Internet in the Globalization of Small Software Firms
Analysis of the role of Internet technology in the globalization processes of small firms operating in product based software industry in Finland

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Abstract

In product based software business, a single firm often starts the globalization at an early stage of its existence, facing several problems and challenges. The purpose of this study is to deepen our understanding about the role of Internet technology in the globalization of small firms in the relevant industry. An interesting question is also if Internet restructures the marketing practice and theory in this context.

Introduction

Product based software business is growing rapidly and globally. However, for a single software product, the growth often ends far too early because of a too small home market. Selling standardized products globally will raise the salespotential of a single firm to a totally different level. Moreover, globalization can be seen as a way for companies to create economy of scale in their production, distribution, marketing and management.

The need to grow forces small software firms to look for new markets as well as start an internationalization process at a very early stage of their existence and in a phase where the domestic market has been hardly learned and served. Operating both on the domestic and international markets is usually extremely challenging and resource taking for a small young, high technology-based firm.

Traditionally, in literature internationalization process has been described as a slow, evolotional and incremental process. However, the rise of Internet technology is said to provide small software firms a rapid, low-cost gateway to foreign markets. Internet has been said to serve as a tool for improved networking, which in turn is claimed to pursue foreign market opportunities and international marketing activities. Thus, Internet could be seen as a means for small companies to create and maintain international relationships and get global in a way other than the "stepwise" approach.

Creating personal relationships with foreign customers is directly connected to the reduction of uncertainty and risk experienced by customers. It has been noted that in the internationalization of a small software company the adaptation of either 4Ps/marketing mix approach or relationship marketing is not the crucial question. The key question is to identify the actions which decrease uncertainty and risks perceived by foreign customers. This typically calls for the simultaneous adoption of some features from both marketing approaches. (Alajoutsijärvi, Mannermaa & Tikkanen, 1998).

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The purpose of this study is twofold. Firstly, I will attempt to deepen our understanding of how the use of Internet affects the globalization processes of small firms operating in product based software industry. The study intends to find out how small software firms are using Internet in their globalization processes and with what kinds of effects. Secondly, by investigating and analyzing the marketing approaches of focal firms, I will attempt to see how the concepts of relationship marketing and 4Ps fit in a world of software product business.

Research Method

The next step in the study will be to review literature to create a pre-understanding about the subject. I will look at the internationalization process through relevant concepts and formulate a theoretical framework. To validate the framework, an empirical case will follow. The research is outlined in the field of software product industry, where the focus of such firms is mainly on standardized, packaged software products. Furthermore, the study concentrates on companies at early stages of their life cycle. The data will be gathered from small software firms in Finland through interviews as well as through a mail questionnaire.

References