefore, this research got four different persons from four different Finnish foodservice companies. Three of the interviews were conducted through Google meet, and one of them was performed in a face-to-face meeting. The length of the interviews was from half an hour to one hour depending on the stories and the top management's time limits.

In the interview, permission to record the meeting was asked from every interviewee. Recording released time from the writing the notes down. This enabled the researcher to listen, discuss and observe the interviewee's behaviour. The interviews were transcribed shortly after the meetings so that the actual interview situation was still recent in the researcher's memory. This proved to be a wise choice because while doing the transcribing, there were already some conclusions that could be noted for later analysis. Overall, the recording went smoothly without any significant interruptions or disruptions.

3.3 Data Analysis

The most important phase of the research is the analysis of the collected data as well as the interpretation and conclusions. This was the aim at the beginning of the study, as the

analysis phase provides the researcher with an answer to the research problem. However, it may turn out that the researcher could notice in the analysis that the problem should have been set differently. The layout and the objectives of the research decide largely how the material should be handled and interpreted. (Hirsjärvi et al., 2006, p. 209) While transcribing the data of this research, it was notable that there could have been many other interesting perspectives to study the research objective.

In the qualitative research method, the data collection and analysis often take place simultaneously. The analysis of the data combines the analysis and synthesis of the data. In the analysis, the data will be broken down. In contrast, the synthesis seeks to provide an overall picture to present the phenomenon under study from a new perspective. (Hirsjärvi & Hurme, 2008, p. 143; Metsämuuronen, 2006, p. 122) Furthermore, at the stage of analysis and presentation of the results, the reader of the study should be convinced of the significance and interest of the views and classifications generated by the analysis and interpretation. (Hirsjärvi et al., 2006, p. 249)

According to Eskola and Suoranta (2008), the research analysis can be divided into three categories which are data-driven, theory-based and theory-driven analysis. Therefore, in qualitative research, the importance of theory and the theory is emphasized. In the data-driven analysis, the purpose is to create a theoretical whole from the research material. Theory-based analysis on the other hand can be used to solve the problems of data-driven analysis. This analysis includes theoretical connections that are not directly based on theory. However, the theory can help progress the analysis. In this analysis, it is possible to identify the effect of previous knowledge, although it does not test the theory, but enables new ways of thinking. The third, theory-driven analysis is more a traditional model that relies on a particular theory or model. For the study, there is a chosen model which is used as a base for the main concept of the study. In this analysis, the research is guided by existing previous information. The idea of this analysis is to test previous knowledge in a new context. (Tuomi & Sarajärvi, 2009, p. 97-100)

This research used a theory-based analysis. The data is analysed through the framework of the dynamic capabilities where the internationalization process is analysed through the stages of sensing, seizing and transforming. In order to understand these stages, the research uses the perspective of the business aspects which are the market evaluation, operating model, financial and human capital, and business environment (PwC, 2022). Furthermore, in the data analysis, the data is compared to the theory and the similarities are taken into the consideration for the conclusion and discussion.

3.4 Validity and reliability

Validity and reliability are key perspectives for evaluating research. In qualitative research, reliability and validity have been interpreted in many different ways. They are often easily linked to quantitative studies which should be avoided. The way quantitative research defines reliability and validity is not suitable for qualitative research. Assessing the reliability of a study is based more on assessing the reliability of the research process in qualitative research. (Kananen, 2008, p. 124)

Moreover, in assessing the reliability of the research, it is assessed whether the researcher has made the correct conclusions from the data and whether there is enough evidence to support the conclusions (Eriksson & Kovalainen, 2008, p. 292). In order to assess the reliability of the research, the researcher must make visible to the reader the following points: what was studied in the research, why it was important to study this topic, how the research was carried out and how the material was analysed (Tuomi & Sarajärvi, 2009, p. 140-141). However, there are some issues in assessing the reliability of qualitative research. The material collected in the qualitative research is usually constructed through social interaction. This means that there is no single objective truth about things. (Tuomi & Sarajärvi, 2009, p. 136) Therefore, there have been developed own reliability indicators for the qualitative research, which are specifically suited to the characteristics of the research. The metrics are for example credibility, portability, assessment of certainty, and permanence. (Licoln & Guba, 1985, p. 298-301)

The reliability of this research was attempted to improve from the perspective of these qualitative research metrics. However, this research has its limitations because the qualitative data can offer a deep understanding of the challenges and reasons in the internationalization process, but it might not be able to create generalized findings. Therefore, because of the limitation of the approach, the findings might not be generalized to apply to all Finnish fast-food chains, and the research cannot be evaluated truly through the qualitative research metrics. On the other hand, even though there were only four companies to interview, there were seven internationalization reviews to analysed. The amount and quality of the reviews increased the reliability and validity of the research.

Furthermore, validity refers to whether the findings are accurate to the truth and how they are explained (Saunders et al., 2009). The validity means in qualitative research whether the data collected is sufficiently truthful in the opinion of the participants of the study and whether the researcher's interpretations are consistent with the answers given by the subjects (Gabriel, 1990, p. 515–516; Hirsjärvi, et al., 2006, p. 189). However, there can be threats to the validity of the research. They can be for example events in the operational history of the object of the study and disregarding them, also disregards for the testing conditions, and exclusion of the study participants. (Saunders et al., 2009)

In this research, the validity was improved by allowing the interviewees to freely express their views on the themes of the study without directing the interview in the direction that the interviewer would have wanted. The interviewees were also given the opportunity to talk extensively about their business and internationalization process, even if the discussion deviated a bit from the themes. This ensured that the interviewer understood the motives and actions that shaped the company's business. Also, validity was sought through the method of analysis. The interviews were transcribed, which allows the material to be evaluated by third parties.

4 Findings

This chapter will open the findings of the empirical research. The interviews are based on the three main themes. The first theme focuses on the beginning of the internationalization process, finding the reasons for internationalization. The second theme is the development of internationalization. The findings focus on the dynamic capabilities in the internationalization process. The third theme focus on the challenges, promoters and success factors identified in the company's internationalization process.

Since the research is qualitative, there are not many interviews as compared to quantitative research. This study interviewed four companies from the Finnish fast-food chain segment which were established after 2009. However, some of the companies had an experience with more than one internationalization process. Therefore, this research will analyse seven internationalization stories. The aim was to interview the people who have been in the internationalization process. Therefore, the interviews had the founder or/and the CEO of the companies since they have been involved with the top management.

The market for the internationalization process was narrowed to the European market. The Finnish companies often tend to internationalize to a neighbour or close-by countries because they assume or feel like they know enough about the market and customers (Rikama, 2017). Some of the interviewed companies also aimed at the neighbouring countries in the Nordic. The companies had internationalized to Sweden, Estonia, Norway, Denmark, Germany, the United Kingdom and Spain. The interviews included successful and unsuccessful internationalization processes which will be discussed in this chapter. In addition, the following table 4 presents the summary of the internationalization processes by countries which will be analysed more widely in the following paragraphs in this chapter.

Table 4 Summary of the internationalization processes by countries.

Country	Short introduction	Market evaluation	Operating model	Financial and human capital	Business environment
Spain	Entrepreneurship, business closed	No deep market evaluation	Operating by itself and top management located in Finland	Funding by itself, hired local country manager	Internal challenge: personnel / work culture External challenge: not enough demand
Sweden	1. Entrepreneurship, business still going-on 2. Franchising, business closed	1. Deep market evaluation 2. No deep market evaluation	1. Operating by itself and top management located in Finland 2. Operating by local partner	1. Funding by itself and other financial entities, hired local country manager 2. Funding by local operator	1. Internal challenge: personnel 1. External challenge: competition and locations, pandemic 2. External challenge: pandemic
Estonia	Franchising, business closed	No deep market evaluation because of a local operator	Operating by local partner / franchising model, yet top management located in Finland	N/A	Internal challenge: pricing and product size External challenge: pandemic
Norway	Entrepreneurship, business still going-on	Deep market evaluation	Operating by itself and top management located in Finland	Funding mainly by itself, hired a country manager from Finland	Internal challenge: personnel / work culture External challenge: legislation, marketing, location and pandemic
Denmark	Entrepreneurship, business closed	No deep market evaluation	Operating by itself and top management located in Finland	Funding by itself, hired local restaurant manager	Internal challenge: personnel External challenge: location
Germany	Entrepreneurship, business closed	No deep market evaluation	Operating by itself and top management located in Finland	Funding by itself, hired local restaurant manager	Internal challenge: personnel External challenge: legislation and pandemic
United Kingdom	Joint venture, business still going-on	Deep market evaluation by outsourcing the process	Joint venture	Local team funding and operating	N/A

4.1 Reasons for internationalization

There are many different reasons for the Finnish fast-food chains to start the internationalization process. The targeted market had an influence on the reasons to internationalize. However, the main reason which was similar to all the companies was the desire to increase the company's profitability and growth.

In the Spanish market, the reasons that lead company 1 to start the international business there were their knowledge of the market and their good network. The founders

“We saw a good potential market without competition and we already had local contacts on the market, so we wanted to try”

- Company 1

of Company 1 had lived in the targeted potential city and they noted that there is a market potential for their product since there was no competition with the same product that they wanted to offer. The blue ocean was tempting. Moreover, they had a good local

network on the market. They said that the network is a key factor in the internationalization process.

In the Nordics, the Swedish market tempted company 1 because of the location, network and the well-prepared analysis beforehand. Company 1 made a field analysis themselves. In addition, a funding company that joined the business provided market analysis for company 1. Moreover, company 4 was also interested in the Swedish market because

“We made a lot of groundwork beforehand such as the field and the market analysis. This internationalization process was well-prepared compared to the Spanish process.” – Company 1

they believed strongly in their product and concept. However, they did not do a deep investigation beforehand because there was a local operator who wanted to use company 4's concept, and therefore they did all the background studies. This partner took care of the research and opening because they knew the market, legislation and the wholesale of the Swedish market.

Company 4 also opened businesses in the Estonian market. These were operated as a franchising business. However, the operative management was in Finland, and therefore the businesses in Estonia were seen to be part of the Finnish business.

From the Nordic market options, Norway tempted the company 2. The decision to aim for the international market rose after doing almost a decade well in the domestic market. They were tempted to grow and try the concept abroad. The internationalization process was made very carefully, and the planning took years. They made very deep thorough background research before choosing and entering the market. For example, they did a deep market and risk analysis. While they searched for international options, the company also analysed the domestic options to make sure that they would not be blindsided by the options. After the company had narrowed the top three options, they

dismount the markets and searched for local agents in different markets who could help them to establish the business there. These agents introduced their local market. Company 2 decided to choose Norway because they wanted a market that is culturally close to the Finnish market.

“We wanted to grow and take our concept abroad after doing well in Finland. We felt like home in Norway, there was something special and inspiring.”

- Company 2

Furthermore, Company 3 was tempted by the Danish market because they found a good location from the main street and they felt that their business concept is missing from the targeted market. Instead of fast-food or fine dining, they wanted to bring casual dining to the market.

“We wanted to go over the borders because wanted to be a concept. Moreover, we felt that the concept of casual dining was lacking from the market, especially from the European market.” – Company 3

Company 3 did not do a deep analysis of the market beforehand. However, they did do an analysis of similar products in different markets. For example, they noted that the saturation point was reached in the English market. In the end, they were considering the Swedish or Danish market. After finding the right business premise, they decided to go for the Danish market.

After starting the internationalization process in Denmark, the German market interested the company 3. They looked for the right premise from different German cities. Then, they decided to focus on North Germany because it could behave similarly to the Nordic market. The decision to go for the German market was similar to the Danish market. The company wanted to bring casual dining to the targeted market that was lack of it. Moreover, they saw big possibilities for growth.

“We saw big opportunities and seam in the market.” – Company 3

Company 4 believed strongly in their unique product and concept and therefore wanted to try their concept abroad and chose the United Kingdom. The company outsourced the data acquisition. They hired consultants to do thorough background research for example for finding locations, premises and accounting options. The process took a half year to a year before they could open the business in the United Kingdom.

“We wanted to try our concept abroad” – Company 4

According to Lindfelt (2022), Albaum and Duerr (2011) there are many reasons to internationalize, but the main reason is the desire to secure the company's profitability and growth. That was also acknowledged through the interviews with these Finnish companies. There are two types of reasons to internationalize, and they are reactive and proactive. The interviewed Finnish companies had more proactive reasons for starting the internationalization process. In the proactive approach, the company chooses and desires to go for the international market. In this approach, the company is more marketing-oriented, and the proactive motives influence the market selection. (Czinkota 2005; Albaum & Duerr 2011; Hollensen 2020)

Table 5 Proactive and reactive reasons for internationalization from empirical data.

Proactive reasons	Reactive reasons
<ul style="list-style-type: none"> • Desire for growth (4)* • Opportunity to make profit (3) • Having unique product/concept (4) • Great location options (3) 	<ul style="list-style-type: none"> • Competitive pressures (2) • Matured domestic market (2)

*the numbers represent the amount of the companies facing these reasons

The main reasons for starting Finnish companies' internationalization process were the market potential and the aim for profitability growth. As there can be seen from table 5 that the proactive reasons to internationalize have been related to the desire for growth and opportunities to make a profit. Especially, the companies desired to try their business concept outside the domestic market with very potential targeted markets.

4.2 Internationalization process

The Internationalization process can be analysed from different perspectives. For example, the PESTEL analysis has six different perspectives which are political, economic, social, technological, environmental and legal (Brennan, 2014, p. 44-46). When analysing the internationalization process, these perspectives can be divided into four categories. The first one is a market evaluation which can be analysed from the perspective of the technological and environmental. The second category is the operating model which holds the perspective of economic and social. Through these operating model elements, the company analyses for example its processes, locations, organization brand, the employees, decision-making methods and software applications. (Hollensen, 2004, p. 272; De Vries et al., p. 2011) Also, the financial and human capital analysed through the perspectives of economic and social. However, the finance and human capital focus more on acquiring talents, developing partnerships, securing financial support, and appreciating the cultural nuances (PwC, 2022). The fourth category is the business environment which analysed from the perspective of political and legal perspectives. The company needs to acknowledge the targeted territory's complex laws, regulations, political and economic stability (PwC, 2022).

In the Spanish market, company 1 did not do a deep market evaluation. The founders were living in the targeted market for a while, and they had a good network who helped them in the process. Therefore, they started the internationalization process quite early. However, they did use quite some time to choose the right location for them because they saw that the location is the key to their success. The company believed in their products because it was unique and there was no competition, so they saw good market

potential. From the operating model perspective, company 1 decided to operate itself and have the top management linked to the Finnish business. Therefore, this experience was very entrepreneur-driven. Moreover, from the financial capital perspective, the funding came from the company itself. From the human capital perspective, company 1 hired a country manager to take care of the business in Spain more carefully. Company 1 noted that the work culture was dramatically different compared to the Finnish working culture. For example, the employees sometimes did not show up to work or the agreed decisions were changed over the night or the last meeting. Therefore, the employees' commitment was a challenge to the company 1. Furthermore, from the business environment perspective, the legislation was very different compared to the Finnish legislation and created more work for company 1.

In the Swedish market, company 1 made a deeper and larger market evaluation compared to their first internationalization process in the Spanish market. Company 1 made a field analysis themselves. Moreover, a funding company, which joined the business, provided market analysis for them. In this market, the location, funding and marketing were extremely important. The pricing was also challenging because the market price was higher in the Swedish market among the competitors than in the Finnish rivals' market. However, according to company 1, the Swedish people tend to consume more than people in the Finnish market. Therefore, there was still a good market potential. The Swedish market also attracted the company 4. In contrast to company 1, company 4 had a local operator who wanted to try the concept, so they did all the background work. The local operator took care of the market knowledge and the opening of the business. From the operating model perspective, company 1 established many stores and managed the operations from Finland. In contrast, the local partner of company 4 took care of opening the store. From the financial capital perspective, company 1 funds partly the business themselves and partly through the funding partner. Moreover, from the human capital perspective, company 1 had the country manager taking care of the employees in Sweden. They had meetings weekly with the top management in Finland.

In the Estonian market, company 4 also had a local operator who wanted to try their concept. Therefore, the company did not do a deep market evaluation. They assumed that the local operator knew what they were doing. From the operating model perspective, this internationalization business was done through franchising. The local operator opened the stores and used the same pricing for the products as in other Finnish stores. From the human capital perspective, the employees were diverse from different nationalities, so they did not have cultural challenges. Moreover, the operative management was in Finland, so the Estonian business was closely part of the Finnish business. From a business environment perspective, it was expensive to get the supplies and arrange the logistics because the raw material could not be bought in a huge amount as in the Finnish market.

In the Norwegian market, company 2 made a deep and careful market evaluation beforehand. The process took years from them. Company 2 made a deep market and risk analysis of domestic and international locations. After deciding the market and location, they had local agents helping them to establish the business there. From the ingredient perspective, Norway was an ideal location for getting sustainably one of their main ingredients. The pricing perspective on the other hand was more difficult since the Norwegian market is around one-third more expensive than the Finnish market. Company 2 wanted to set the pricing to be somewhere between the medium to high price.

From the operating model perspective, when company 2 decided to internationalize, they started to focus on clearing up their business concept. For example, they cleared up what type of company they are, what kind of locations they would aim for, what values would drive the business and what kind of design would they like the premises to be. Company 2 also listened to what expectations the market could have from their products. The Norway market tends to appreciate the quality. From the financial capital perspective, the funding was mainly from their own. However, they did get a bit of funding from the BusinessFinland which helped company 2 to do the market analysis. From the business environment perspective, the legislation is stricter than in Finland. For example, alcohol was not allowed to show anywhere. Practically they could not offer alcohol.

From the human capital perspective, company 2 did not have networks beforehand. They actively created afterward. They met local entrepreneurs and networked with other quality restaurants and drink places. They also networked with one of the partners and their networks regarding distributions on the location. At first, they wanted to hire strong a strong restaurant manager who could bring his/her own network to the business. However, this did not work well because he/she did not understand the company's culture. Therefore, company 2 brought the restaurant manager from Finland. The working culture in Norway was very different from the Finnish working culture. The tempo of taking things forward was very slow. The employees were less productive than Finnish employees and they did not understand the concept of a deadline. One important network was having influencer marketers who believe in their business and have similar values. Company 2 did not pay them, but they bond through lunch moments together and sometimes the company creates for example events for influencer marketers to meet each other.

In the Danish market, company 3 did not do a deep market evaluation. However, they did compare different market options before choosing the Danish market. They also did investigate the competitors' situations. After deciding on the market, they found the premise on the main street. Furthermore, company 3 did not have challenges with pricing and logistics since the targeted country was the wholesale networks country. From the operating model perspective, the operative management and marketing were made in Finland. The company did establish a store and hire a restaurant manager. From the financial capital perspective, the operations were funded by company 3. They did not have business angels or funding partners. Moreover, from the human capital perspective, the working culture was similar to Finland. The employees took responsibility and did their work well.

Furthermore, company 3 was interested in the German market. They did not do a deep market evaluation on this market either. Nevertheless, they did investigate different locations in Germany before deciding to choose the north because the culture is similar to

the Finnish culture. Moreover, they did not note any problem with the pricing and logistics since German was a good wholesale network country. From the operating model perspective, the company found the premise from a shopping mall. They also decided that their company will not sell alcohol because of the chosen customer segment. From the financial capital perspective, the company got funding from a business partner. From the human capital perspective, it was difficult to find good employees because the locals did not know of the company beforehand to be able to attract the good applicants. Company 3 kept the operative management in Finland but hired a local restaurant manager. They had good networking with the other restaurants and the management of the shopping mall. Moreover, from the business environment perspective, the German market was very bureaucratic. There were specific procedures for different processes and things that were slow and took a long time. Also, the documents and licenses were very precise.

In the British market, company 4 did a wide market evaluation beforehand. Thus, they did outsource the data acquisition. Company 4 hired consultants to take care of the background study. For example, the consultants helped with finding the premise, renting the premise and finding the right auditor. After around a year process, the company opened the restaurant in the targeted market. Even when the competition was hard in the market, the company wanted to test the concept there. From the operating perspective, the company chose the joint venture model. Company 4 created its own operative management and business for the market. They hired their own management and board of the company to have local competence to handle for example the law and regulations of the market. Moreover, from the financial perspective, the located business on the targeted market fund itself. From the human capital perspective, it was not hard to find employees because the business culture was diverse. The communication between the countries only happened between the top management.

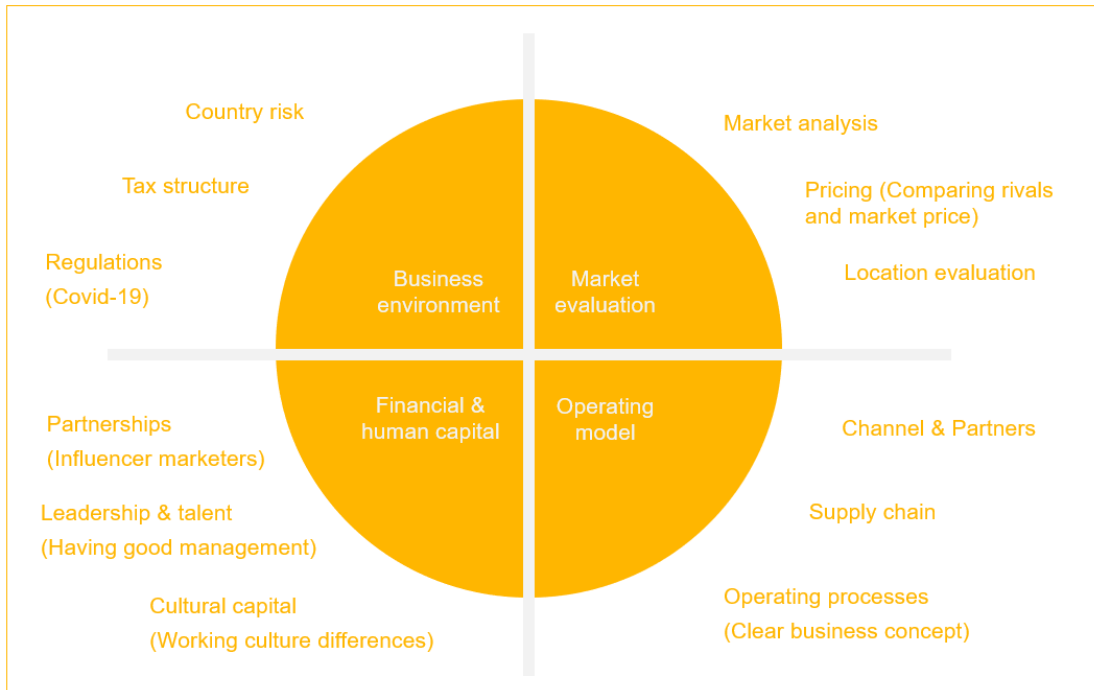


Figure 4 Business aspects for internationalization from the empirical data.

All in all, some of the internationalization processes were well planned and implemented, and some were less studied and more impulsive decisions to go see the market. As a result, the well-planned processes stayed or still are on the market. Nevertheless, it must be noted that the hard time of the Covid-19 pandemic did affect the continuity. In figure 4, the aspects that impacted the internationalization process for Finnish fast-food chains are collected from the empirical data.

4.3 Resources for internationalization

The company's dynamic capabilities are defined as the ability of a company to integrate, build, and transform the company's internal as well as external resources and capabilities to respond to a rapidly changing environment (Teece and Pisano, 1994; Eisenhardt and Martin, 2000; Helfat et al., 2007)

In the Spanish market, company 1 increased its marketing after its opening because the potential customers were not aware of them. For example, they did direct marketing, gave flyers and promotional products. Furthermore, in the Swedish market, company 1

noted after opening one store in a targeted market that no matter how large the population can be in the targeted location, there are some certain areas that do not have customers for their products. After struggling in the market like that, company 1 closed the store and focused on another location. In contrast, company 1 had a good symbiosis with another similar company. The companies increased each other's sales.

“Competition is not always bad. We had a similar business next to our business, but since the product was a bit different, next to each other, we could compete with other competitors.” – Company 3

In the Estonian market, the Covid-19 pandemic actually slowed down the business in a good way for the company 4. They got more time to focus on developing the business and the products. For example, they got time to develop the online store and reshape the products. Another reason for the company's idea to start the online store was because of the food delivery services like Wolt and Foodora. These companies charged on the pandemic time quite significant amounts from the sales which decrease the profits from the company.

In the Norwegian market, company 2 did a deep development of their business before going to the international market. They clear up the business concept, chose the design for the restaurants, decide on the business model they want to use, they also defined the company's values. After developing the business and having a clear vision of what they are aiming for, the company started the internationalization process. Company 2 opened a restaurant that served lunch and dinner. However, after the opening, they realized the locals tend to have a tradition to eat a quick sandwich lunch with their co-workers at the office and would not go out to eat. During the pandemic time, company 2 decided to change its opening hours for only evening dining. Moreover, from the personnel perspective, company 2 wanted to find a local restaurant manager who could bring their own network in the targeted market to the company's business. However,

they could not find a motivated restaurant manager who would understand their vision. The company ended up bringing its own management team from Finland.

In the Danish and German markets, company 3 realized afterward when the business was closed that they should have taken more actions in the management. The company had weekly meetings with the management of the targeted locations. However, this was not enough, because they could not see and manage the business remotely without enough correct information. They should have considered bringing the operative management from Finland more closely to the targeted locations.

4.4 Challenges after starting the internationalization process

After starting or even during the internationalization process, the companies can face internal and external challenges. The internal challenges can lay in employees' competencies, financing, logistics, location, support systems and pricing. On the other hand, the external challenges can relate to legislation, political situation and competition in the domestic or international market. (Vahvaselkä, 2009) Table 6 illustrates the main internal and external challenges based on the empirical data. In the following paragraphs, the challenges will be discussed more widely and more country specifically.

Table 6 Internal and external challenges in internationalization process.

Internal challenges	External challenges
<ul style="list-style-type: none"> • Location (2) • Bad management (3) • Unmotivated employees (3) • Different work culture (3) • Lack of assets (not enough funding for the business, marketing or influencer marketing) (2) 	<ul style="list-style-type: none"> • Unexpected consumer behavior (3) • Legislation (2) • Restrictions (4) • Turmoil (e.g. Covid-19 Pandemic) (4)

*the numbers represent the amount of the companies facing these challenges

The internal challenges in the Spanish market were related to the personnel. The work culture and employees' behaviour were very different compared to the Finnish work culture. For example, some employees did not value the work contract and its terms by not showing up to work, giving any explanations or answering the phone. Moreover, the management in Spain may change their head over a night from what was already agreed to. Therefore, it was challenging to get the personnel to commit to company 1 business. From the external challenges' perspective, the lack of market knowledge beforehand affected the business. Even though the product was promising in the market, it was too soon to open the store. The boom for the product came years later, and therefore after the challenging market without enough customers, company 1 closed the business in the Spanish market.

In the Swedish market, the internal challenge, in the beginning, was pricing. Company 1 felt that pricing was challenging because the market was more expensive among the competitors than in the Finnish market. It was also hard to commit the personnel to company 1 in the Swedish market. Other internal challenges were bad locations and lack of the right type of marketing for the targeted market. The external challenge on the other hand was strong competition. The competition on the market was high, but when choosing the right type of rival, you can live in symbiosis. For example, company 1 had a rival in a similar business area, but with a bit different kind of product. Next to each other, the companies increase each other's number of customers. However, even if there is no bad competition, the wrong location can be crucial with no customers at all. For example, even though company 1 found a great location and did a market analysis, they noted after the opening that the market did not have potential customers at all because the market area did not appreciate that kind of product at all. Moreover, in that kind of area, it was very difficult to find motivated employees in the company. Therefore, they closed the location very soon after the opening. Another challenge was the lack of the right type of marketing. In the Swedish market, influencer marketing is important. However, it is super expensive compared to the Finnish market. Marketing is very important also

because if the company falls from a trending position down, it is very hard to rise back on the market.

The covid-19 pandemic also affected externally to companies 1 and 4 on the Swedish market. The pandemic challenges the sales strongly because of all the restrictions and concerns related to finance and therefore people consumed less. Furthermore, when company 4 had to close the restaurant because of the pandemic restrictions, the company did not get any support package from the Swedish government because they were a new foreign company in the market without any data from previous years.

In the Estonian market, company 4 had internal challenges in pricing and product size. The menu had only small or large-size products and they did not have normal as medium-sized portions. Therefore, they could only get either a lot of sales from small size portions which are low-priced or then fewer sales from large size portions which are more expensive. Also, the pricing was generally higher than the market price because the local operator wanted to use the same pricing that was set for the products in the Finnish market. From the perspective of the external challenges, the Covid-19 pandemic affected strongly the business. The pandemic affected tourism which affected the sales. Also, the location of the shopping mall was not ideal during the pandemic time. However, company 4 was able to sell take-away through their website and food deliveries such as Wolt and Foodora. However, the food delivery companies charged quite significant amounts for the sales in Estonia and Finland. In the end, during the pandemic, the company ended its business in Estonia.

In the Norwegian market, company 2 faced internal challenges related to personnel and working culture. In the targeted market in Norway, the company noted that the restaurant business had a lot of restaurant employees from Sweden and East Europe because the locals did not want to work in that type of work. Unlike in Finland, the locals still work in the restaurant business. Therefore, it was challenging to find a local restaurant

manager who could bring their network in the targeted market to the company's business. The company ended up bringing its management team from Finland. Company 2 also noted on the market that the work culture was very different compared to the Finnish work culture. People in the targeted Norwegian market worked very slowly, not effectively, and seems like they did not understand the concept of a deadline.

From the perspective of the external challenges in the Norwegian market, company 2 faced issues in legislation. The internal challenges on the other hand were related to marketing and location. Norway had very strict regulations. For example, alcohol could not be seen anywhere because alcohol should not be offered generally. This regulation regarding alcohol law affected the marketing of company 2 because the necessary word alcohol was blocked or entangled in the algorithm. Furthermore, during the covid-19 pandemic, the location cause issues because the premise was located in a business area and the regulations of the pandemic forced the customers to work remotely. Another challenge was that the company was not profitable at lunchtime because the locals tend to have a tradition to eat a quick sandwich lunch with their co-workers at the office. Therefore, company 2 changed its opening hours to be only an evening restaurant. The pandemic also affected the funding of the business. Since the company was new in the targeted market and did not have records of the previous years before the pandemic, the Norwegian government did not grant the pandemic support package. Therefore, the Finnish business supported the Norway operation throughout the pandemic.

In the Danish market, company 3 faced internal challenges in personnel and location. The operative management and marketing were in Finland and they hired a restaurant manager in Denmark for the targeted location. This causes issues in remote control because the communication and given informative were inadequate. Moreover, company 3 faced challenges in location because the main street was mainly for tourists. Therefore, it was hard to find local regular customers. In addition, the premise was hard to find because the location was on the second floor and the door was not so clear from the street. The repairing process took a year because the planning permission took a long

time. After realizing that the renovation took a lot of time and money, and the management did not work well, the company had to end the business in the targeted market.

Company 3 faced internal challenges in personnel also in the German market. The operative management was also continued from Finland and the restaurant manager was hired from Germany. The average age of the company's employees was around the twenties. Since they were a foreign company in the targeted market without a known name, it was hard to find good employees. The market was so-called the buyer's market where the applicant had the advantage of finding a better job. Another internal challenge was the lack of selling the alcohol. It would have increased the sales in Germany, especially when the alcohol would have fitted on the side of their products. Nevertheless, the company decided not to sell alcohol because of the chosen targeted customer segment. In contrast, from external challenges perspective, the bureaucratic was surprising. There were specific procedures for different processes and things that were slow and took a long time. Also, the documents and licenses were very precise. The covid-19 pandemic also affected strongly on the business because of the restrictions. The business was closed after the second wave.

4.5 Future aims

The companies gained many observations from the internationalization process. They can learn from them and develop for the future if or when they aim to re-enter the international market again. For example, when company 1 wants to return to the international market, they will consider a wider market analysis, especially on the potential customers' mutual interests and lifestyle habits. It would be important that people in the targeted area would share a mutual interest in a healthy lifestyle in order to gain regular customers who believe in the product. Also, they felt that networking is significantly important in the beginning, especially having local contacts.

"If I would open more places, I would start networking immediately,

getting a local contact to explore the market.” – Company 1

Company 2 on the other hand, will focus on potential locations. They aim for similar locations as they have found so far. Since they reshape and made their concept clearer before starting the internationalization process, they would like to continue the strategy that has been decided. They will continue to use internationalization to strengthen their local operations such as the image and organization.

“We will continue focusing on the capitals.” – Company 2

Company 3 will also focus on strengthening its business, but first on the local operation before considering returning to the international market. They learned from the previous internationalization processes that the domestic business must be strong before entering the international market unless the company has enormous assets.

“First we need to focus on making the domestic market strong to be able to have enough assets to aim to the international market again. Also, when we will internationalize, the management and the concept need to be well considered.” – Company 3

Furthermore, company 4 realized after trying the international market that they must change the style for entering the internationalization market. They would like to consider the franchising concept. Before starting that path, the company must make the concept clear and develop guidelines for training and the concept. In order to make the franchising process easy and clear, the concept must be internally clear and easy to copy.

“International business requires a well-planned business concept and instructions. In addition, the company needs to choose a business model for the targeted market.”

– Company 4

All in all, success in the international market demands a lot of resources, competencies, persistence, and risk-taking capacity from the company. When it is considering internationalization, the management of the company must carefully weigh the conditions and capabilities for internationalization and growth.

5 Analysis

This chapter analyses through the empirical study how the internationalization process happens and differs from the theory of the dynamic capabilities. The companies can internationalize through their dynamic capabilities in sensing, seizing and transforming phases. First, they sense opportunities and developments. Then, in the seizing stage, the business model can be designed and refined. Furthermore, in the transformation stage, the existing capabilities can be aligned or there can be an investment in the additional capabilities. (Teece, 2018) However, in this research, not every company operated its process through these stages. For example, the internationalization process in Spain and Denmark was not deeply analysed through these stages. In contrast, the processes in Sweden and Norway were operated through these stages. The difference between these internationalization processes was significant. The companies that did not take enough time and resources to investigate the internationalization process and do a clear concept and strategy beforehand, did not do well in the market as the result.

When the results are compared to the previous studies, it can be noted that there are still similarities in the history. According to Vahvaselkä (2009), the biggest challenge in launching the internationalization process is the lack of international experience and knowledge of the market. Therefore, gaining knowledge and networking beforehand can decrease the uncertainty of the foreign market. This theory turned out to be very accurate. Some of the companies in the study were not aware enough of the foreign market before entering the process. This is caused by poor market evaluation because choosing a good location based on own impressions, competition, population and tourism is not enough. For example, company 3 saw potential locations based on the number of visitors in the locations and potential customers believing their products in the targeted market in Denmark and Germany. Also, company 1 made a similar analysis in one of the Swedish targeted locations. These companies did not study the population or the potential customers' behaviour which turned out to be critical in these targeted locations. The targeted big cities in Denmark and Germany were filled with tourists and the locals did not spend much of their spare time in the afternoons in these locations. Therefore, it was

hard to gain regular customers. In contrast, company 1 did not succeed in one of its targeted locations because, despite a good amount of population and no competition, they did not realize before entering the market that the population do not share the same interests with the company and therefore did not buy the products.

Furthermore, to the people's behaviour in the targeted market, the companies should take advantage of that information in pricing their products. For example, the raw materials and the price level are more expensive in Norway than in Finland. Therefore, it can be acknowledged that the price is always anchored according to the target market and not the domestic market prices. For example, the consumption and price level in Sweden are also higher than in Finland. Therefore, the companies could consider higher prices to be compatible in the market.

From the operating model perspective, it is important to outline the business model and think of the operating processes and the networks such as the partners, channels and supply chain (PwC 2022). In addition, according to the previous studies, the right connections and partnerships are valuable and needed in the new foreign market from the beginning of the internationalization process (Palomäki et al., 2017; Rikama, 2017). In the research, the companies acknowledge the importance of the network beforehand. For example, company 1 had a network in the Spanish targeted market that help them to establish the business there. Furthermore, in the Swedish market, they had funds and experts who had the experience internationalization process in the Swedish market helping them to establish the business in the targeted market. However, not all of them had a good network gained in the targeted market before entering the business. For example, companies 4 and 2 started to build their network during the internationalization process and afterward. Company 2 networked for example with local entrepreneurs and influencer marketers.

In addition to the network, it is important in the beginning to know what type of business model and concept the company wants to use. When the company knows clearly what

they do and want, it can be easier to find good and motivated employees. For example, remote leading can be challenging. Company 3 faced that in Danish and German locations. Hiring unmotivated managers led the business going in the wrong direction. After realizing that, the company used already too much time and money and it was not profitable to try to save the business in the targeted market anymore. Furthermore, company 2 faced challenges in legislation because the founders were not locals in the targeted market and that affected the signing processes. However, in the end, they did overcome the challenges by going there personally.

Moreover, when considering different business models, the company should consider also different business options. The same domestic business model may not work or will be more costly if it is not prepared to change or integrate into the new market (Lindfelt, 2022). Therefore, instead of going to the targeted market as an entrepreneur, there are other types of business models such as joint venture and franchising which may be more suitable for the market. For example, company 3 realized after the unsuccessful internationalization processes that in the future when they aim for the new locations again, they will consider franchising their concept. Thus, they can find more motivated people and they have to lead less in the operation.

Choosing the right business model is important because it has an effect on the financial and human capital perspective. The companies should consider where the funding for the business comes from. Do they need business angels, private equity partners or should they perhaps consider joint venturing or franchising the business? According to Zucchella & Siano (2014), the lack of money can affect the success of the company and its ability to internationalize. However, small companies can succeed alongside large companies, if they have a unique service, product, or idea. Company 1 had a similar situation in the Swedish market. They had a competitor in a similar business area, but with a bit different kind of product. Alongside, instead of stealing, the companies increased each other number of customers.

According to Vahvaselkä (2009), internationalization challenges can be the unknown brand name of the company, tough competition, lack of resources and employees' insufficient skills. Companies may face these challenges when searching for motivated talents. For example, the unknown brand name in the targeted location created some challenges to find the right employees for company 3. In contrast, it can be difficult for the companies to do a background check on the applicants to understand them better and make sure that they would be suitable for the company's business. Having the right people working and ensuring the eligibility of persons who would be in the management positions are significantly important because otherwise, they can slow down the establishment or be costly (Lindfelt, 2022). For example, company 3 faced these kinds of issues in the Danish market.

From the business environment perspective when the company wants to enter a new foreign environment, it should acknowledge the targeted territory's complex laws, regulations, political and economic stability. In addition, it should consider strategic risks, institutional landscapes, regulations and tax structures. (PwC, 2022) For example, company 2 faced legislation challenges in Norway because the founders were not locals in the targeted market and that affected the signing processes. Furthermore, company 3 faced challenges and time delays when applying for the planning permission.

In conclusion, after analysing the companies through market evaluation, operating model, financial and human capital, and business environment perspective, there are some points in sensing, seizing and transforming the dynamic capabilities that could be acknowledged for the internationalization process. In the sensing stage, the possible opportunities are identified (figure 5). For example, product development, management development and production possibilities can be identified. Company 3 identified that their product sizes could need development for wider options. However, this was noted after the international experience. Moreover, company 3 identified that remote operating management was not effective and could need some improvement.

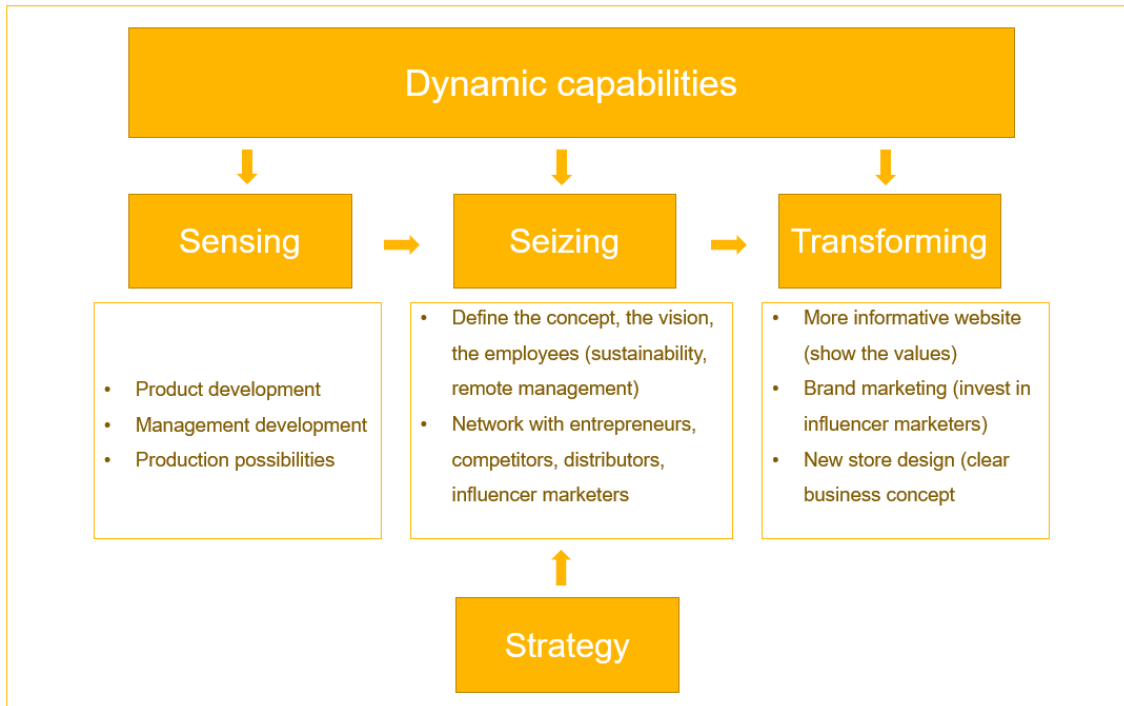


Figure 5. framework of dynamic capabilities for Finnish food-chain.

In the seizing stage, the company design and refine the business model (figure 5). The company needs to define its concept, vision and management. For example, they can define what are the company's values or what is the management style. Having a clear vision and strategy, the business is easier to shape and manage. Moreover, the company should consider where they can gain and what kind of network they should have. It would be wise to acknowledge the other entrepreneurs, competitors, distributors and potential influencer marketers from the targeted location.

In the last stage, which is transforming, the company realigns the structure and culture (figure 5). To be able to make a transparent business, the company can make the concept and company's value clear for the potential customers on the website and local store perspective. In addition, if the company wants its brand to be known, it must invest in brand marketing. For example, they can invest in social media or influencer marketers. Furthermore, when reshaping the business model for a chain business, the company should consider how to make their concept clear and easy to copy for example as a franchising business.

6 Conclusions

This chapter will summarize the findings of the research and then answers the research problem. It will define the aspects of internationalization when a Finnish fast-food chain considers going into the international market. It will also define the common challenges in the internationalization process that the companies are facing. Furthermore, the chapter will go through theoretical and managerial implications. In the end, there are some suggestions for future research.

6.1 Conclusions of the research findings

The theoretical framework developed for the study served as an approach to the phenomenon under study. However, the purpose was not to tie the research too much to the theoretical framework, but rather to have it as a basis for the research and a forum for discussion between theory and empiricism. The aim of the study was to create an open and active discussion between theory and data, without either binding too much on the other. This enabled new perspectives on the phenomenon and new solutions to practical business problems were sought. Looking at the theoretical framework and the research results, it can be said that the framework has worked well.

This study is conducted to find out the key factors for starting and maintaining the internationalization process of Finnish fast-food chains. The main research findings can be analysed through three main themes which are the beginning of the internationalization process, the development of internationalization, and the challenges and success factors identified in the company's internationalization process. At the beginning of the internationalization process, the companies that did not take enough time and resources to investigate the internationalization process and do a clear concept and strategy beforehand did not do well in the market as the result. Therefore, it turned out to be significantly important to have a deep market evaluation analysed beforehand. Regarding the beginning and development of the internationalization process, it is important to have a clear concept and strategy beforehand in the operating model. The clear operating

model will be easier for management and to find employees who share the same value and motivation. In addition, when considering different business models, the company should consider also different business options. There are different types of business models such as being an entrepreneur, doing joint ventures or franchising. Moreover, in the development of the internationalization theme, another main finding is that the network is an important part of the internationalization process. The Finnish fast-food chain companies should network for example with different partners such as the local entrepreneurs, experts, influencer marketers, or other possible stakeholders.

The main internationalization challenges in the empirical data were related to operation management, employees, consumption behaviour and legislation. Remote management can be difficult, especially if the company does not have motivated restaurant managers or employees. Also, when the top management is not in the targeted location, the company may face legislation difficulties. Therefore, before entering the foreign market, the company should acknowledge the targeted territory's complex laws, regulations, and political and economic stability. However, in order to avoid the management issues, the company should consider having one of the leaders living in the targeted market for the establishment phase. Also, one of the significant factors that influenced the business was people's consuming behaviour. Therefore, having a founder or leader from the domestic market integrate into the targeted market can increase the environmental awareness of possible challenges and find the right employees that share the same values as the company.

After summarising the findings of the empirical study, the conclusions can be used for answering the research objective. However, to be able to answer the research objective of the key factors that start and maintain the internationalization process of Finnish fast-food chains, the aspects of internationalization must be defined. There were many similarities between the theoretical framework and the research results. The similarities were able to be analysed through the market evaluation, operating model, financial and

human capital and the business environment. These were the key aspects that have a huge impact on the internationalization process.

From the market evaluation aspect, the internationalization process needs a deep market analysis where the company can investigate locations, competitors and people's consumption behaviour. It would also be important to go visit the targeted market and the location. Furthermore, from the operating model perspective, a clear and transparent business model will make the management and finding the right motivated employees easier. The company needs to think about how the communication will flow between different locations from the top management level. If the communication in the management is not working, it will have an influence on the internationalization process. From the financial and human capital perspective, the company needs to understand that the international business will need a lot of funding, especially marketing will need investments. Also, the company should acknowledge the working culture and consumer behaviour of the targeted locations. The last key factor is to understand and acknowledge the legislation of the targeted market.

The challenges at the moment have been the impacts of the Covid-19 pandemic which has lasted over two years. The pandemic has been affecting the companies with different restrictions which have influenced the opening hours, customer amounts and consumption behaviour. These rapidly changing restrictions and uncertain future prospects make the companies focus on the current business and postpone or stop the ideas of possible internationalization. Before the pandemic, the challenges for starting the internationalization process had been related more to the unknown market and lack of funding or other management resources.

In conclusion, the research results can be considered consistent with the theoretical framework set for them. The research results can be considered a reliable perspective that can be used for the company's internationalization process. The methods used in the study can be considered transparent, reliable and consistent.

6.2 Theoretical implications

The service sector in general and from the Finnish service sector have been variously studied (Castaño et al., 2016; Kananen, 2010; Luukanen, 2004; Hintsala & ammattikorkeakoulu, 2016). However, there are no wide researches from the perspective of the food-service sector. Therefore, this study adds value to the food-service perspective. This study provides insights into the internationalization process of the food chain sector.

The research strengthened some similar findings as to the previous studies. In the internationalization process of the service sector can be challenges such as the unknown brand name of the company, tough competition, lack of resources and employees' insufficient skills (Chin & Rowley, 2018; Vahvaselkä, 2009). Companies may face these challenges when searching for motivated talents. Another accurate finding is related to business models. The same domestic business model may not work or will be more costly if it is not prepared to change or integrate into the new market (Kalinic et al., 2014; Lindfelt, 2022). For example, pricing and customers' behaviour in the targeted market can vary from the domestic market.

On the other hand, the study also challenges the previous studies. Many researchers defined the dynamic capabilities to be the ability of a company to integrate, build, and transform the company's internal as well as external resources and capabilities to respond to a rapidly changing environment (Teece and Pisano, 1994; Eisenhardt and Martin, 2000; Helfat et al., 2007). According to Teece (2018), the companies can internationalize through their dynamic capabilities in sensing, seizing and transforming phases. First, they sense opportunities and developments, then they designed and refined the business model, and in the transformation stage, the existing capabilities can be aligned or there can be an investment in the additional capabilities. This research pointed out that not all the companies operate the internationalization process through these stages. The instant response to the rapidly changing environment can be very difficult and challenging.

6.3 Managerial implications

In conclusion from this study, the main challenges in the internationalization process of the Finnish fast-food chains lay in the poor market evaluation beforehand and the chosen management model. However, in some locations, the consumption behaviour had a significant impact on the business which was hard to acknowledge beforehand. The following recommendations are developing ideas for taking the business concept abroad. These are good to be considered before starting to internationalize.

The first managerial implication is that the company should spend enough time on the market evaluation before starting to internationalize. It is important to investigate the locations, competitors, how the market works and behaves, employees and legislations of the targeted country. It should be acknowledged that even when the main tourist street can seem to be the perfect location, it may have the challenge to get regular customers.

The second managerial implication is that the company should deliberate different business model choices and find the suitable one for their business. They can, for example, choose to be entrepreneurs, joint ventures or franchising. Furthermore, the company should take time and make its concept, values and strategy clear. It would be wise to think these through and have the concept ready to be copied internally. This will also enable finding motivated employees that share the same values with the company. Moreover, the company should decide on its operating model beforehand. If they choose to do remote management, then they should think of practical steps on how the communication will flow to operation. They should also investigate what legislation effects there are if the top management is not in the targeted country. In contrast, if they choose to operate locally in the targeted market, they should consider how to manage the employees in the targeted market. The working habits and cultural differences can have a significant impact on the management.

The third managerial implication after the internationalization process is to consider how to react to the rapidly changing environment. For example, the Covid-19 pandemic taught that when the stores are forced to be closed or they are only allowed to sell take-away food because of the restrictions, the companies had to do developments. Some companies developed their online store, mobile apps and delivery systems. Another example is that the opening hours can be considered to change if the people in the targeted market do not eat lunch in restaurants like in Norway or it is hard to get local customers in the targeted location like in Germany. The opening hours can be considered to serve only at lunchtime or dinner time.

6.4 Suggestions for the future research

Further research is needed for understanding the needed capabilities for the internationalization process and to confront challenges in different markets. The internationalization process is possible to be investigated through four perspectives which are the market evaluation, operating model, financial and human capital and business environment. However, it must be acknowledged that there is no one right path to internationalizing. Dissimilar companies find themselves in very various situations in different locations and markets. Nevertheless, in the internationalization process, the companies are able to develop themselves and their operations in order to make internationalization as successful as possible.

From the empirical study perspective, there are two different suggestions for future research studies on the internationalization process of the Finnish fast-food chain topic. The first suggestion is related to the amount of the research data. Even though this research was able to analyse seven different markets, the interviews were only made for four companies. For future research, the research data could be made with a higher number of companies. In addition, this research interviewed only one person from the top management of each of the companies. For future research, the interview could be made with more various people in the top management of each company. Therefore, due to the limited empirical data, the results cannot be generalized to the entire market

or considered as a general example of Finland. Moreover, the results cannot be generalized to other industries through the research.

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Appendices

Appendix 1. Interview questions

A semi-structured theme interview

Beginning of the internationalization process

- How do you feel about internationalization?
 - Would it be profitable for your company?
- Where has your company internationalized? / Have you considered internationalizing?
- How did the process start in your company?
- What were the reasons for internationalization?
- Opportunity, desire to grow, desire to acquire knowledge, competition, environment?

Development of the internationalization

- How and what kind of information did you find and analyse from the targeted market before entering?
- When you were considering internationalization, what was the market like from the following perspectives:

External opportunities - company's or/and employees' network

Internal opportunities - employees' competencies, the uniqueness of the company's product

External challenges - legislation, political situation, competition situation at home/abroad,

Internal challenges - employees' competencies, financing, logistics, support systems, price

- How did you utilize the internal resources for internationalization?
- How did you develop your business? How successful was internal communication between the countries?

Challenges, promoters and success factors identified in the company's internationalization process

- Was your internationalization process planned or impulsive?
- Did you face any challenges after starting the internationalization process? How did you solve it?
- At what stage did you realise that internationalization in that targeted market is not profitable?
- From what kind of problems, the challenges were caused? (Competitors, product, management, market)
- How did you retreat from the market?

- What were the biggest / main reasons for internationalization?
- What were the biggest / main reasons for preventing internationalization?
- Have you developed your business with the experience gained abroad? How?
- How have you continued to pursue the growth?