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PROPOSAL OF DEVELOPMENT OF INTERNATIONALIZATION STRATEGY OF COMPANY

NÁVRH ROZVOJE INTERNACIONALIZAČNÍ STRATEGIE PODNIKU

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Instructions:

Introduction
Targets and Methodology
Theoretical Background
Analysis of the Current Statement
Investment Project Proposal
Conclusion
References
Appendices

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Abstract

The focus of the master thesis is to propose the most appropriate business strategy of Jolla's entry to the Czech smart device market. Defining the theory of internationalization and related international business strategy establishes an important basis for analysis of Jolla's entry process. In the end the focus will be shifted towards the proposal of the suitable business strategy for entering and operating on the market.

Abstrakt

Diplomová práce je zaměřená na návrh nejvhodnější podnikové strategie pro vstup Jolly na Český trh chytrých zařízení. Rozbor teorie internacionalizace a internacionalizačních podnikových strategií je důležitým podkladem pro analýzu procesu vstupu Jolly. Na konci se zaměření přesune na návrh přijatelné strategie pro vstup a činnost na trhu.

Key Words

Business strategy, internationalization, market entry, competitiveness, , strategic goals, key success factors, Jolla Ltd., smartphone, tablet, Sailfish OS, Czech market

Klíčová slova

Podniková strategie, internacionalizace, vstup na trh, konkurenceschopnost, strategické cíle, klíčové faktory úspěchu, Jolla Ltd., chytrý telefon, tablet, Sailfish OS, český trh

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Statutory declaration

I declare that the submitted thesis is original and was elaborated independently. I declare that referencing of sources is complete, that my work did not violate copyright law (within the meaning of Law no. 121/2000 Sb., On copyright and rights related to copyright).

In Brno on August 31, 2015

Signature

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Introduction

Many years have passed since the first smart device was introduced to the world. Since then the industry grew from a vision to one of the largest sections in the field of electronics. One could suggest the development of such a complex gadget was inevitable, as the demand of consumers evolved. It has become a lucrative business with the global revenue of approximately 280 billion USD (Statista, 2015a), where most of the “early comers” in the industry have secured a dominant position.

Each year new entrants surface to challenge the globally top positioned and one of the most recent contestants is Jolla, with not only new products, but mostly a long awaited new operational system. Even with an unfinished OS Jolla managed to grow rapidly and create a user base throughout the world. However, having a presence in an unsaturated market with suitable conditions for testing and developing their devices might be the key for a breakthrough. One of technologically advanced markets with lower smartphone saturation, skilful and knowledgeable workforce and stable political system with supportive system for foreign companies is Czech Republic. Entering such a market might be not only logical, but also an essential step towards becoming global player.

The master thesis is focused around the critical analysis and proposal of possible business strategy for Jolla Ltd. entering Czech’s smart devices market. The first part of the work is the theory where related terms, theoretical frameworks and different types of strategy are being discussed. This establishes a crucial basis for the following analytical and proposal part. The practical part begins with a short introduction of the company that promotes the comprehension of its extant success. Market penetration initiative must be based on macro and micro environment analysis and for that purpose PESTL and Porter’s 5 forces were chosen. Combining the macro/micro factors with identification of Key Success Factors, internal analysis of Jolla’s 7S and projecting them into TOWS matrix provides an image, whether the company is able to compete in the industry. Based on frameworks and above mentioned inquiries, the strategic issue is subsequently discussed and evaluated. The last part contains author’s recommendation and proposal of a suitable business strategy and conclusion.

Goals of the work

- Analysis of aspects influencing Jolla Ltd. such as the micro and macro environment, threats and opportunities, and the current situation from the internal point of view to establish the base ground for creating a realistic strategy most suitable for Jolla's conditions
- Combining the results from the analysis with theoretical frameworks and case studies to build up on experience and to minimize the uncertainty outcome
- Setting up possible strategic goals, which Jolla can expect from penetrating the Czech smart devices market
- Proposal of the best possible strategy for Jolla's Czech market entry and sustainability, which will utilize the advantages of what the unsaturated, develop, highly technologically progressed market with skilful workforce and overall suitable environment for smart device testing has to offer.

Methodology

For a business such as Jolla to be able to formulate a business strategy related to the entrance to Czech market, it is necessary to examine all relevant information that are available by using the proper analytical methods. The strategic analysis must include the analysis of macro environment, which are connected to the current situation on the market, micro environment, which is examining the industry, competitors and other factors influencing the company, and lastly the internal analysis, which focuses on identifying the strengths and weaknesses, as well as evaluating the current strategy and capabilities.

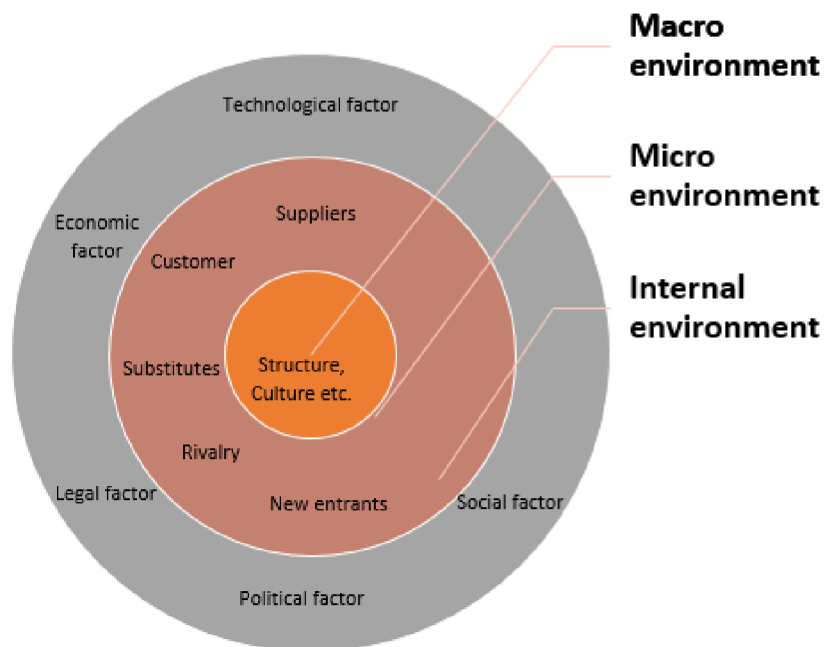


Figure 1: The environments influencing businesses. Source: Mallya, 2007

SLEPT analysis

In terms of the analysis of macro environment, the SLEPT analysis was chosen. The analysis reviews the macro space from the sociological, legal and political (merged for the purpose of this thesis), economic and technological point of view. Examining the characteristics should provide valuable information on how the market operates, what possible barriers are there, how it might influence the firm and what is the trend on the market.

Porter's model of five forces

The analysis firstly proposed by Porter examines the micro environment of influencing Jolla. It is not enough to understand the risk stemming from the market, but the investigation should concern also factors of the penetrated industry. The suggestion is, in order to cope with competition in the industry and to identify the organization's unique position, one must evaluate the industry's five fundamental factors – the intensity of rivalry, the threat of new entrants, threat of substitutes, the bargaining power of suppliers and customers.

The Five Forces That Shape Industry Competition



Figure 2: The five force that shape industry competition. Source: Porter, 2008

The 7S analysis

The model consists of 7 general factors important in analysing and influencing the success of the organization. As the analysis is targeted to evaluate the internal situation of the firm, it uses mostly internal data. For the purposes of the thesis, most of the S factors were evaluated through assumptions and the available data. It helps to point out bottle necks and the focus of possible strategies.

SMART method of setting up goals

The concept of SMART assists during the process of goals formulation. According to the method, a goal must include five elements – specificity, measurability, attainability, relevancy and being time-bound.

SWOT and TOWS analysis

It is the last step in the analytical process, where all the influencing factors are sum up in a table concluding the strong and weak side of the company as well as the opportunities for the firm to exploit and the threats lurking within the market. SWOT can be put into a matrix called TOWS, which divides each areas into internal and external environment, and evaluates the interlinkage of each area proposing either offensive strategies, which eliminates threats by exploiting opportunities using strength or defensive strategies, mostly focusing on minimizing the consequences of negative effects. Both are useful initiation tools in the construction of the strategy proposal.

This aids in identifying strategic alternatives that address the following questions

- Strengths and Opportunities (SO) – How can strength be used to take advantage of the opportunities?
- Strengths and Threats (ST) – How can take a firm advantage of your strengths to avoid real and potential threats?
- Weaknesses and Opportunities (WO) – How can opportunities be used to overcome the weaknesses the firm is experiencing?
- Weaknesses and Threats (WT) – How can a company minimize your weaknesses and avoid threats?

SWOT ANALYSIS



Figure 3: SWOT analysis – helpfulness vs harmfulness/internal vs external. Source: Kent, 2014

The whole thesis is based on a desk research, where relevant information are based on sources available on internet, press releases of Jolla, statistics, related articles, researches and other sources. The data is known under the term secondary data. The author of the thesis then made assumptions with regard to all gathered information.

Theoretical part

The theoretical chapter serves as an important base for the analytical and proposal chapter, where the theory will be applied. The focus is on clarification what phenomenon are forcing the companies such as Jolla to expand their business abroad, moreover, the definition of terms related to business strategy, ways to formulate it and strategic frameworks and types of business strategy and models. These will aid in formulating the strategy for Jolla's Czech market entry and development, and for that purpose, complementary books, articles and internet sources were used in combination with the author's point of view.

1. Globalization, internationalization and born global

During the last decades two terms – Globalization and internationalization became commonly used phrases in the business world. The third word emerged in the 20th century and slowly gains its popularity. However, there is yet to be an agreed general definition for them. The population sometimes mistakenly use them interchangeably or merges those words into one general concept – globalisation. The truth is though, as noted by Ohmae (1999), these terms are more interlinked and examining the slight differences should provide a better understanding of prior terminologies.

1.1. Globalization

Stating with **globalization**, Hill (2011) defines it as the shift towards a more unified and sovereign world economy. One might suggest that the definition is too vague, but the fact is that it captures the essence of the term and each economist, academic or anyone else can build up his own vision of globalization based on Hill's basic interpretation. A great example could be Kirkbride (2001) and his ideas of freedom to produce, distribute, buy, sell and conceive services and products in a style which provides the company with the maximum benefit without any regard to consequences of the entity's localisation or organisational units. A truly global firm is ready to respond to any change of market's condition and opportunities by evaluating options from a broad economic perspective and choosing all the alternatives which would enhance their advantage in long run. The expression incorporates the alacrity to consider world-wide parts suppliers over own at-home manufactured, to build up relationships with firms

located in other countries in order to sell and distribute through them, and to take advantage of joint ventures with other international enterprises to exploit the knowledge, technology and new R&D possibilities. In a practical sense, a person from Czech Republic can nowadays have a new mobile phone produced in the US with the hardware from China, a plastic case made in Vietnam and using the signal that is provided by a transmitter from a German provider.

There are many aspects of globalization; however the most important one seems to be the globalization of markets and the globalization of production. The first situation refers to the shift of markets from being isolated towards openness for cross-border trades. By merging the historically divergent and separated national markets, an extensive global market is established (Hill, 2011). As a result, not only the possibility for generating additional profit appeared, but also a prospect for countries to develop faster was created. The second one concerns the sourcing of goods from around the globe to utilize the benefits of national differences such as different salary level, technological advancement or political situation. This is done so the cost of the productions is in overall lowered in proportion to better quality and functionality of the product or service, thereby facilitating an improved ability to compete effectively. The output of this is a mostly standardised product that could be provided in every country (Yip, 2003). Services are also included in the globalization of production, as nowadays the global firms are using the option of outsourcing and shifting parts of their operation to SSC (shared service centres) overseas. It is mostly due to the ratio of level of education/the according salary. Most of bigger corporations are using these outsourcing opportunities to lower their workforce cost while preserving the same quality.

However, every concept has also its critique. An opposing argument was proposed by Rugman (2001), where he concludes that globalization is a myth. Usually, pro-globalization assertions are supported by the foreign sales statistics, which accounts for more than 50 per cent of corporations. Even though the numbers are correct, the sales are made not globally, but more in triad blocks (North America, European Union, Japan). According to his opinion, there never was such thing as globalization in terms of single world market, rather triad-based businesses and most of the sales are not made globally, but on triad-regional basis. Homogenous product cannot dominate local

markets everywhere, therefore, he recommends the managers to ‘think local’, meaning to adapt products to specific markets and focus on developing a strategy for regions, rather than global. The assumption behind such critique that globalisation is nothing more than a combination of regionalisation and internationalization.

1.2. Internationalization

Due to the insufficiently clear definition of **internationalization**, it is being frequently confused with globalisation. However, there is an essential difference between those phrases, despite being closely interlinked. Daly (1999) defines internationalization as an increased significance of international trade, relations, treaties or alliances between nations. The main difference is the basic unit; while internationalization’s basic unit is the nation, even with the higher importance and need of relations among other nations, the basic unit of globalisation is globally integrated economy with all the separated national economies merged into one. Relating it to the business, Wright (1994) understands it as a firm-level action that exceeds national borders. The idea is enriched by Jones and Coviello (2005) where he suggest that internationalization can be captured as *“patterns of behaviour, formed by an accumulation of evidence manifest as events at specific reference points in time”* (p. 292). Combining ideas of Wright and Jones and Coviello, a proper definition could be proposed – a company-level behaviour that crosses national borders and can be witnessed in a certain point of time. Thus, the clear difference between internationalization arises – from the business perspective it could be seen a point or a step to become global.

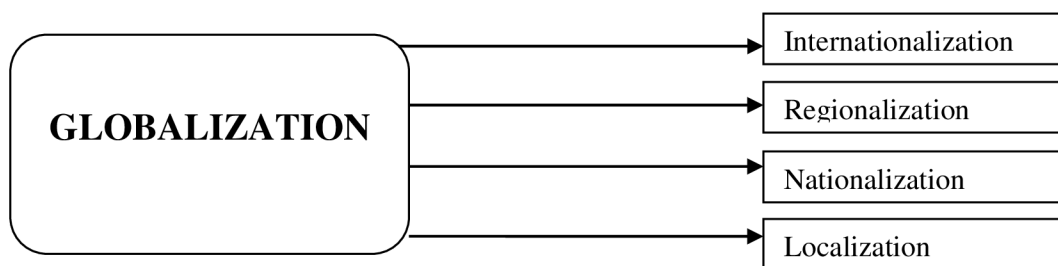


Figure 4: Levels of spatial organization. Source: Kirkbride, 2001

The trigger to do so could be divided into categories – external and internal reactive/proactive.

External Reactive	External Proactive	Internal Reactive	Internal Proactive
<ul style="list-style-type: none"> • Intense competition in the local market • Visible interest of international customers • Declined or saturated domestic market 	<ul style="list-style-type: none"> • Removal of barriers for trading and investing • Having a presence is fast-paced growing market • Lowering telecommunication, IT and workforce cost 	<ul style="list-style-type: none"> • Excessive capacity – effective usage by going abroad • Actual order from a foreign customer • Demand for increase in level of business performance 	<ul style="list-style-type: none"> • Decision coming from the board – vision of having the presence outside domestic market • Increasing brand identity • For innovation and diversification • To reach important markets

Table 1: The triggers to internationalise. Source: Czinkotta, Ronkainen and Moffeit, 2011

From the table one can easily deduct the motivation to internationalise. Business is done for profit and by increasing the market share with foreign ones could mean adding wealth to the company and also the possibility to avoid the saturation of domestic market. Creating profit is not only achieved by increasing sales, but also lowering the costs, which is the role of economies of scale. Single market may not be immense enough to aid the capital outlay and having a presence in several markets is the direction to obtain the necessary economies of scale.

According to Olejnik and Swoboda (2012), two patterns can be noticed – the gradual internationalization as with the Uppsala Model (Vahlne and Johanson, 2011) or Ohame’s (1999) 5-stage model, and the radical internationalization known also under the term born global. The Uppsala Model is one of the first and well-known models of internationalization, where the process is divided into 4 stages (Vahlne and Johanson, 2011):

1. No export activities on regular basis in the market
2. Export is happening via independent representative
3. Establishing sales subsidiaries
4. Manufacturing in the foreign market

The critique of the model is obvious as it is more focused around production and not suitable for services and with less focus on customers. 5-stage model is closely related to the Uppsala model, with the difference of higher attention to customers. The stages consist of:

1. Export oriented company – developing a strong product in home market
2. Setting up branches overseas
3. Relocating the production plants to key markets
4. Moving the headquarter functions to a new local environment of the countries
5. Establish a global brand and becoming a global company

Both models are being empirically and conceptually challenged these days as the service sector is overtaking the manufacturing sphere and the emerging force of born global businesses with a product and capability to internationalize or go global from the beginning of their existence.

1.3. Born global

A business organization could be referred to as a **born global firm**, when it seeks significant competitive advantage by using resources and selling outputs in multiple countries. The usual source of such competitive advantage lies within the sophisticated knowledge base. These firms perceive in general the whole world as a potential/one marketplace and start their internationalization process from the outset. Aforementioned business organizations may even enter domestic and foreign market simultaneously and expand into markets with no regard to psychic distance such as cultural issue (Olejnik and Swoboda, 2012).

Being highly entrepreneurial, greatly performing, successful but considerably smaller compared to the traditional corporations, they confront conventional theories. Therefore, they have some eminently unique operational and behavioural characteristics were not common few decades ago (Tanev, 2012):

1. High activity on the international scale from the commencement

The activities involve exporting their products and services within only couple of years from their establishment. Most of the firms advance through consecutive stages of internationalization, cooperation with foreign partners or initiating a FDI – foreign direct investment.

2. Resource poverty

It refers to the ownership of resources that “global start-ups” are short of. The shortage concerns financial, human and other tangible resources that are incomparable to corporations dominant in the global investment and trade.

3. Managers possess an international entrepreneurial orientation and vision

Studies show that behind the start of a born global company there are usually managers with the drive and eagerness to expand. Such managers are willing to take the risks and show a combination of creativity and knowledge with the pro-activeness and aggressiveness of competition in international markets, thus driving the innovation. They do not see foreign market as a mere addition, but as an equivalent.

4. Emphasis on differentiation strategy

Most of born-globals tend to adopt the differentiation strategy either in terms of design or distinctive functions that target niche markets, which are not being considered by large enterprises. The focus of such choice is to stimulate customer loyalty by aiming on fulfilling unique demands for specialized and customized products/services.

5. Emphasis on superior product quality

Born global firms are often to be seen serving the technological sphere. In this sector, their knowledge is comparable to the leaders of industry. However, the difference of quality perception is different. Superior quality is a must for SMEs in international market. Having smaller volumes of products/services in contrast to huge corporations, the focus on delivering a superior quality for each item is easier, but the effect of having a defective product is much greater on the firm’s reputation than on multinational enterprises.

6. Usage of independent, external intermediaries for distribution in foreign markets

The most common way for global start-ups to expand is through exports by engaging in direct sales on international scale with the help of independent intermediaries located on the market of interest. This allows them a certain flexibility to enter or withdraw from markets relatively quickly and easily. In key markets, born-globals engage in partnership, joint-ventures or FDIs.

Born global firms show that even SMEs can be successful in the international scope. These companies assert that, to a certain extent, there is no constraint such as lack of financial capital or management skills, which would be a major hurdle to become prosperous in multiple markets. By having an innovative product or service in combination with good knowledge base one could enter any foreign market, even bypassing the domestic stage; something unthinkable in the traditional theories (Mort, Weerawardena and Liesch, 2015).

2. Business strategy and strategic frameworks

The chapter is focused around what kind of strategies firms and managers deploy to expand, compete, raise profitability and succeed in the international or global environment. One must examine the various factors that affect the company's choice of strategy, the types of strategy and business models the organizations deploy. However, in order to be able to understand discussed areas, the basic related terms should be defined.

2.1. Definitions of business strategy, strategic goals, business models

According to Oxford Dictionary strategy is “a plan of action designed to achieve a long-term or overall aim” (Oxforddictionaries.com, 2015). Linking it with business world, Hill (2011) defines strategy as actions that managers need to undertake to fulfil the organization's goals. In accordance with Zich (2012) the broadest strategy can be interpreted as the **corporate strategy** – it defines the behaviour as well as the intention of the whole firm and derives from the vision and mission of the company. On the other end, there is a **functional strategy** very specific to each functions of the business units such as marketing or research and development.

The second level, and sometimes considered to be the most important one, is labelled as **business strategy** – specific strategies work out for business units to define and leverage their behaviour on the market. It could be perceived also as integrated and coordinated set of commitments and actions that the firm uses to gain competitive advantage. A business strategy is in the world of lowered barriers for trading and doing business sometimes more essential than the corporate strategy as every subsidiary is in many areas a sovereign entity itself. In some cases a business strategy could be similar if not equal to the corporate strategy, usually due to the size of the firm. Another reason for such an assumption is that the subsidiaries commonly follow the strategy of the headquarters and specific strategies are created more on a functional level to deal with local specifics.

According to Keřkovský and Vykypěl (2002) a business strategy should specify strategic goals for each element of the seven “Ps” of the expanded marketing mix seen in the figure 2. The aim of this suggestion is to shape a proper base for the formulation of firm’s business strategy. The marketing mix can be adjusted to company’s needs, for example by taking into account other P factors such as physical environment, profit or positioning.



Figure 5: Interconnectivity of Seven P’s and Business strategy. Source: Keřkovský and Vykypěl, 2002

Preceding the initial **formulation of the business strategy**, it is essential to undergo a complex analysis of every possible influence. Formulation afterwards is a process of defining not only the business strategy, but also possible alternatives to it. The process involves setting up all the required components of managing the business for the organization to meet the set goals. The optimal strategy is the one, which effectively leads the company towards the goals with regards to risks, sources, competencies and expectations.

The process of formulation requires a series of steps in a subsequent order. The sequential order is at place, because they build upon themselves. However, two processes must undergo a continuity throughout the formulation – **environmental scanning** (paying attention to external factors that may affect organization's performance and need to be addressed during strategy formulation) and **continuous implementation** (implementing parts of strategy that must take place for the next steps of formulation to be able to proceed). The steps of the strategy formulation could be as following (Study.com, 2015):

1. **Values assessment** – each organization has certain values and the strategic plan should be aligned to those values. The example of values that should be examined are values of organization members, organizational values, organizational culture and stakeholders.
2. **Vision and mission formulation** – establishing visions and missions. There are 3 core elements – core ideology (the force binding the organization together), core purpose (reason of the company's existence) and envisioned future (perception of where the firm will be in specific time).
3. **Strategy design** – the strategy design process can be divided into 4 elements. Firstly, it is needed to identify the critical set of products and services offered by the business, which is commonly referred to as line of business. Secondly, by establishing critical success indicators should help measure progress towards fulfilling the set up mission and should include ROI, profit margins and other related indicators. The next step is to identify where to focus the efforts, known

under term strategic thrust. The final element is to figure out what kind of company culture needs to be develop to achieve goals.

4. **Performance audit and gap analysis** – audit must be done in order to have the strategy evaluated. Gap analysis is closely related to audits, which should discover any gaps possible of keeping away the organization of reaching its goals.
5. **Action plan development** – the most important step, where from the vision and mission the firm develops goals. Goals represent what they desire to accomplish long term and should be consistent with organization’s culture. From goals, objectives are derived representing short term goals helping in the steady advance towards long term goals.
6. **Contingency planning** – as mentioned previously, alternatives must be considered. Having a contingency plan should help in adjusting to the changing environment effectively and efficiently.
7. **Implementation and regular evaluation** – implementation means simply putting the decided strategy into action. Every member of the organization should support the chosen strategy, mostly the leadership. However, one must not forget to evaluate on regular basis to have the strategy up-to-date with what is happening around or within the firm.

Returning to Hill’s (2011) view of strategy as actions leading to organization’s goal, a generally agreed goal of every business is to maximize the value for the firm’s owners or shareholders. In order to do so, managers pursue strategies that increase the profitability and profit growth. The strategies to boost the profitability can be divided into two main groups – strategies of lowering the cost and strategies of added value, thus increasing the price of the product or service (Hill, 2011). In pursue of increasing profitability, **strategic goals** are outlined. It is to be seen as the milestone the organization aims to achieve over a period of time and the easiest way is via the method **SMART – Specific, Measureable, Achievable, Relevant, Time-bound**. Not only does it considerably contributes to the evaluation process, whether the strategy is suitable and effective, but it also helps to shape the strategy itself. It is essential to fully understand

the organization's aspiration, vision and mission to set up vital strategic goals. Wrongly set strategic goals could be fatal as every form of evaluation would be totally biased and the firm is heading in an incorrect way.

Closely related to the business strategy and goals is the term **business model**. The essence of a business model is in delineating the manner by which the organization delivers value to customers, allure the customers to pay for the value and converts the payments into profit. It interprets the logic and provides data with other evidences on how a business creates and delivers the value to the customer. During the phase of establishing organization's strategy and goals, it is beneficial to analyse already existing models of businesses. Modelling is a useful approach to figuring out a strategy. By analysing current models, upgrading, combining and enhancing them with own visions; one can create a differentiated and hardly replicated business model, which might be the source of competitive advantage (McGrath, 2010). The different elements that need to be examined are (Teece, 2010):

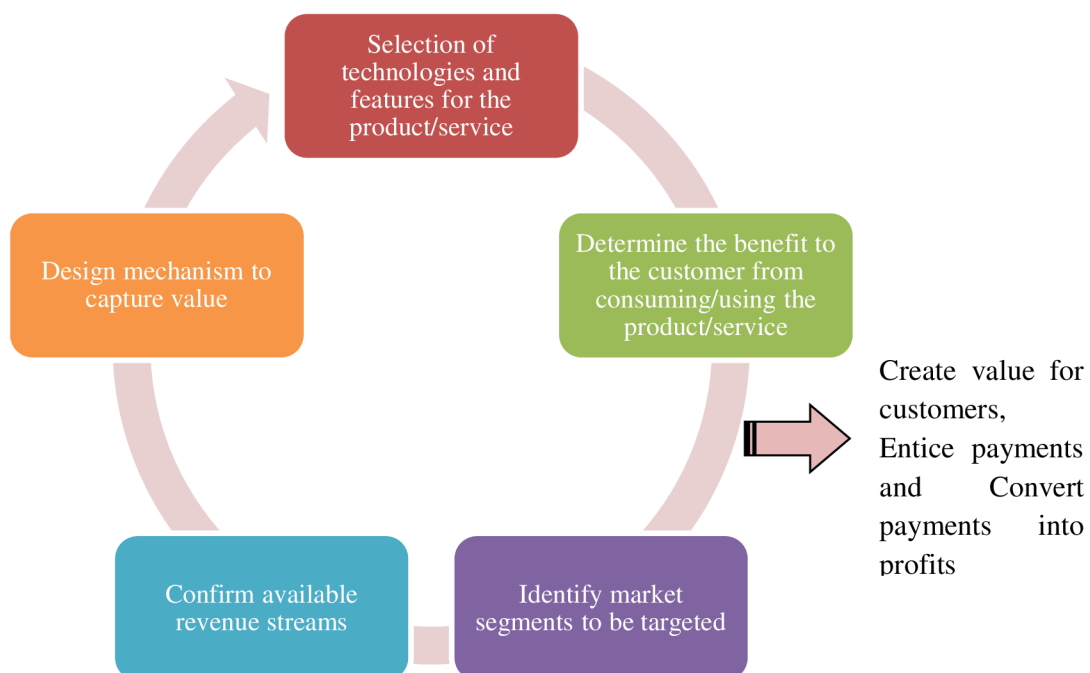


Figure 6: Elements of business model design. Source: Teece, 2010

Business model assists in highlighting the required business logic to earn a profit and once adopted, it specifies the way enterprises go to market. However, this should not be mistaken with a strategy. The difference is noted by Teece (2010); a business model is more generic than a strategy. Selecting a strategy is a more detailed process than

designing a business model. Nevertheless, combining strategy and business model analysis could lead to protection of competitive advantage resulting from new business model design. When an existing successful model has been copied, made irrelevant by environmental events or is no more relevant to the customers, it is the opportunity to create new business models. Nonetheless, it is problematic to analytically plan which models will replace the old one, since so many variables influence the success of a model. Thus, experimenting during the establishment and discovery of a new model is inevitable (McGrath, 2010).

2.2. Types of business strategies and models

2.2.1. Different business strategies

As was previously stated, a business strategy is established to gain advantage through exploiting core competencies in specific product markets. The purpose is to create different positions between the firm and its competitors. There are two focus areas – competitive advantage and competitive scope. Competitive advantage could be divided further more to cost advantage and uniqueness advantage whereas competitive scope is divided to broad targeting or narrow targeting. Combining these into a matrix yields into 5 generic strategies of Porter (2008).

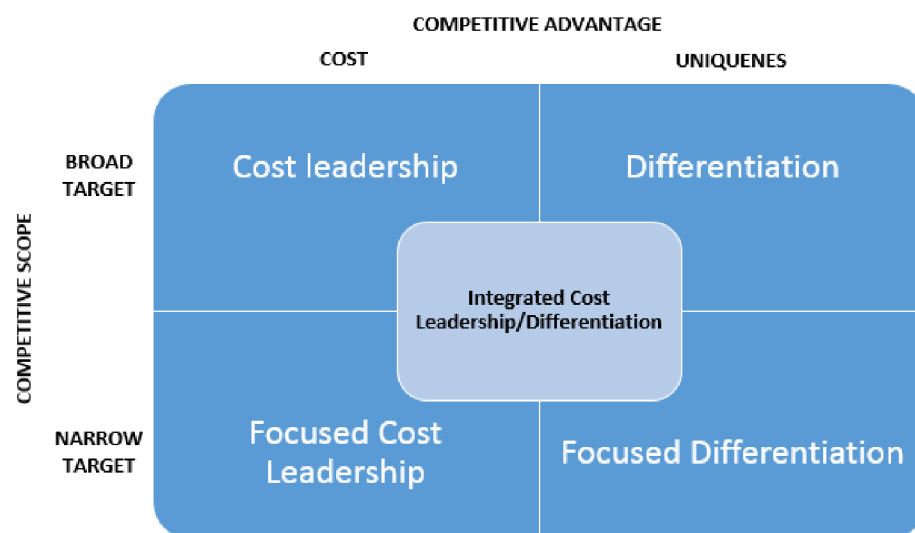


Figure 7: Porter's 5 generic strategies. Source: Porter, 2008

Starting with **Cost leadership**, the strategy is suitable for businesses that serve a broad target market and realize the importance of cost cutting. The advantage is having higher margins on goods and services compared to the competitors. It is due to cutting

cost by producing standardized good for a very broad market in combination of continuous reducing costs of value chain activities. However, standardized products means higher probability of imitation. Being positioned as a low cost leader means forcing the rivals to cut costs also, which in exchange creates a barrier for other mostly smaller organizations to enter the market (due to inability to cut cost to that extent). One of the major examples in the field of smartphones is the successful Xiaomi.

The opposite of cost leadership is **differentiation**. Here it is not essential to cut the cost at all price, but to create a unique proposition customers are willing to pay extra or just simply attracts them to choose the proposition over rival goods. The essence of differentiation strategy is to seek for uniqueness in an industry suitable for wider targeting. The differentiation can be done in terms of quality, quantity, appearance, pricing, delivery system or after-sales services. One of the best example is Apple with its products such as the revolutionary iPod.

Turning away from broad target to narrow, there are two focus strategies – focused cost leadership and focused differentiation. The reason of narrow targeting instead of broad is in many cases due to the lack of resources to compete in more extensive market. However, it might be also due to the intention of the company to target a niche or particular segment to the exclusion of others. **Focused cost leadership** strategy is commonly used by firms that seeks cost advantage in its specific target segment within a market with production and delivery system different from other industry segments. It exploits differences in cost behaviour in some segments. **Focused differentiation's** essence is in differentiating in the target segment where the needs of buyers are unusual.

Lastly it is the **integrated cost leadership and differentiation** strategy. The company adopting the strategy tries to efficiently produce goods or offer services with differentiated attributes. Efficiency lies within the low cost source whereas source of unique value is within the differentiation. Organization with successfully adopted integrated CL and D strategy can adapt to rapid changes of external environment. At the same a firm with such capacity can have a broad target while it can focus some of its activities on niches of the narrower market. The demands for the strategy to be successful is to have a great information network in combination with flexible manufacturing systems and critical quality management. The biggest threat is to be

stuck in the middle, where the cost are not low enough and the differentiation is not unique sufficient.

Other than generic strategies, there are new strategies that could be applied nowadays. **Price-skimming strategy** is one of the interesting strategies partially related to differentiation. The strategy involves charging high prices for a product mostly during its early introductory stage. It provides a fast recovery of production costs, but the requirement is to have something extraordinary and special in the product. An example is the introduction of a new technology not yet to be found on the market and desirable for the buyers (Chron.com, 2015). Another unconventional strategies are **Eco-friendly strategy** or **Service strategy**. In an age where social responsibility is a wildly discussed topic, focusing on achieving eco-friendly status might be a crucial factor in becoming successful. The proof can be seen on how recycled, bio, or other eco-friendly products or services are attractive to customers. The second mentioned – service strategy where the focus is more on the service then product. An example is more from the service sector, but the essence of service strategy is visible – FedEx. The enterprise pays for tariff for the customer on the packages rather than leaving it on the package receiver and as such, the delivery time is largely shorten and they get to be the fastest delivery service.

2.2.2. Business model types

The rationale of how the organization creates, delivers and captures value is the very essence of a business model. Any enterprise needs to make fundamental decisions regarding the choice of business model required for the support of key business activities, core values and strategic goals. The base for it could be found in Geoffrey A. Moore's theory of innovation vectors (Advance Business Consulting, 2015).

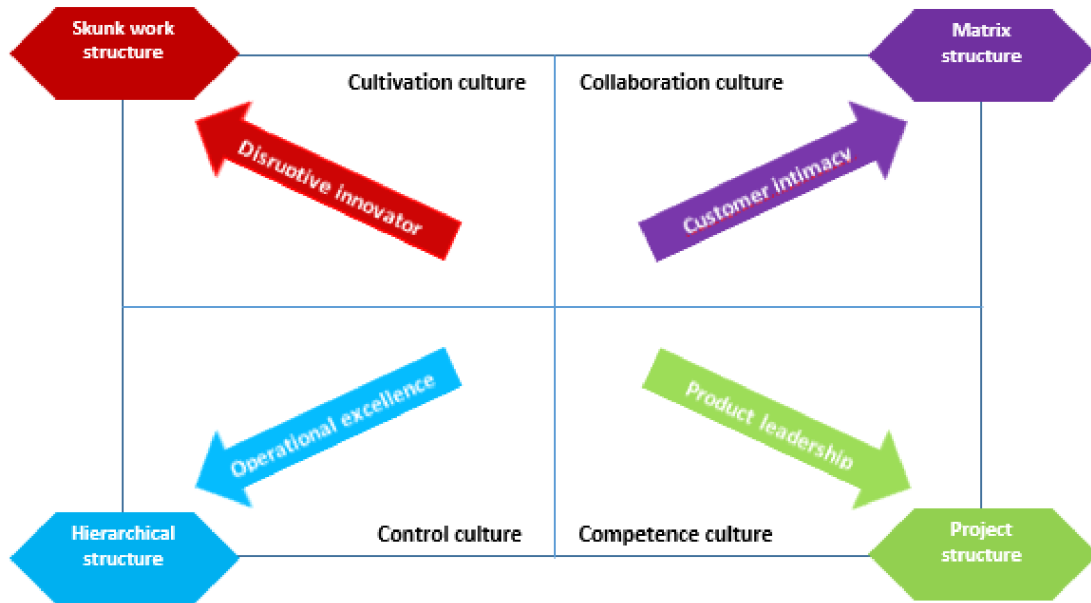


Figure 8: Moore's theory for distinguishing 4 business models. Source: Advance Business Consulting, 2015

From the matrix one can notice that there are 4 factors or strategies represented by the arrows, which are directing to the preferable organization structure. These are further divided into for brackets in accordance to the suitable culture. In order to secure a long term success, firms need to align their strategy with the organizational structure and culture.

Model 1: The disruptive innovation business model

The orientation of disruptive innovation model is to initiate the growth through “destabilizing” the market with innovative goods and it can be achieved via two mechanisms. The mechanism called **discontinuous technology** is about creating new incompatible with current standards in the field. It forces those who try to adopt it to displace their existing system. An example could be Apple with their iPhone. The second mechanism – **value chain discontinuity** undermines the value chain in an existing market by confronting existing business models, an example of low cost airlines. The suitable structure as seen in figure 5 is noted as skunk work structure, where creating of innovations, improvements and plans happen in spontaneous temporary entities with mostly unidentified metrics.

Model 2: The customer intimacy business model

Aligning flexible and differentiated value propositions with precise targeting of customer needs and values is the **customer intimacy model's** essence. The model requires close propinquity to customers and relies critically on accurate market and customer intelligence. One could suggest that the model calls for increasing customer satisfaction, but it rather stress the importance of delivering customer results. The appropriate organizational structure is the matrix structure, which interlinks all the departments with the responsible management in a collaborative manner. An example could be Dell computers, which was built on the idea of direct customer feedback, rather than creating and afterwards pushing the product for possible demand.

Model 3: The product leadership business model

The model is closely related to differentiation and cost leadership strategy. The focus is on differentiating market offerings by developing desirable features, better performance or lower market price. In the above mentioned areas, the firm continues to improve the features, performance or market price by using usually research and development. The project structure is the most preferred organizational structure, as it promotes cooperation of appointed project teams and departments.

Model 4: The operational excellence business model

The model focuses on optimizing processes to differentiate the offerings by lower cost, higher quality or faster time. It requires critical understanding of processes, constant analysis, searching for bottle necks and suggesting ways of upgrading. The suitable structure for this is the hierarchical organizational structure, in which the processes are fixed in protocols. It also helps with the constant analysis and evaluation s the processes can be more easily mapped.

These could be considered to be generic models. However, nowadays there is the possibility to find other models with unique features, but the basis stems mostly from either combination of previously mentioned four or having a base in them. One of the more specific models of this time is called **Brokerage**. A broker in the model is the facilitator for a business transaction. The purchases done between either two consumers,

two retailers or between consumer and retailer, but mediated by the broker. The typical broker is the internet auction server eBay (Chron.com, 2015).

2.3. Strategic frameworks

Each organization operating in a range of markets is facing the issue of choosing the proper multinational strategy. The choice concerns the degree to which strategies are to be linked and unified as well as the selection of related mechanism. There are two frameworks that are based on studies of Prahalad & Doz (1987) and Bartlett & Ghoshal (1989) providing a helpful building foundation for organizations. Despite being proposed in the late 80s, the theories were in many researches deemed right.

According to Prahalad and Doz (1987), the vital considerations for companies are:

1. The intensity of pressure for global integration and standardization of product/service

The pressures for world-wide integration are the most intense, where there is a high level of globalisation with powerful drivers. These include:

- Common customer needs
- Compatible technical standards or world-wide product/service standards
- Excessive research and development cost
- Intense price competition
- Constant excess of capacity

The above mentioned drivers contribute to the necessity/opportunity to integrate operations and to offer standardized goods on the market.

2. The intensity of pressure for local responsiveness and adaptation of product/service

Local responsiveness is in most of cases a critical feature, as every country has its own specific culture. The pressure for being locally responsive is the strongest where there are:

- Differences in consumer needs, requirements and preferences
- Differences in business practices and traditions
- Differences in distribution channels between countries
- Different cultural specifics and local market requirements
- National legal and technical requirements for product/service adaptation
- Trade barriers and other governmental demands – status of insider/local

All these resulting in propensity to adapt product/services or at least the way they market themselves.

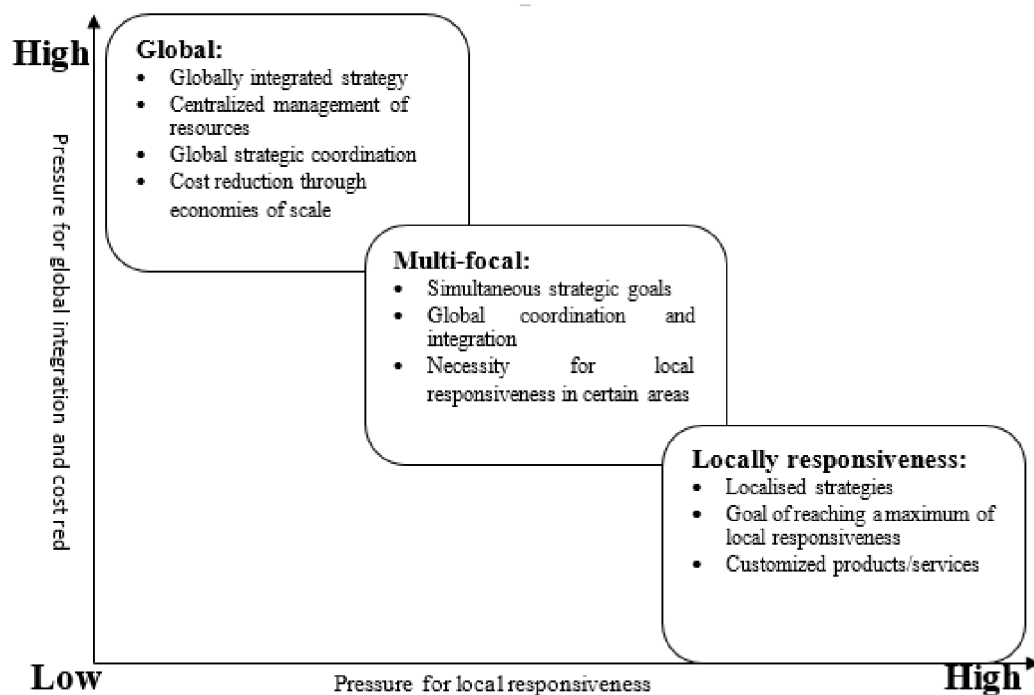


Figure 9: Local responsiveness vs. Global integration. Source: Prahalad and Doz, 1987

The second theory closely related to foregoing theoretical framework was proposed by Bartlett and Ghoshal (1989) where he distinguishes between 4 multinational strategies – multi-domestic, global, international and transnational.

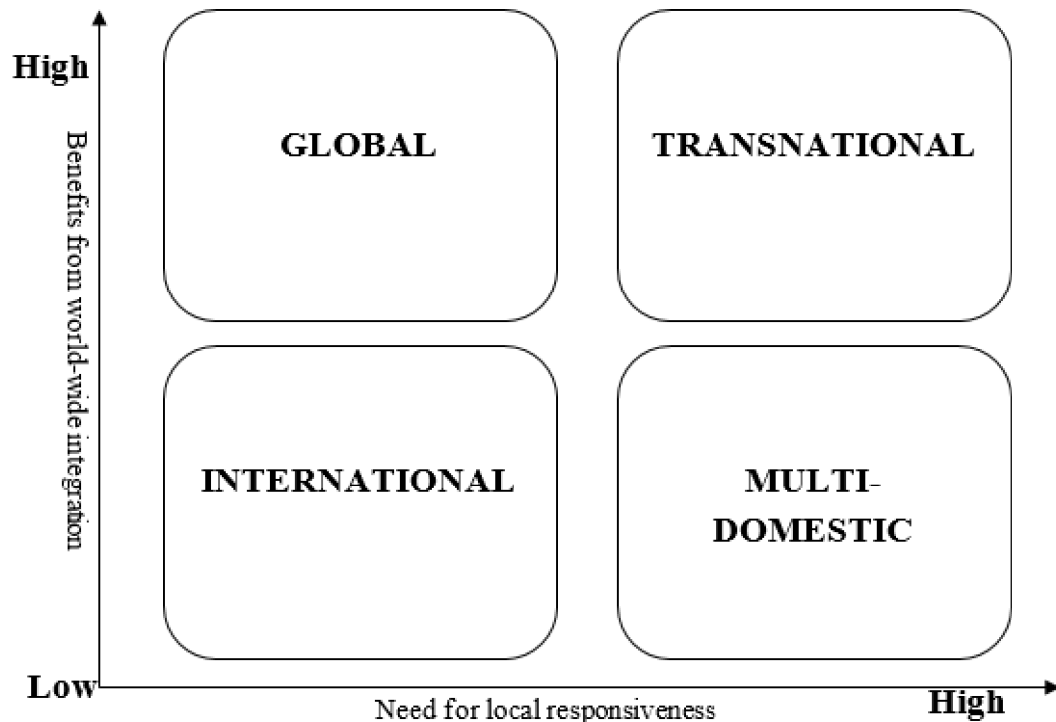


Figure 10: Strategies and responsiveness/integration framework. Source: Bartlett and Ghoshal, 1989

1. Global strategy

The essence of the strategy is to focus on producing a standardized product, able to sell throughout the world. There is no need to adapt the product and services to the local needs and the style of management is more centralised, as most of the decision making is at the headquarters. Having subsidiaries, their role is to implement the parent company strategy.

2. International strategy

The international strategy is based mostly on exporting products. All the core functions and operational decisions are centralised. The product is more or less standardised resulting in low to medium local responsiveness and low integration need.

3. Multi-domestic strategy

The vital pillar of the strategy is being as much locally sensitive as possible. Adapting to the conditions in countries of operation, the product and services are also accommodated to traditions and needs of the local country, thus creating even new unique brands. The subsidiaries are autonomic and value-creating activities such as marketing, production are dispersed.

4. *Transnational strategy*

It is a strategy concentrating on being as much responsive as possible and at the same reaping the benefits of global integration. By utilizing the cost advantages through economies of scale, as global firm and great local responsiveness, as multi-domestic firm, it is a superior strategy. However, it is highly challenging to reach such a level of efficiency; only few companies possess the capacity to deploy such it. A feature of a transnational organization is to create a loose network with multiple strategic centres where the focus is not to control these centres rather than manage the network.

3. **Competitiveness, Competitive space and advantage, Success-ability**

Being successful is generally a goal of each individual as well as every business. However, success of one organization could mean the failure for the other. The inquiry in this case is how to properly measure success of a firm in the business world. Zich (2012) identifies a common element of successful companies, which is their goal orientation. Being goal oriented means to have the focus set up on achieving goals effectively in the most dynamic and most diverse space – **the competitive space**. Basically, the way how one can measure success is to measure the extent to which the goals are achieved. This should not be in comply with only the general financial scale, but also other criteria of success according the current organization's situation; as such the criteria needs to be defined in a proper way. Moreover, he notes that goals represent a key factor in defining a firm's strategy. There are several dimensions that one must examine, for example the broadness and significance of the goals or who from the stakeholders is going to evaluate the level of success.

Thus, for a strategy to be truly successful, one should not approach it as an unchangeable principle, but adjust it to the needs of a company. The importance and logic behind the statement is obvious – not to stick to a plan that appeared to be flawed, better adapt to the needs to fully utilize the benefits within the environment of hurdles such as competition, law framework and others. Therefore, a definition of **Strategy of Success-ability** is a strategy leading to success with regards to competitiveness, goals, competitive space and the development of the organization. A firm is able to success

only, when it can manage in specific conditions to achieve the set up goals or to achieve it to its maximum extent.

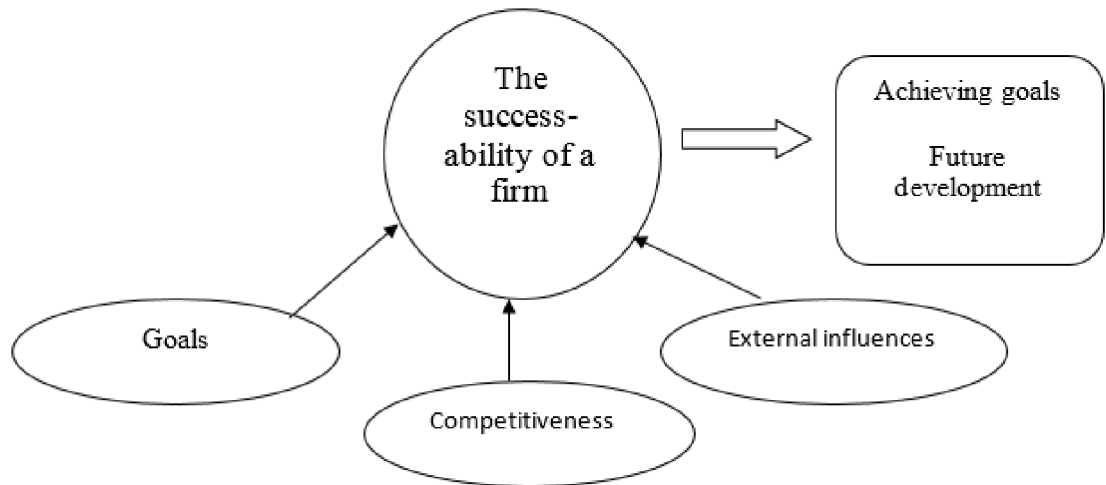


Figure 11: The success-ability of a company. Source: Zich, 2012

As mentioned previously, the more demanding goal the bigger effort is needed, but one cannot omit the external influences in the chase of succeeding. **Competitiveness** can be, in such case, understood as an ability of a company, which enables the organization to achieve success and develop in long term within the competitive space (Zich, 2012). One of the points in reaching a high level of competitiveness is to analyse and mark the competitive space of the firm. It might be defined as an area, in which the business have to face direct or indirect competitors. However, the author of the thesis suggests that it is up to each firm to outline the borders of this space; not every competitor can be considered to be as relevant and able to endanger. An accurate identification of competitive space helps to evaluate the conditions that are needed to be successful and also in a certain way assists in pinpointing competitive advantages. The three features mentioned above are the main factors influencing the success-ability of a firm (seen in figure 5).

To develop the concept of success-ability further, it is fitting to combine it with the **Key Success Factor** conception as argued by Ketelhöhn (1998). Through understanding and developing KSFs a company can enter an industry or a market successfully, differentiate themselves with generic strategies and gain a balance between high perceived values and low deliver costs.

Key success factors are to be found in every activity; they represent certain things one has to be able to accomplish well in order to compete in a specific effort. An example could be students from bachelor's and master's program. Each of them has to finish a thesis, but the required effort is different for both. The bachelor thesis is requirements are less demanding and the time spent on researches is not as extensive as for master thesis. Therefore, a master student needs to focus on different factors than a bachelors in order to pass. However, a key element is needed to be able to even enter the defence of the master thesis – passing all the exams, which is the same of both. The specified key step is what enables student to enter the competition for the title.

Relating KSFs to the business world, there are factors for everything – from product launch, market entry, brand management and other challenges a firm can face. These should be understood as the minimum capabilities that a company must comprehend in order to enter the competition that rules within the competitive space. Nevertheless, mastering the industry's key success factors might not be enough to gain the major market share or to simply win, they just help the organizations to prepare themselves for the competition. Ketelhöhn (1998) highlights the basic idea of having few important areas where companies must do well with the purpose to compete in the industry.

He expands the idea by stating that the essence of strategy is differentiation. Logically, if all companies would be focusing on fulfilling only industry's key factors, the businesses would be operating in a very similar way, which leads to survival of only one in long run. Furthermore, the survivor would be randomly selected. As a result, firms mastering the Key Success Factors still have to differentiate to raise the possibility of surviving against average competition. Eventually, few competitors will seal deals with best suppliers, customers and other critical stakeholders, because of a unique proposition they can offer – something irresistible to not to do business with them. It might be comprehended as the source of a **competitive advantage**; a feature that makes the entity stand above the average and helps it to gain the major share of market.

As noted above, organization should classify competitors into strategically relevant groups. The reason is to examine what the most important competitors in the group do to transform their outputs into money. The idea of how they earn money will create an insight about how to compete against them. Ketelhöhn (1998) proposes two generic

ways on how to differentiate – by either achieving higher perceived value or lowered delivered cost.

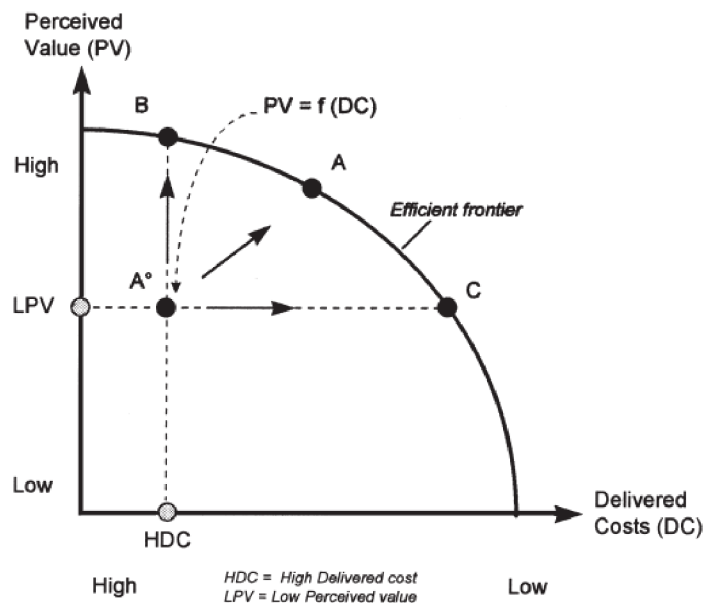


Figure 12 Generic way of differentiation – perceived value vs delivered costs. Source: Ketelhöhn, 1998

The A^0 point in figure 6 is a point where a firm mastered all the required key factors and is on the same level as the average competitor. There the activities are not particularly effective nor efficient. While on the other hand, the curve represents the effective and efficient border for the company to achieve. Point B on the chart represents a status in which the perceived value is twice as higher as the A^0 while the delivered cost stay the same. At C, the organization was able to attain the same perceived value at the delivered cost decreased fourfold. The last position A is also on the efficient frontier and depicts a combination of higher perceived value at the same time lowering the delivered cost. It is down to the firm’s choice on what to focus.

Coming back to Zich’s (2012) strategy of success-ability after defining how to evaluate key factors which assists in reaching success, he acknowledges that goals are the main determinant of success of a company, as it influences all other aspect of the concept (see figure 10). Nonetheless, on the path of reaching goals one should respect the environment and manner how the company desires to obtain accomplish the goals. However, the aspects of the strategy of success-ability is very changeful and the businesses should be prepared to adapt their approach of developing the competitiveness or even to change the current goals in order to be successful. Basically,

the essence is in finding the right balance between the 5 areas seen in figure 7. Moreover, Zich (2012) underlines that all the areas are greatly interlinked and the change in one element means a change in all of them to rebalance. This effect leads to better versatility in the sudden unfavourable changes and distributing the pressure between all the components.

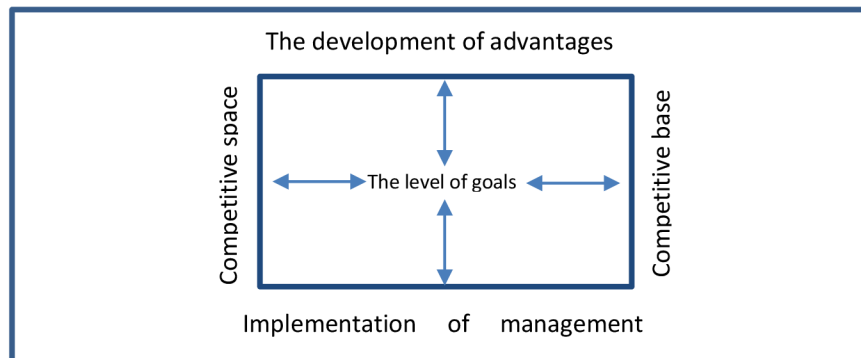


Figure 13: The interlinkage of aspects of the success-ability strategy. Source: Zich, 2012

4. Market Entry – strategy and ways to enter

As declared in the beginning, the businesses operate nowadays in the age of globalization. The barriers are diminishing, new opportunities are opening, but the pressure of expanding seems to be growing with them. The reasons for going international and try to become global are obvious, as it brings benefits sometimes critical for the sustainment of firms. However, each participant longing for internationalization must take into account three major problems (Agriculture and Consumer Protection, 2015):

- **Marketing** – in which countries and which segments, how to implement and manage the firm’s marketing effort in the country, how to enter the market – directly or through a mediator and what is our information base
- **Sourcing** – whether source themselves by having a production in the targeted country or in home country, or sourcing via buying it from either from local suppliers or having the network. Finding the right combination most suitable for the entry and firm’s capability.
- **Investment and control** – what would be the best option of foreign investment and what control framework to apply. Choosing between options like joint venture, alliances or acquisition.

Decisions concerning marketing area must be focused around value chain and one must ensure that the necessary value chain activities are performed and integrated into the entry strategy. Clearly, as the international market is broader than domestic, the requirements for detailed attention in making decisions on marketing mix is much higher. Concerning sourcing, firms during the initial step of going abroad must evaluate their current sourcing capabilities and decide whether the current state is suitable for the international scope or whether they will need other options. Regarding the investment and control, the inquiry is how far the company wishes to control their own development. The level of control over the investment, risk involved, and ability to achieve objectives in the target market are important aspects during the decision whether to license, joint venture or engage in a direct investment.

The Agriculture and Consumer Protection (2015), which is under the United Nations organizations are proposing the possible classification of methods how to enter markets seen in the figure 8. Kamakura, Ramón-Jerónimo and Vecino Gravel (2011) present several possibilities to enter markets that can be also considered as a stages of internationalization and are linked with the stage model internationalization from the beginning.

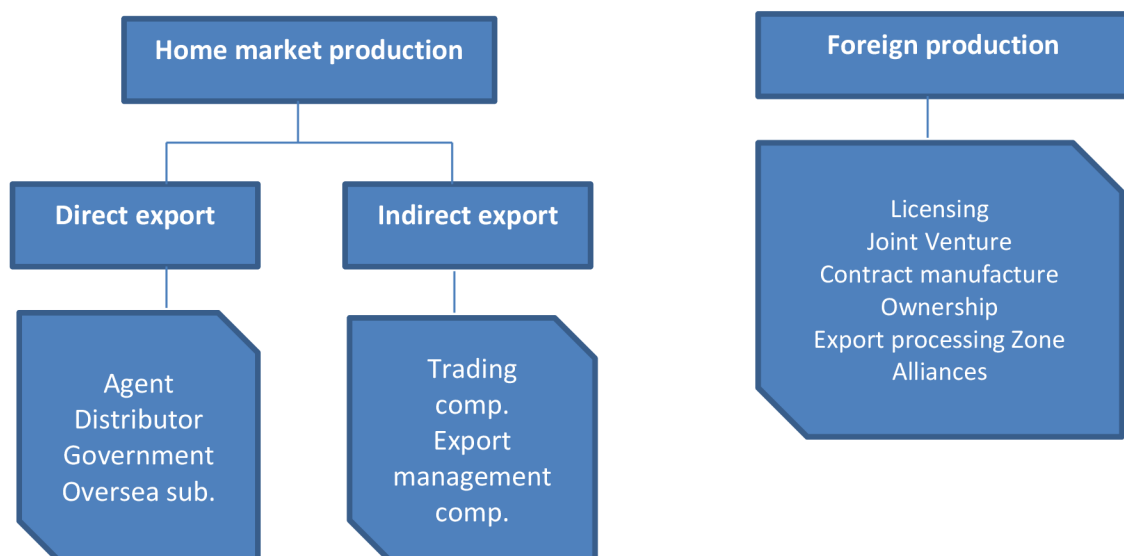


Figure 14: Methods of foreign market entry. Source: The Agriculture and Consumer Protection, 2015

1. Exporting

It represents an easiest way to establish a presence in the international world. The principle of exporting is simple –offer the product or services internationally. However, the production remains within the home country and so in most cases the sourcing. Marketing strategy is required and can be represented in the classical 4P – product, price, promotion and place. These can be expanded with several critical P's such as payment (how complex are the payments going to be), personnel (is the staff skilled enough to deal with international clients) or protection (risk involved the infringement of intellectual property and its protection). The risk of this option is low as everything is run from the home country. As a result the withdrawal from the market is rather easy. As seen in figure 8 export might be divided into two groups of indirect export and direct export and the difference is in the involvement and mediators (Agriculture and Consumer Protection, 2015).

2. Licensing

It is a contractual method of entering a new market. The contract involves the domestic firm and its international counterpart as a partner. The domestic organization is generally the owner of a valuable patent, technological know-how, trademark, patents, copyrights or a name that is provided to the counterpart. For the license, the headquarters receives payments. The advantage is the quick entry to the market by partially partnering with another company. Such companies may need the production, distribution or marketing system of the domestic firm and in return they usually pay a small percentage of the sales. The domestic company on the other hand has a partial insight to the foreign market. The downside of licensing could be the risk connected with the exposure of unique feature; it could be misused, copied illegally, which in the end would lead to a damage reputation (Investopedia, 2008).

3. International Franchising

Franchising is closely related to licensing, but it represents a more comprehensive licence where the domestic party grants the partner the use of the whole business model – it means marketing, production, distribution channel, name and brand and other related functions. For the party granting the permission there are around three important payments. First of all it is the royalty payment for usage of the trademark, the second

one is the reimbursement for advisory and training for the franchisee and also the percentage of sales generated by the franchisee. The advantage of franchising is the possibility to expand rapidly with the financing done mostly from the franchisees money. The danger lies within country's specific laws, to which the contracts must be adjusted (BusinessDictionary.com, 2015).

4. Strategic alliances

It is an agreement between two or more organizations from different countries to cooperate in any value-chain activity. The reason for the partnership is to share resources to undertake a specific project, mutually beneficial for their development. Mostly the parties involved in strategic alliance are unable to achieve a certain goal or just limitedly by their own effort. Aim of the collaboration is to overcome the restrictions by synergy. The advantage of an alliance is lesser involvement compared to joint venture. Each of the companies in the alliance maintains its autonomy while gaining new opportunities to develop more effective processes, expand or establish a competitive advantage. The challenge of this option is to carefully choose the right partners and clarify the rules, operations and other important points. A lot of rushed alliances resulted in degradation of all involved parties (Shenkar and Reuer, 2006).

5. Foreign Direct Investment – Brownfield Investment vs Greenfield Investment

FDI or foreign direct investment represents a cross-border investment with the aim of establishing a lasting interest that one enterprise residing in its home country might have in an enterprise operation in another country. By lasting interest the author implies a significant influence on the management of the invested company to achieve a long term rapport between the two parties. There are two basic strategies – merger or acquisition (Brownfield investment) or Greenfield investment.

A **merger** can occur when two or more companies decide to form a new single company. The whole integration of operations is relatively co-equal and balanced. By this they may gain a stronger position in the market, access to new capital sources and technology. On the other side, there is **acquisition**, which could be seen as a takeover of companies. The process of acquisition could be viewed as more hostile as the company which is acquired will cease to exist. Both of the strategies have a common goal of

growth and expansion of the operation. While mergers are often set agreed by companies, which are more or less on the same level to build up one stronger player on the market, acquisitions are mostly done by bigger corporations acquiring smaller ones. **Greenfield investment** might be perceived as an opposite to the Brownfield as the organization is building their foreign operation from the scratch. Thus, it represents a process of setting up factories, plants, subsidiaries or other operational sites from the ground up. In many developing countries the governments may grant the investors subsidies, tax breaks or other benefits as an expectation of creating new job vacancies (Investopedia, 2003).

5. Critical evaluation of theory

The chapter contains the personal evaluation of theory described in the previous sections and the explanation why the concepts were chosen and how it will be applied further in the following stages.

The whole master thesis is conceptualized to propose a business strategy for Jolla's Czech market entry. It is a process of internationalization happening due to the effect of globalization and must be based on a proper analysis. Defining basic terms, such as strategy, business strategy, business model seen in the chapter 2.1., assist in understanding and determining what is crucial. A special attention is given to Keřkovský and Vykypěl (2002), who are linking the business strategy with marketing mix of 7P. This method will be used to aid in formulating the post-entry business strategy.

In the chapter 2.2. types of business models and strategies are discussed. Comprehending different types of strategies and models elaborates the understanding of Jolla's way of doing business. The theories are applied in many chapters, for example the internal evaluation of Jolla's current situation (chapter 8.3). Types of business models and strategies are tied to the strategic frameworks found in the chapter 2.3., which explains the globalization effect further, and suggest what different global strategies a firm can undertake.

The concept of Key Success Factors were combined with Zich's (2012) concept of success-ability. KSFs are determinants for the company to assess, whether any organization has the attributes to compete on a targeted market. The KSF concept was used in the internal evaluation section (chapter 8.1.). Returning to the concept of success-ability, it was be used to appraise the proposed business strategy, whether it has the trait to be successful.

Lastly, one must not dismiss to describe distinctive market entry options and strategies. A lot of options to enter a market exists, however, choosing a wrong or going without deciding how to enter a market is a battle lost before started. The author concurs with this fact and thus, it was taken into account in the proposal of entry-phase strategy (chapter 11.).

Analytical part

The analytical part is focused on examination of macro environment using SLEPT analysis, micro environment by using 5-forces in combination of the internal evaluation of current state of Jolla and its 7 (most are based on assumption), product range and other aspects that might be influential in proposing a strategy for the Finish firm. In order to cover most of the determinants the analytical part consist of evaluation of related researches, analysing relevant case studies, scrutinizing the statistical data as well as linking assumptions and results to the theoretical frameworks. This will be utmost essential for the proposal of a strategy most fitted to the Jolla's needs.

6. Introduction of Jolla

Jolla Oy or Jolla Ltd., established in 2011 by ex-employees of Nokia, is an independent designing, developing and merchandising company of mobile devices. Jolla is based in Helsinki, Finland, and has undergone some major phases during its years of existence; with it the management of the organization. The current CEO is Tomi Pienimäki and the Jolla board is chaired by Antti Saarnio, one of the Jolla founders. Presently, the firm employs around 125 people in their office in Finland and Hong Kong (Jolla Ltd., 2013).

The products range is based around two devices – the Jolla Smartphone, introduced in 2013 to the public, and recently the Jolla Tablet, which was introduced just recently in 2015 and was partially financed by crowd-funding. The tablet is yet to become available for the public, nevertheless, it already was rewarded as the best tablet on the Mobile World Congress 2015. However, the main differentiation from the giant mobile corporation is in its operating system. It is called the Sailfish OS and was created after Nokia abandoned MeeGo, its predecessor. The system is open platform and gives a chance to the users to change it whenever they want to. Up-to-date the software underwent sixteen actualizations and just recently crossed the major update becoming Sailfish 2.0 (Jolla, 2015).

The aim of the company is to try to challenge the dominant players in the market by bringing a new flexible operating system, providing the possibility to customize as well as engaging customers in the software and product development, thus creating a strong

community. Even though they are still far away to challenge the major players, in just a year from the launch of Jolla Smartphone, they manage to create a substantial society of 150 thousand people and counting every day. For communication, discussion, feedback and participation in development they started a forum for its users (Jolla, 2015). As a result of constant expansion to countries such as Hong Kong, Estonia, Italia, India and its marketing activities, the organization is ranking regularly in top ten of the StartUp100 ladder (Startup100, 2015).

7. Macro environment – analysing the Czech’s market risks

Entering a new market cannot be done without a crucial analysis of the business environment. In order to form a suitable long-term plan and raise the understanding of the market the company is penetrating, one must examine and classify various possible environmental impacts (Stonehouse, 2004). For investigating macro situation the most appropriate framework would be SLEPT that takes into account Political and Legal, Economic, Sociological, Technological environment.

7.1. Political and legal factor analysis

Since the enlargement in 2004 Czech Republic is a part of the European Union. The country tries to closely cooperate with other Member States, thus resulting in the reputation of a prosperous economy with stable political situation (Cia.gov, 2015). Czech’s government strives towards market oriented economy and accentuate the importance of entrepreneurship, high competitiveness and sustainable economic growth. The main priorities of the country is to efficiently use European Union’s structural funds including the development of infrastructure and to attract foreign investors. Concerning the mobile sector, the European Union decided to involve a budget of 14 billion Czech Crowns for supporting the development of super speed internet (LTE), which most of the smartphone nowadays use, and which might help to push the Czech mobile market a step forward towards western countries.

Moreover, an important factor for the smartphone producers, as for each business, is the tax system. The government focuses on improving the effectiveness of tax collection and controlling tax avoidance (OECD, 2014). Under the regulations in force, the current corporate income tax is 19 per cent while the sales tax rate is 21 per cent

(Doingbusiness.org, 2015). Comparing corporate tax with the EU average – 22.15% and OECD average – 24.77% it is considerably lower, which might result in better attractiveness for foreign companies such as Jolla Ltd. (KPMG, 2015).

Regarding the legal framework, it could represent a barrier or at least a restricting factor for starting a business in Czech Republic. Even though ranking on the 44th place out of 189 countries involved in the World Bank Group's (2014) rating of ease of doing business, in the general field of starting a business it ranks on the bottom – 110th place. However, the country follows the directives of European Union and pursue the protection requirements of CE marking for products on the market. The CE marking vouches that the product underwent a check before going to the market of European Economic Area. For a consumer using phone with CE marking means a guarantee of safety. Moreover, the Czech legal system enforces the requirements on each radio and telecommunication device to have certain technical standards according to law 22/1997 Sb. This instructs the products to undergo examination of effective usage of frequency spectrum, electromagnetic compatibility and electric safety done through Low Voltage Test and to have an EN 60 950-1 standard. The only institute in Czech Republic evaluating the factors is Czech Metrology Institute and requires the full cooperation of the producers or partner vendors, who want to bring the good to the local market (Hron, 2014). Even though the measures are trying to keep off the “grey-sells” it is still quite common to find smartphones mostly from China without the required markings due to lack of legislative steps towards homologation. Jolla in this area has an advantage over Chinese manufacturers.

7.2. Economic factor analysis

Czech Republic, as previously mentioned, pursues a bold program of economic restructuring and building its strong industrial base. The economic crisis had a big impact on the country; however from the statistics one can trace that the situation is bettering and stabilizing every year. In 2014 the Czech's Gross Domestic Product reached the level of 198.45 billion US dollars, while the GDP per Capita was 14 087.72 USD. The average GDP growth rate was 0.57 per cent, which presents the positive tendency and certain stability of the economy on the Czech market.

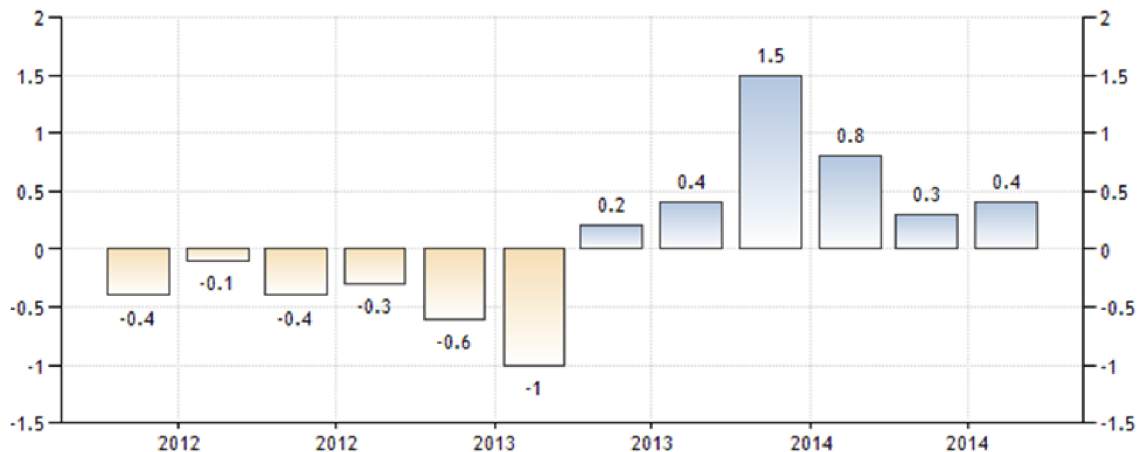


Figure 15: Czech Republic GDP Growth Rate. Source: TradingEconomics.com, 2015

Also the telecommunication sector has nowadays a large contribution to GDP. Currently there are 3 major mobile operators on the market forming an oligopoly, with smaller internet operators. There was a discussion whether the market would handle a 4th major operator and according to the CEO of the Czech T-mobile branch Milan Vašina (Kopřiva, 2015) there is no space currently. The reasons for such an assumption is long termed, the presence of another operator would not benefit the consumers nor the country. There would not be substantial investments into the infrastructure and operators would rather save or invest into competitive battle instead of innovation and would leave the mobile and telecommunication industry stagnating. The stress he highlights should be on forming a proper strategy of digitalization and developing in the area of information technologies. A major role might be in the market could be LTE coverage, which may represent a major boost of GDP in terms of usage of data services.

A major economic indicator relevant for overseas organization as Jolla – the inflation rate, remained at 0.8 per cent as in July 2015 (see figure 10). At such a low level there are no threats connected with the necessity of costs as well as salaries raise (Tradingeconomics.com, 2015). One of the measures to increase inflation and prevent deflation was the devaluation of the Czech crown by the Czech National Bank. As the domestic currency is weaker to the foreign one, the costs of starting and doing business might be lower for potential foreign investors.

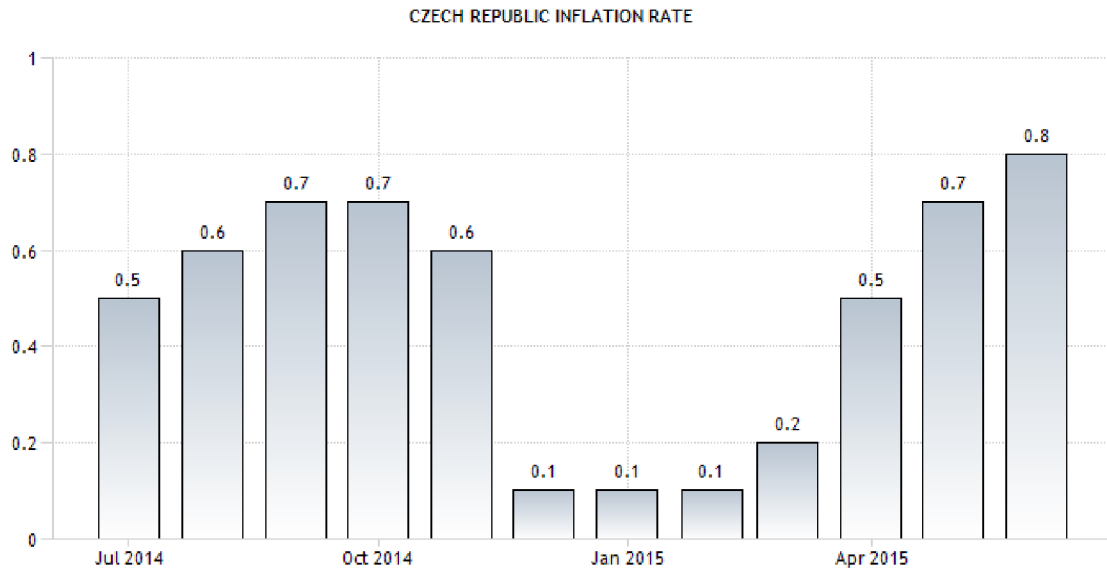


Figure 16: The inflation rate in Czech Republic 2014-2015. Source: TradingEconomics.com, 2015

Moreover, the country improved a lot in terms of business freedom, investment freedom and freedom from corruption (Heritage.org, 2015). At the end of 2014, the Czech market achieved the score of 94.8 in the business confidence indicator, which reflects the level of trust that companies' owners have for the performance of Czech economy and the optimism for future perspectives (Tradingeconomics.com, 2015).

7.3. Social factor analysis

With the population of approximately 10.64 million inhabitants, of which the largest group is between 25 – 54 years, Czech Republic ranks on the 83rd place in the world (Cia.gov, 2015). From the nearly 11 million people 68 percent have a paid job; slightly higher than the average of the OECD. This might be due to the fact that the stress is on education in the country, which is generally important in finding a job. OECD reports that 92 per cent of adults aged 25 to 64 have completed upper secondary education, which is the highest from all OECD countries.

In 2014 the European Commission made a study concerning the computer and information literacy and Czech Republic, in most areas, was one of the highest ranking countries out of twenty. This fact accentuates the skilfulness and a major opportunity for firms similar to Jolla to find valuable workforce, mainly in the field where smartphone software designers and developers are a scarce resource (European Commission, 2014). Moreover from it was reported that there are around 4.7 million smartphones and in terms of smartphone penetration (the number of smartphone devices

divided by the number of registered SIMs), Czech Republic has the highest percentage in Central and Eastern Europe, which only underlines the attractiveness of the market for overseas mobile phone producers (eMarketer, 2014).

Smartphone Users and Penetration in Central & Eastern Europe, by Country, 2013-2018						
	2013	2014	2015	2016	2017	2018
Smartphone users (millions)						
Russia	35.8	49.0	58.2	65.1	71.9	76.4
Turkey	15.3	22.6	27.8	32.4	37.2	40.7
Poland	9.4	12.7	15.4	17.4	19.4	20.8
Czech Republic	3.0	3.9	4.7	5.2	5.6	5.9
Other	22.0	33.6	41.8	49.9	57.3	62.1
Central & Eastern Europe	85.6	121.8	147.9	170.1	191.4	205.9
Smartphone user penetration (% of mobile phone users)						
Czech Republic	39.0%	49.5%	58.7%	64.2%	69.2%	72.3%
Poland	36.5%	48.0%	56.9%	63.1%	69.6%	74.1%
Russia	35.0%	47.0%	55.0%	61.0%	67.0%	71.0%
Turkey	28.7%	41.4%	50.2%	57.6%	65.1%	70.2%
Other	23.0%	34.2%	41.4%	48.5%	54.4%	58.0%
Central & Eastern Europe	30.0%	41.8%	49.8%	56.4%	62.6%	66.7%

Note: individuals of any age who own at least one smartphone and use the smartphone(s) at least once per month; numbers may not add up to total due to rounding

Figure 17: Smartphone Users and Penetration in CEE. Source: eMarketer.com, 2014

7.4. Technological factor analysis

Considering the technological factors the Czech Republic is trying to catch up with the western European countries and in certain area it truly does. A lot of the investments and developments are done in the field of technology, electronics and telecommunications. The infrastructure of mobile telecommunication system is soon to be on par with other western countries providing customers with high speed LTE internet with coverage of 97 percent of the market in the end of this year (Kopřiva, 2015). Nevertheless, the struggles are on the spot. The strategy of the Czechs is to innovate towards growth to leave behind the manufacturing and engineering for a future of technology. The spending on research, development and investment has increased, but the returns is negligible (Foy, 2014).

Moreover the IT and mobile application field is beginning to grow rapidly. Analysing the Start-ups on the Czech market, most of the Start-up companies are related to either with the IT field or smartphone application field (StartupRanking, 2015). This growing interest laid the base for the establishment of companies such as, for example, EmbedIT – company functioning internationally with the roots and headquarters in

Czech Republic or multinational software corporate with one of the best anti-virus programs – Avast.

In general, even though still lagging behind the top countries in technological field, Czech Republic is to be considered as a highly technological and innovative. The country's expenditure on research and development is growing every year, reaching nearly 2% (Eurostat, 2015) and in terms of innovation, it is the 24th most innovative country in Europe (Global Innovation Index, 2014).

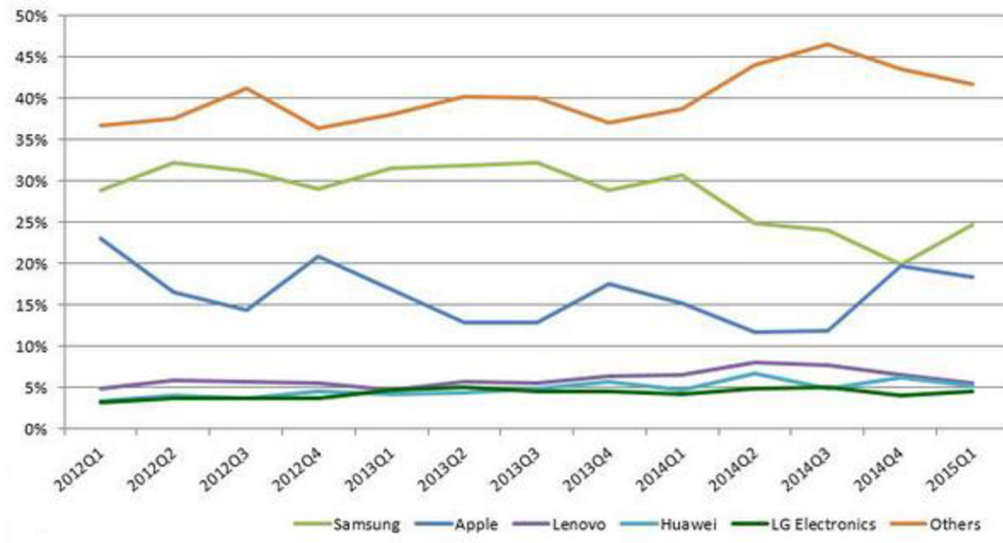
8. Microenvironment – analysing the five forces

8.1. Industry Competitors, Intensity of Rivalry – Moderate to intense

To fully understand the situation on the smartphone and tablet market in Czech Republic, one should investigate the current situation of the whole industry. By industry the author means the smart devices vendors/producers. The author suggests that the global smartphone market follows a similar pattern in the majority of countries, Czech Republic included, and it is the reflection of the present mobile devices trends. The industry changes every year, which means having the latest data is important for the analysis.

The statistics of smartphone vendors' market share from the first quarter of 2015 illustrates that the global corporation Samsung acquired the biggest market share, followed by Apple, Lenovo and Huawei. Therefore, it is no surprise that the market mostly dominated with Android devices (Idc.com, 2015). One can also notice, how Chinese producers – Lenovo, Huawei, but also Xaomi (considered to be the largest and most successful start-up by many professionals) are becoming larger with every year.

**Worldwide Smartphone Vendor Market Share
(Share in Unit Shipments)**



Period	Samsung	Apple	Lenovo*	Huawei	LG Electronics	Others
Q1 2015	24.6%	18.3%	5.6%	5.2%	4.6%	41.7%

Figure 18: Smartphone market share. Source: IDC.com, 2015

The data about vendors’ market share is in accordance to the figures provided by Czech operators regarding smartphones. The statistics labelled Samsung as the vendor with the highest market share controlling 2/5 of the market, followed by Apple and Microsoft. Moreover, major operators such as O2 or T-Mobile are reporting the ratio between smartphone and regular phones is around 60 percent for smartphones (TN.cz, 2015).

Examining world market share of tablet, the leader is again Apple and Samsung, followed by Asus, which is making tablets for Google. Relating it again to the statistics of Czech Republic, the report shows the increase of sales of tablets from 1 percent from all smart devices in 2013 to 20 percent currently in 2015. The share of the 20 percent of sold tablets copies the world trend and Apple is the leader and the second place is occupied by Samsung (TN.cz, 2015).

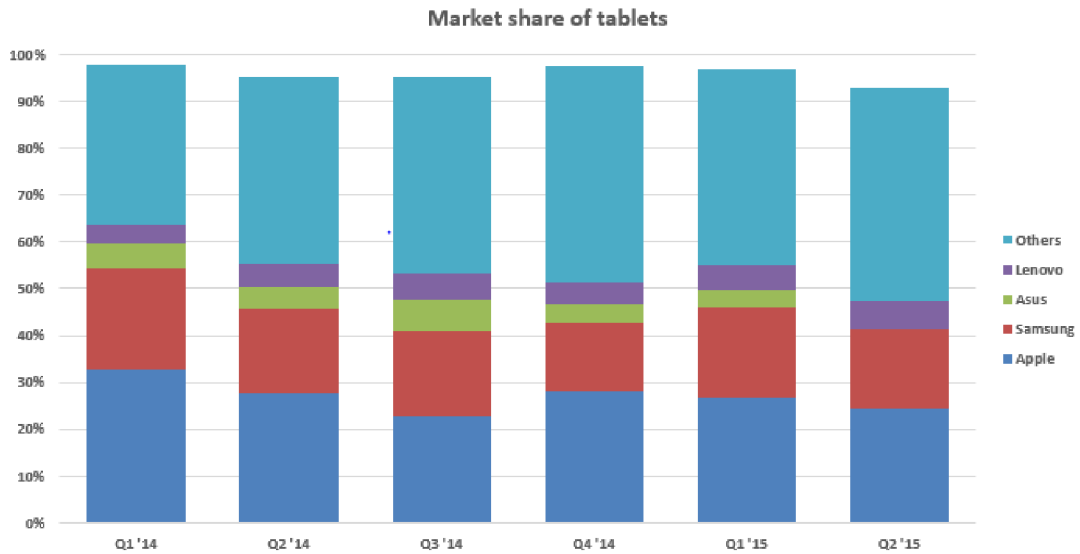


Figure 19: World market share of tablets. Source: Statista.com, 2015b

From all mentioned statistics, several assumptions can be noted. First of all, the author believes that the statistics indicate the moderate to high industry rivalry on Czech smart device market. Dominating brands are Apple and Samsung, but Chinese producers with great powerful products for reasonable price are starting to emerge (ZTE, Xaomi) in the country. However, they have yet to gain popularity. The country has high barriers for entering the competition, so not having on the market more firms as Meizu or OnePlus is a huge pressure relieve on other companies. Moreover, the market does not seem to be yet saturated and still is in the phase of becoming fully developed (rise of tablet usage, higher smartphone/mobile phone ratio) so the rivalry, even though already above average, might yet to become fully intense. One may perceive Czech smart device market as in the transition phase heading towards the standards of western European countries – not fully saturated, but with already a good base, which gives the customer a large choice between different smart device brands.

8.2. Threat of new entrants – Moderate

Considering that Czech is relatively open market, it has its major barriers mostly due to the legal framework, which might be for the foreign entrants a bit tricky. The fairly complex legal system is perceived as a critical obstruction and it is advised that before the actual entry, enterprises should research the market accurately. Moreover, telecommunication gadgets needs to be accredited with the CE mark and also undergo testing in terms of effective usage of frequency spectrum, electromagnetic

compatibility, low voltage and electric safety. This might be the biggest hurdle in introducing new possible smart devices to the country and perhaps be also the reason why World Bank Group (2014) ranked the country on the 110th place in terms of starting a business.

The fact regarding legal barrier of entry would position the threat as low. However, forasmuch it is an important factor, one must also examine other aspects. One of the fact is rather low pressure on having economies of scale. Prices of smart devices are quite high on the Czech market and possible saving of cost might allow newcomers to offer better price/performance devices for a lower price (strategy of most Chinese producers), but it is not required. The initial capital investment is also low, as the capital for starting a limited company requires only 1 CZK and it is up to the entering organization how much other capital is needed. Furthermore, the consumers switching cost from a tablet or smartphone is moderate. The option of choice from other gadgets offering similar functions is quite large, but most devices lack universalism of aforementioned gears.

Czech smart devices market is yet to be fully saturated and has strict rules for entering with products, so for new possible entrants it might represent a very interesting combination. However, the Chinese producers such as Xaomi, ZTE or Huawei already manage to enter the market and are starting their move. For all the above noted reasons – high legal barrier, low pressure on economies of scale, low initial capital investment, moderate switching costs, moderate competition the author evaluates the threat as moderate.

8.3. Threat of substitutes – low

If it was to be the Czech market, which would be under the analysis, the threat would be evaluated as high. The reason is obvious; there are a lot of companies offering smartphones and tablets, from cheap ones to expensive, from stylish ones to classic and the choice is really wide in the country. One should not mistake the threat of competitors' devices that certainly influence the possible entrant, with the substitutes of the industry product. Substitutes to a smartphone and tablets would be laptops, personal digital assistants (PDAs), smart mp3s and other devices providing the same functionalities. Each of these substitute products are mostly cheaper than the industry's product (except for notebook as example), thereby placing a ceiling on the price of the

industry's product. However none of the devices mentioned could possibly fully substitute the complex all-around gadget as a smartphone providing the perfect universalism. Moreover, according to Consumers Barometer by Google Inc. (2015) smartphones are still the most used devices in Czech Republic followed by notebook and tablets. Therefore, the threat of substitutes has been assessed as low.

8.4. The Bargaining Power of Suppliers – Moderate

In the field of smart devices, each organization is choosing their own suppliers of software and hardware. These suppliers might have more or less a moderate bargaining power, as the choice always comes to reputable hardware suppliers and in-house software development. The true obstacle in the analysis is to identify who is the supplier in terms of Czech tablet and smartphone market. The author identified the supplier in all the firms providing the complete service for outside producers of smart devices. This is represented by mobile operators, exclusive alliances with e-commerce or other distributing entities. An example on the Czech market is Lion Mobile, which has exclusivity from several Chinese producers.

On the Czech market, there might be a lot of possibilities to find a supplier of full services (services like if the producer was on the market physically – distribution, after-sales and customer service, consultancy). However, of course each company wants to have the best representative taking care of the products on the market, because not only the reputation is at stake, but also its possible future development. On the other side, the suppliers might want to cooperate with producers of good brand recognition to gain important references for possible future collaborations.

Therefore, the mutual reliance, where both sides benefits from the interaction is putting the bargaining power to a moderate level. For newcomers to achieve a proper start on the Czech market a good supplier needs to be chosen. On the country's market there are few major, good reputation suppliers, which can provide the service; among those Lion Mobile, with exclusivity to several dominant Chinese players. These suppliers have a certain power to push the prices for the services up, but are limited to what extent they can do it, as even they need the vendors. To conclude, the author believes that the bargaining power of suppliers is moderate on the Czech smartphone a tablet market.

8.5. The Bargaining Power of Customers – Low

The buyers bargaining power refers to a pressure consumers can develop on businesses to lower the price, improve the quality or better their services. By evaluating all the factors, the customer's power to influence the industry on the Czech market was classified low for several reasons. Firstly, it is the proclivity of customers towards substitutes. In the era of technology, a mobile phone became a necessity and nearly every person owns one; a fact supported by eMarketer (2014) statistics showing half of the world population is using a smartphone. Replacing such a daily-use instrument means a search for a gadget with all the functions. Additional reason for the low power is that the switching cost to another producer would be relatively moderate to high. The device includes not only a phone, but also an mp3, radio, camera and many other devices in one and for a customer to find a device of such universalism is difficult and also somewhat costly. Lastly, it is the price-performance ratio; nowadays the customer ready to pay nearly every price for the required performance of the smartphone. It can be traced in statistics from Czech Republic indicating the most popular smartphones and tablets are from the price range of 8 000 CZK higher (can be seen on for example heureka.cz) – Apple iPhone 6, Samsung Galaxy S6, Huawei P8 and thus, are generally not able to influence the vendors to drop the price.

9. Evaluation of the company and its KSF

Assessing the factors close to a business that have a direct impact on its business operations and success are a part of the internal analysis. Before deciding corporate strategy businesses should carry out a full analysis within three areas – the market, the industry, the company. Key success factors should help to determine, whether the company has the capabilities to compete within the market and to point own the possible advantages over the competitors in terms of differentiation. Moreover, scrutinizing the current situation of the company is essential to comprehend and decide the next steps.

9.1. Key success factors

The Key Success Factors (KSF) represents vital points for the newcomers to enter the competition. Mastering the KSFs does not necessarily mean guaranteed long term welfare, but only gives the company the opportunity to compete for profit in the industry and as such there are usually few key factors (Ketelhöhn, 1998). The smartphone industry is no exception, and definitely demands from the companies to have certain qualities. The author of the thesis suggests following allocation of KSFs – Technological, Distributional, Marketing and Capability factors.

Technology is an apparent success factor, as in order to be able to compete, the producers must follow the technological trend. The pace of technology development is really astonishing. Each year the consumer preference changes; the demand for computing power, design or innovative technology becomes a crucial requirement with every new model the producer releases. If the businesses cannot keep up with the demand, they might be facing a steep downfall, which was the case of Nokia and its Symbian platform, which lead to the takeover from Microsoft (Cuthbertson, 2014). As mentioned in the introduction of the company, Jolla was established by ex-employees of Nokia, thus, the technological knowledge must certainly be there.

However, having up-to-date technology is no significance if there is no proper distribution channel. An effective distribution channel of the product, such as mobile operators or electronic dealerships, could bring stable revenues and expand product availability. Furthermore, smart device were created for and around people, so a suitable

marketing strategy, segmentation and targeting must be applied for it to sell and be competitive. Lastly, all operations are managed by people; possessing knowledgeable community and the right know-how is an essential requirement for functioning in a highly technological industry. Jolla is build-up as a knowledge based enterprise and thus owns every feature. It was started by people with connections to the critical distributional channels and years of experience in the mobile device's marketing. In just 4 years of existence the firm manage to have presence in Italy, India, Hong Kong, Russia or Kazakhstan.

Nevertheless, fulfilling these requirements means reaching the level of an average market competitor. An advantage is created through differentiation and development of distinctive characteristic from the rivals (Ketelhöhn, 1998). Therefore, what Jolla Ltd. is currently trying to achieve is to create a major differentiation feature in their OS. Sailfish OS combines the fluent motion and gesture base commands with the wide application range of Sailfish optimized apps, but also supporting the apps from Android to add variety and will represent to main weapon in battling the competitors.

9.2. Evaluation of current product offer of Jolla

The current product offer is based around one device, which is the Jolla smartphone. Despite the fact that the Jolla tablet was introduced to the public, it is yet to become publically accessible. Starting with the phone, comparing it to the top models of competitors in the year it was released (see table 2); it clearly lacks performance to be regarded as high end model. The inadequacy of power is compensated with the operating system, which has the goal to be optimized to the point where the processing capacity of the OS will be minimized. Even though the OS is still far from being perfect and had several issues, thanks to the close cooperation with the developers and the public users, the biggest optimization was released this year with Sailfish 2.0, which should be half demanding and more fluent. The author believes that the Jolla phone is more of a marketing tool to promote the real product of the firm, which is the operation system.

Models Feature	Apple iPhone 5S	Samsung Galaxy S4	Jolla Smartphone
Display resolution	640 x 1136 pixels	1080x1920 pixel	540x960 pixels
Pixel Density	326 ppi	441 ppi	245 ppi
Processor	Dual core, 1300 MHz, Cyclone ARMv8, 64-bit (Apple A7)	Quad core, 1900 MHz, Krait 300 (Qualcomm)	Dual core, 1400 MHz, Krait 200 (Qualcomm)
System Memory	1024 MB RAM	2048 MB RAM	1024 MB RAM
Build-in Storage	Up to 64 GB	64 GB	16 GB
Storage expansion	NO	YES	YES
OS	iOS	Android	Sailfish
Prices comparison 2013 – 2015	Price in 2013 – 630 EUR (16 GB version) Price in 2015 – 450 EUR (cheapest)	Price in 2013 – 550 EUR Price in 2015 – 330 EUR (cheapest)	Price in 2013 – 399 EUR Price in 2015 – 249 EUR

Table 2: The comparison of smartphone models. Source: Phone Arena, 2015

The tablet is the main focus of the company in the recent year. After releasing the Jolla smartphone the focus has fully shifted towards releasing the tablet publically. According the Jolla official website it should not be long till the device is going to be available for the public. However, as commented by Antii Saarnio, the delivery got late, because there was a problem with supply of certain hardware components (Lomas, 2015). It is a tablet with 7.85 inches, which groups it with the smaller tablets. Seeing the specifications, the tablet shows promising statistic with the possibility to compete with high end tablet devices such as Apple iPad or Samsung Galaxy Tab (see table 3). The financing of the tablet was done via crowdfunding, which makes it so special and shows how much support Jolla has. Even before having the tablet available for public, it has

already managed to receive an award on one of the biggest mobile expositions in the world – the Mobile World Congress 2015 in Barcelona.

Models Feature	Apple iPad Mini 3	Google Nexus 7 II	Jolla Tablet
Display resolution	1536 x 2048 pixels	2560 x 1600 pixels	2048x1536 pixels
Pixel Density	264 ppi	288 ppi	330 ppi
Processor	Dual core, 1300 MHz, Cyclone, 64-bit (Apple A7)	Quad core, 1500 MHz, Krait (Qualcomm)	Quad core, 1800 MHz (Intel)
System Memory	1024 MB	2048 MB RAM	2048 MB RAM
Build-in Storage	Up to 128 GB	Up to 32 GB	32GB/64GB
Storage expansion	NO	NO	YES
OS	iOS	Android	Sailfish
Price (as now 2015 on Czech market)	2015 – 370 EUR (16 GB, Wi-Fi)	2015 – 220 EUR (16 GB version)	2015 – 267 EUR (32 GB version)

Table 3: The comparison of 7-inch tablet models. Source: Phone Arena, 2015

9.3. The 7S of Jolla

Starting with the **structure** of the company. Jolla does not share the information on the hierarchy, but from the information gathered on LinkedIn, the company is certainly divided into certain functions. The fact could suggest the functional type of organizational structure. However, with its fast grow and expanding strategy, it has partially moved to the divisional structure, with certain functions move to Hong Kong division. The author believes that the shifts and change are necessary as the company is expanding into other countries. The move can be towards having a matrix structure so that the communication and collaboration between divisions and interlinked functions can be as effective as possible.

Regarding **strategy**, Jolla follows the strategy of rapid international growth thanks to its capability similar to a born global/regional company. The strategy seems to be related to the focus differentiation, where the target is narrow due to the size of the company. The applicable business model of Jolla could be the combination between disruptive innovator, where the main weapon of Jolla is Sailfish OS, and the product leadership. The author notes that the rapid growth so far might have been achieved thanks to the choice of strategic cooperation with partners outside Finland. An example is an cooperation with China Fortune Holdings Limited, which made an investment for acquiring 6,25 percent interest, boosting its capabilities, because CFHL is one of the major players in retail, logistic and telecommunications in Asia Kong (China Fortune Holdings Ltd, 2013). There is a pattern behind the expansion of Jolla. Firstly, the focus markets are in many cases countries, which have unsaturated market with potential. Secondly, the way the entries are finalized are mostly in form of an alliance, which may represent the best option for a small to medium size company such as Jolla – no cultural difference analysis, partner who has local knowledge and can take care of local customer service.

In addition, it was always the intention of the company to focus on both hardware and software. However, with the last press release, the company indicates the separation of the business into two streams, where the first production entity would be solely focus on producing. The limitation, as mentioned by Antii Saarnio cited by Lomas (2015), is that the company is not yet established, but the plan is to start producing smart devices and hardware broader than so far. Furthermore, Saarnio noted that for the future Jolla would consider using alternative software in addition to Sailfish for its products. The comment made by the current CEO could indicate the lack of capacity in terms of research and development of the product sections, which is in terms of the size of the company, understandable.

However, the production seems to be the future, and the strategic scope of focus seems to have shifted to the second stream, which is software development and licensing. The licensing business of Sailfish implies a larger opportunity. The OS already gained some notice even from governmental institutes and unsurprisingly the

strategic focus has shifted towards full support of software development (Lomas, 2015). There are some similarity to Google mobile strategy, which is mostly around software development, but from time to time a Google branded smart device is introduced. The author believes that it is a right decision and the main reason of Jolla's hardware is to promote, support and spread the awareness of the OS – a promoting tool.

Systems, as in any other company are an internal information and for a person to attain intelligence what kind of systems Jolla uses they must be the employees of the company. Nevertheless, the organization manage to grow rapidly within only 5 years and was established by tech guys. A deduction can be based on previous facts. One can expect such a technologically based company to use up-to-date systems to assist during activities such as developing software, designing hardware and of course finance accounting. Additionally, a there must be an efficient network of information and knowledge sharing between the divisions to fully develop and raise the awareness of the Sailfish operational system.

There are 4 **shared corporate values** within Jolla – transparency, respect, passion and love. Transparency appears to be a very important part of the philosophy as the company is open source driven, with the focal point on being transparent internally and externally. Respect is concerning the respect to opinions and the community contributions. It underlines how the company was created and thanks to the community of users, partners and customers, it is on the current position. Passion was the initiator to create the company. It is the passion for MeGoo that created Sailfish. Lastly, love, the feature highlighting the significance and gratitude toward customers, Jolla community, which drives them to exceptionally care about the product and services. With the business model applied on Jolla, related culture should be visible in the firm – the combination of the competence culture emphasizing respect, dependability, tolerance and cultivation culture, trying to achieve success via passion, innovation and general adventure. All mentioned values are central to the development of all the other critical elements.

The author believes that the **staff** in Jolla ltd. presents the most valuable source they possess. Several people were working at the largest and most successful world company – Nokia. Their extensive knowledge does not regard to the product only, but also

marketing, financing and developing and mostly valuable connections to the world of mobile devices. The rest outside ex-Nokia employees seem to have a lot of experience and are well educated according to the LinkedIn site. However, the delayed introduction of tablet may indicate the lack of personnel. This is where Czech Republic might offer a solution – well educated and skilful workforce working half the salary compared to Finland.

Lastly, the assumption about **style** of management and **skills**. There are no information of how the company is managed; however from the core values of the company, the stress is on cooperation where the communication is extensive in both ways (leaders to employees and vice versa). It seems that opinions and remarks are taken very seriously and therefore, the author's assumption is that the management style follows democracy. Examining skills, a firm must have a skilful base in terms of IT, marketing, business and interpersonal relations to be able to reach such a level of development in such a short time. The skills are nothing though without a proper management and thus, it only highlights the effectiveness of the company.

10. SWOT and TOWS matrix analysis

The SWOT analysis concludes the analysis chapter by looking at every detail that was discussed in the previous parts. From each analytical process the Strong and Weak areas of the company as well as the Opportunities and Threats that might arise are deduced.

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> • Highly knowledgeable • Good and valuable partnerships • Distribution channels (thanks to partnership in Hong Kong, India and other countries) • Presence in strategic countries throughout Eurasia • New operation system supporting Android apps • Rather large user base helping in development • Born “regional” 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> • Start-up status – limited capacity to produce • Hardware supply problems (current, with tablet) • Limited research and development possibilities • Limited financing options • New operation system • Limited product range • Non-localized software • Not up-to-date smartphone and not missing capacity to fully concentrate on manufacturing on regular base compared to competitors
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> • Acquiring presence in unsaturated Czech market with high smartphone penetration rate • Establishing a base in the heart of Europe – good place to expand • Possible new partnerships • Expanding the awareness of the new OS • Possible broadening the user base – new views on how to develop OS on the Czech market • Possible acquiring of Skilful IT people in the mobile area – possibility to make valuable addition cheaply • Creating a test base in the market 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> • Major competitors – Apple, Samsung, Microsoft • Possible unacceptance of the new OS, possible inflexibility of society to changes • Complex legal system • New entrants with big production capacity – mostly from China – Xiaomi, OnePlus • Innovation – not being able to keep up with new trends as a start up • Possible need for localization

Table 4: SWOT analysis. Source: Own work

The major strength of the company is its people, specifically in the management. Jolla has started with a very experience and knowledgeable people, ex-employees of the biggest brand in the mobile industry of the last decade – Nokia. They establish a company with what might be the most critical asset, the connections they have built up during the years in the industry. One cannot argue that combination of good connections, knowledge and being born “regional” helped the firm to expand so fast. By born regional the author indicates the limitation of the product range of Jolla. As it is right now, it seems that it has the possibility to penetrate every unsaturated country and that is also their focus (Kazakhstan, India), but can’t compete in saturated markets like USA or Singapore. However, they do have one product that could be provided globally and it is the Sailfish OS.

The experience gained during the entry to other countries might help them to penetrate faster the Czech market, which is yet to be saturated. Czech Republic might provide a settlement of a base suitable for possible expanding to other European countries, as the country is positioned strategically in the heart of Europe.

Another strength is the valuable partnership Jolla concluded during its existence. Mutual benefits arose with such cooperation and it could be also a decisive factor in setting up new partnerships on the Czech market. As previously said, nowadays business is conducted through networking. Therefore, a partnership with Jolla means feasibility to open new connections with other partners of the firm.

The company runs a forum, where people are adding their opinion and view on how the devices should be developed further. The forum has around 150 thousand users, which is a very large base, and is growing every day. Jolla tries to take advantage of the huge base to improve the OS and the phone to suit the customer need and innovate faster; more opinions and heads equals more innovative ideas. Czech market could provide a significant boost to this forum, as there are many technically gifted and IT bright people; one can follow the fact from the statistics about start-up companies in Czech, where most of the firms are focused around mobile applications. This would not only broaden the forum, but in general broaden the awareness a new operation system option, totally different from the two used at this time – iOS and Android.

Concerning the new operating system, it was described in the strengths, but might as well be a weakness. There is no way to predict, whether the society will accept the new OS or disregard it as it never existed due to unwillingness to change from well-established operating systems. With it the issue of localization arises. Jolla's devices are currently running on an English interface. According to the website Languageknowledge.eu (2015), visualizing the language knowledge in Europe, Czech Republic is the second from the bottom in regards to the knowledge of English, only being better than Spain. Thus, there could be a need for localizing the software to Czech language.

Nevertheless, the company could be still perceived as a start-up company also. The lack of capacity to mass produce, limited possibility to research and develop might mean a

short stay on the market and a downfall in the hands of the giants such as Apple or Samsung due to the incapability to upgrade on regular basis. It could be traced now, as the company has yet to present a new Jolla smartphone, even though they announced it for the next year (upgrade gap three years).

Every action has its costs and as a SME (small and medium-sized enterprises), the company also faces the problem of limited finance. Even though the Jolla is open to new forms of financing such as crowdfunding, the method expects a certain level of mutual value exchange. Of course people can donate any amount to the project, however, considerable donations come with the demand of a “back-value” (in Jolla tablet case, it was a promise to send the first tablets, for a cheaper price than retail).

Internal elements	Strengths	Weaknesses
	<ul style="list-style-type: none"> • Highly knowledgeable • Good and valuable partnerships • Distribution channels • Presence in strategic countries throughout Eurasia • New operation system supporting Android apps • Rather large user base helping in development • Born “regional” • European Brand 	<ul style="list-style-type: none"> • Limited capacity to produce • Hardware supply problems • Possible limited R&D possibilities • Limited financing options • New operation system • Limited product range • Non-localized software • Not up-to-date products
External elements		
Opportunities		
<ul style="list-style-type: none"> • Presence in unsaturated market • Base in the heart of Europe • New partnerships • Expanding the awareness of the OS • Broadening the user base and gain new views on how to develop OS • Possible expand of skilful workforce • Establishing a test base 	<ul style="list-style-type: none"> • Using high knowledge and experience to penetrate as well as establish the presence in Czech market • Already strategic partnerships might be an advantage in settling new partnerships – possible networking between two partners • Forum and contributing user base could be broaden with more technologically skilled users 	<ul style="list-style-type: none"> • Hiring skilful workforce from the country might help with limited capacity to produce • New partnerships might bring new financing options • Being able to establish the market as a test base could boost the R&D possibilities • Expanding the awareness of the OS means higher rate of acceptance
Threats		
<ul style="list-style-type: none"> • Major competitors • Unacceptance of the new OS • Complex legal system • New entrants (China) • Innovation – not being able to keep up the pace • Possible need for localization 	<ul style="list-style-type: none"> • The competitive advantage might be the operational system supporting android applications – way to battle major players • Introducing the Sailfish forum to prevent from the unacceptance of the new OS • Base on previous experience, analyse the country to deal with legal barriers • Trust based on the origin in Europe – adv. against Chinese p. 	<ul style="list-style-type: none"> • If the software were to be localized, the unacceptance of the new OS might be prevented • Expanding and upgrading the product range would help to battle major competitors • Focus on R&D would prevent being behind in terms of innovation • Having finances to be able to fund the localization and preventing the threat of localization requirement

Table 5: TOWS matrix. Source: Own work

TOWS matrix provides the evaluation of links between every element by suggesting several defensive and offensive strategies. The author regards the offensive SO or maxi-maxi strategy to be the most suitable for Jolla's entry to the company as it suggest using all the strong characteristics to exploit the opportunities of what Czech market has to offer, and by that to minimize the negative effect of the weaknesses and prevent possible threats to happen. The SO strategic points are ranked as seen in Table 6, where the first position of importance is held by using previous partners to lure possible new partners to team up with Jolla, which may present a crucial point in establishing its existence on the Czech market. This could be achieved by applying the experience gained from other countries. The last, but not least is to introduce the already build up forum, which would help to spread the awareness of the products and the new OS as well as popularize and gain new users with new views on the development.

SO points	Importance
Strategic alliances	1. grade importance
Projection of experience into Czech market	2. grade importance
Broader scope of possible upgrades	3. grade of importance

Table 6: The evaluation of possible steps in Strength-Opportunity strategy. Source: Own work

Proposal part

The proposal part is dedicated to the proposition of the suitable market entrance strategy, setting up strategic goals required from Jolla to be achieved as well as strategy or plans how to exploit all opportunities provided by the Czech market. The part is based on the analysis of the macro, micro and internal environment influencing Jolla ltd summed up in the SWOT analysis. The recommendation is focused around choosing the right strategy for the whole process of entering to operating on the market with the short time horizon of 1-3 years.

The structure is divided in to two main sections of the entry phase and after-entry phase. The entry phase section concerns the vision and mission of the whole entry process of Jolla and related choice of strategic alliance partners. Post-entry phase is about proposing a business strategy with the concept of 7P marketing mix. Additionally, the strategic goals, which are critical in achieving the set up vision, are being set and reviewed. The last part sums up the business strategy and assess the suitability.

11. The entry phase

Jolla has been operating as a business for nearly four years and have entered several countries' markets. There seems to be a pattern in the firm's process, which is a partnership within one of the local country organizations. It has worked for Jolla well so far and for that purpose, the author suggests not changing the approach. However, before doing discussing into details the whole process, steps and strategies, the most general area of vision and mission of the firm's entry should be examined.

11.1. The vision and mission

Visions are usually formulated on the corporate level and serve as an ideal state, where every problem on the way was addressed perfectly whereas mission shows what the firm will do and why. Nevertheless, for the purpose of understanding why the following goals, discussed further on, were chosen, the author tries to formulate (emphasis on the trial) the vision and the mission of Jolla's possible entry to Czech Republic.

- **The vision** of the entry is to establish a critical research and development hub, which would be able to support European operation from the very heart of Europe.
- **The mission** is collaboratively leverage continuous and transparent development of Sailfish OS and delivery of Jolla's products from Czech Republic – the centre of Europe.

The vision was chosen with regards to what is the focus current focus and problems. The main product is currently the Sailfish OS with hardware products as a secondary product. Establishing a research and development hub in Czech Republic may benefit Jolla in several areas – the distance to every possible European country is the same, so it represents the best logistic solution, the market is unsaturated and highly technologically advanced, which makes it a perfect testing base, and the workforce is skilful and rather cheap. It might become the main strategic point of service and product delivery for the whole Europe.

11.2. Strategic alliance – Sailfish Alliance

The first choice that would come into mind regarding Jolla's entry would be a strategic alliance. The reason behind this decision is the experience of the company in the field of searching and closing important partnerships in several countries. Not only does it play to strength of Jolla, but it also decreases certain risks related to cultural differences, minimal knowledge of the local market and the time for adaptation.

11.2.1. Alliance focused on hardware

The strategic alliance can be done in several areas. First, area is the **hardware product alliance**. Even though the focus of the firm is currently on the Sailfish operation system, the author presumes that this step is vital for introducing the new operational system, as Jolla is in general not yet so popular in Czech Republic (even though there is already a blog dedicated to Jolla). The step should result into spreading the awareness of the new OS, accommodation of users to the system and possible attraction of other investors interested in the company. Therefore, it is a very important component in initiating the whole process of establishing a research and development hub.

There are 3 groups of possible partners Jolla can decide on – major mobile operators, virtual operators and e-commerce. Choosing a suitable partner to help the firm in terms of sale and marketing could be rather difficult on the Czech market.

- Major mobile operators – T-Mobile, Vodafone, O2
- Virtual mobile operators – Kaktus, Mobil.cz, Lama
- E-commerce – MobilTel.cz, Mall.cz, Alza.cz

Partnering up with one of the 3 major operators would benefit Jolla greatly. However, to persuade a major operator into a partnership, Jolla would need to offer the same value as it would receive from these operators. The problem lies firstly in its product range, which is limited to one (not counting tablet). Usually, if one model has lower sales, it can be balanced by sales of another model and as such, the risk lies with the operator. Secondly, it is the price, which is a bit high for a mid-range smartphone and operators are not as price flexible. Thirdly, operators are not as focused on mobile selling than on services they provide. These are important factors for operators and therefore, they are rather choosing well-established brands over newcomers. Thus, the author believes that this option is impracticable.

The second option is to cooperate with virtual mobile operators. There are a lot of such operators on the Czech telecommunication market (around 50). Choosing from this range might be a challenge, as it needs to align with Jolla. The virtual operators are mostly based online, with no brick and mortar shops. Nearly all of those concentrate only on providing packages differentiated from services provided by major operators. There are few virtual operators who are offering also mobiles phones, which narrows the choice to – Kaktus, Mobil.cz, and Lama. These were chosen by the author, because of suitability to required situation of Jolla. Each of them offer smartphone devices on the website, all are more flexible than major operators in terms of pricing of the products and the benefits from the cooperation (example – exclusivity on Jolla products) might be balanced. Nevertheless, Lama as a virtual operator seems to be the most suitable, as it not only is offering smartphones, but also tablets and are seen to promote themselves a lot (newspaper, TV spots).

The third option is to partner up with one of the main e-commerce businesses. Jolla already underwent a similar partnership in India with its biggest e-commerce market place – Snapdeal.com. In the Czech market the similar platform is represented by mall.cz. The Czech online retailer would be a great boost in the phase of Czech market entry, as they are a well-known portal with a lot of clients on daily basis. Furthermore, the price flexibility is better compared to the major and virtual operators (the space for adjusting price). Concerning promotion, Mall has a lot of promotion activities and as such, it may raise the awareness of the new product with a new OS available on the market the fastest. Alza.cz and MobilTel.cz are an alternative to mall.cz, where the focus is narrower (Alza.cz – electronics and MobilTel.cz – mobiles, tablets). Both of the alternative options have one drawback compared to Mall.cz, which is specific type of customer. All customer visiting Alza or MobilTel are visiting the sites looking for a specific type of good whereas to Mall.cz the customer might just browse indifferently, which raises the probability of noticing Jolla products.

11.2.2. Alliance focused on software

The main product of Jolla is nowadays the Sailfish operational system and engaging in the alliance with local firms to elaborate the development and licensing of the software could be a possible strategic alternative to the product market entry. Partnering up with a software developing firm might accelerate the process of upgrading and licensing. There are many firms and star-ups related to the IT and software developing, which would benefit from such a cooperation. Having such a project with an international company improves the reputation. Among other benefits for the partner would be:

- Hands on an operation system unlike other on the market
- Possibility to become internationally involved (new international clients)
- Being part of Sailfish OS alliance and possibility to interact with other partners
- Rapid growth with a firm of experienced ex-employees of Nokia and possibility to become main European hub

The benefit Jolla would have from the partnership with a company focusing on software are following:

- Local knowledge would be acquired in an instant
- Already knowledgeable and skilful people, less training
- No extensive analysis and having internal source of information from the country
- Low costs start on the Czech market

Nonetheless, forming an alliance up from the beginning, focusing solely on development of the software might not bring the result of promoting Sailfish on the Czech market, especially in the entry phase. There would be no intermediary communication tool (smartphone, tablet) between Jolla and Czech consumers. It may lead to Sailfish to remain unnoticed and a difficulty in setting up a proper research and development hub, as it would be difficult to attract potential developers. Moreover, an essential part of Jolla is taking into consideration the opinion of all the users on its forum. Sole focus on software developing alliance would make Jolla miss on the opinion coming from Czech consumers.

An alternate option, which would combine both hardware and software alliance is to form an alliance with a domestic manufacturer of smart devices. The step would not only facilitate the awareness spreading, but would also raise the research and development possibilities with the assistance of the manufacturer. The step was done in India, with Intex. Intext decided to implement Sailfish OS into their devices named Aquafish. However, Czech Republic does not have a domestic manufacturer of smart devices, which makes it impossible to realize. However, the most beneficial step is to settle alliances from each group, which would support software development and spread awareness.

12. The after entry phase

The vital point for Jolla after entering the Czech market is to develop a business strategy, which would utilize their strength to exploit the opportunities, minimize the probability of threats and erase their weaknesses. For the purpose understanding and

formulating a business strategy, the author uses the expanded marketing mix of 7P. Preceding the business strategy proposal, the author also examines the field of entrepreneurship Jolla engages in.

12.1. Definition of Jolla's field entrepreneurship

It is the starting point of the proposal of business strategy for Jolla. Thus, the field of entrepreneurship will be examined in terms of the market it is operating so far and the product/services it offers.

Products and services:

- Narrow product range – Jolla smartphone, Jolla tablet and the Sailfish operating system
- Jolla smartphone classifies in terms of performance in mid-range, Jolla tablet is within the group of 8 inch tablets a high end product, offered to end users
- Sailfish OS is the main product – gesture based, follower of MeeGo, offered for free to manufactures, revenue comes from the end customer using the device

Market

- Large market with similar products (not very differentiated, only in terms of hardware performance)
- A lot of competitors
- Low cost of entry as a vendor, high cost in terms of developing, designing and producing

In general, the company operates in the field where the market is saturated with mostly undifferentiated products with regard to software (iOS, Android, Windows) and the only differentiation concerns the performance of the hardware. Jolla follows path of differentiation strategy by providing an alternative to the two main operational system from Google and Apple. The target so far is rather narrow, but the potential of Sailfish OS is big, as it is firstly offered for free to manufactures and secondly it runs android applications. The differentiation would be even more efficient if they were to apply the

cost leadership strategy, however, the current state does not allow them to compete regarding costs.

12.2. Proposal of business strategy

Jolla must follow a certain strategy in order to fully utilize what was intended with the Czech market entry. A business strategy can be formulated by answering questions about what product or service will be offered, where it will be offered, at what time and place. Moreover, attention must be paid to promotion, people, processes and positioning. All the factors combined are the essence of marketing mix of 7P (Keřkovský and Vykypěl, 2002) discussed in the theoretical part.

Product

The product range so far is only two hardware products – smartphone, tablet and one software product. The release of the smartphone was back in 2013 and from that point no upgrades were made. Therefore, the performance statistic ranks it nowadays to somewhere in the middle. On the other hand, the first ever crowdfunded tablet is to be publically accessible in just few months and shows a lot of potential. The hardware is up-to-date and offers high performance power within its group of small tablets. However, the focus is basically around the Sailfish OS, which claims to be faster and easier compared to competitors. The author assumes that the hardware products were mostly made to promote their main product. It underwent several updates in the last 3 years reaching a major update to Sailfish 2.0, and currently it is ready to be licensed.

The first problem of Jolla's products is the small production capacity resulting in slow releases of the hardware products. Jolla has released the smartphone 2 years ago with no upgrades so far and tablet demand is not that enormous to promote Jolla effectively. Thus, the author suggests to either upgrade the performance to meet the price, or the other way around. Even though price-skimming strategy might be suitable for an innovative new operational system (differentiation not impactful enough), it may not work on consumers on Czech Republic, as it is believed by the author that price/performance ratio plays the most critical role in smartphone choosing among Czech society. The secondary problem is within Sailfish. The analysis shows a problem with language and possible need for localization, which might need to be addressed.

Price

The pricing strategy of Jolla in the beginning of Jolla smartphone was very specific, as it was high. The author believes that it was set up, so that mostly fans would buy it, at the same time it would be a defence mechanism against common user, who would notice the flaws. Nowadays the pricing of the hardware products are as follows – 249 € for Jolla smartphone (6750 CZK) whereas the tablet has a price of 267 € (7 240 CZK) for the version of 32 GB and 299 € (8 100 CZK) for 64 GB. Licensing the software is offered for free to the smartphone and other mobile devices manufactures.

Regarding the pricing of devices, the price of the tablet is rather competitive. The performance specifications is positioning the Jolla tablet to higher-end products within its small tablet group. Compared to high-end android tablets it might seem to be a bit more expensive, but here the price-skimming strategy would be suitably applied – charging more money for a totally new, differentiated product with support of android applications. It is still competitive enough for example against Apple iPad Mini, which is priced higher than the 64 GB version of Jolla tablet. Therefore, the author suggest to leave the pricing of the tablet as it was set up. However, coming to the price of Jolla smartphone; as already mentioned before, the power/price ratio is tilted more to the price, which is rather high. Here it would be suggested to either set it a bit lower to make it more competitive within its power group (mid-range) or provide the partner (mall.cz, lama, alza.cz) the opportunity to manoeuvre with the price to a certain extend when needed. Lastly, the pricing of the Sailfish operation system is very interesting, but also very risky. Nevertheless, it might pay off and the awareness could be raised much faster than by charging the manufactures a license fee.

Place

The place is set by choosing the alliancing firm. There are 3 options as previously mentioned:

- Major mobile operator – brick and mortar shop, on company's website, only mobile phone)
- Virtual operator – only on internet, both devices
- E-commerce – on internet and some have also brick and mortar shops, both devices

The best option appears to be in a strategic alliance with an e-commerce, especially with mall.cz. The reason behind were stated in the entry phase. Compared mall.cz with other options, it has much higher reach to potential customers. However, the possible downside might be the promise of exclusivity on the Czech market, which may decide whether mall.cz would enter into partnership with Jolla or not, resulting in no probable distribution differentiation. Indubitably, it would limit Jolla to one distribution channel making it an exclusive distribution strategy. The compensating factor is the size and reach of mall.cz as a distribution channel. Regarding software, if the research and development hub would be established, the software developed and distributed to the whole Europe.

Promotion

Promotion is a critical component in spreading the awareness of a new operational system and alternative products to what is offered on the Czech market. In general, the global scale promotion seems to be effective. The company is attending the largest expositions in the world, such as Mobile World Congress 2015 in Barcelona, to raise the brand recognition. On each operating market, the promotion is delivered in the cooperation with their specific alliance partners. Apart from that Jolla is using also social media channels to promote and inform the fans.

The promotion in Czech Republic is tied up with the choice of the strategic alliance. As stated before, the author believes that mall.cz would be the best option, as it is a well-known and established brand within the country. In terms of advertising, the possibilities of mall.cz and Jolla would be able to let them advertise in every possible media. Concerning public relations, it could be suitable to organize an event or be part of an event that would introduce a new smart devices on the market with a new OS, coming from a European brand. Jolla must assure to provide the best services with its products to convince the consumers and thus, triggering the chain of word to mouth promotions. Moreover, using social media as a tool to communicate with consumers is a good tool, however it may require to be in the native language.

People

Starting with people outside the company, according to the statistics, the demand for smart devices grows in Czech Republic, so the people interested in the products is there.

Furthermore, Jolla pursues the philosophy of collaboration and tries to involve the opinion of users to develop the system. It assures having a good experience from using the operational system, which is important for future improvement.

Internally, employees are the most valuable asset in the company and are led by managers with years of experience in the mobile devices area. Nowadays, Jolla employs around 200 people dedicated to a common goal of success of Jolla. Entering the Czech market is opening to Jolla the opportunity to find skilful and rather cheap workforce, compared to Finland as example, who would elaborate the level of service delivery and research and development further. However, it is not only about having skilful and knowledgeable employees, as Jolla needs to take the time to train them properly and achieve a state, where the staff genuinely believe in the product. The result would be better performing employees, not afraid to give feedback. Additionally, these Czech employees are the ones, who will take care of the localization for Czech, which is one of the threats.

Process

Looking at the processes from outside the company, it might appear to be without any problem. However, one problem surfaced during the first announcement of Jolla tablet on the crowdfunding website. Jolla promise people who pre-ordered the device on IndieGoGo to deliver them on time, but had to postpone the delivery date. It was later commented on as a hardware supplier problem, which might need to be adjusted.

Relating the processes to the entry on Czech Republic, the effectiveness of process of development, distribution and service delivering could be boosted. The strategic location in the Heart of Europe makes the distance to all directions even. Therefore, the whole logistic process might be more effective. Additionally, the process of development always undergoes a testing phase, and Czech Republic offers a great combination of an already advanced, but unsaturated market. Moreover, the labour cost/quality of the people on the market is advantageous, as the salary is rather low compared to quality and qualification level of workforce.

Positioning

Positioning is related to the perception of the customer; how they position the firm's products and the firm itself. It plays a critical role in determination of success on the

competitive market place. After 4 years of being active, the company earned themselves a reputation, which could be described as a fresh differentiation challenging the dominant perceptions. The high reputation is depicted in the support of customers in the crowdfunding event where the financial target was exceeded nearly sevenfold, and also in the entered partnerships. It is vital for this perception to be transferred with the entry to Czech Republic. However, this could present a problem, which is connected with the current position of not so competitively priced.

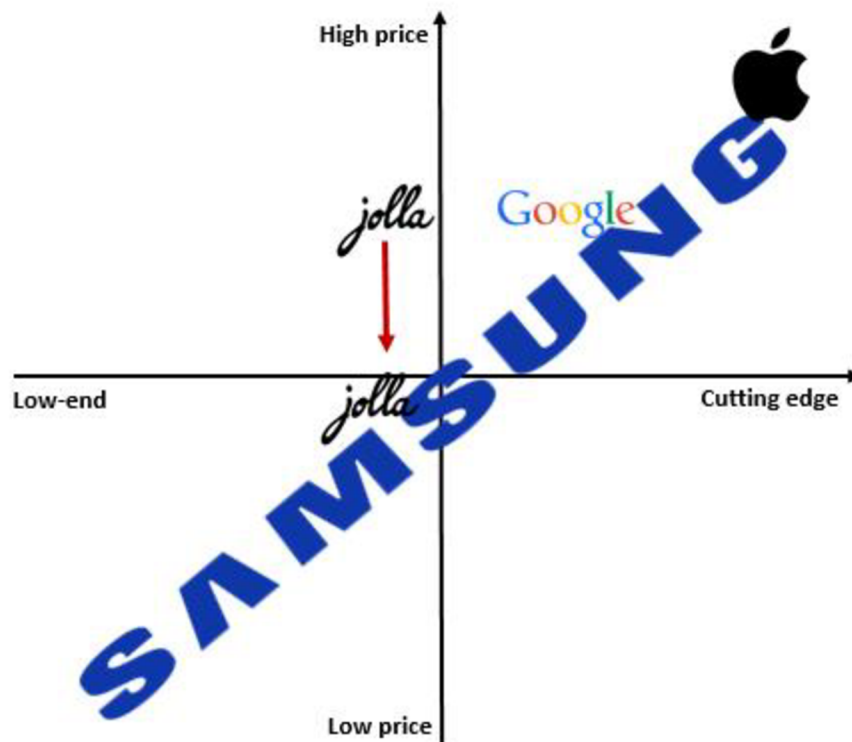


Figure 20: The positioning of Jolla and Competitors. Source: Own work

The positioning in terms of products and the price/performance ratio is positioning Jolla in the quarter, which is unusual. The upper left quarter in the chart is the position, where the manufacturers are charging high prices for rather low-end to average devices. This could be done by having something differentiating to compensate the price, example would be a superb after-sales services, which the competitors do not have. Jolla has its own new OS, but it is not enough to charge such price, especially on Czech market. It can be seen in comparison with Google and its Nexus 7 or Samsung Galaxy 5 Mini. The price is roughly the same (was compared on Heureka.cz), but both offer

better performance specifications in their devices. Thus, a shift in the price is suggested to be more competitive on the Czech market.

12.3. Strategic goals

Strategic goals should depict milestones, where the business strategy should be headed. They represent the critical goals, which need to be achieved for the company to be able to fulfil their vision. SMART method was used to formulate the following goals and are ordered from the nearest to the further future.

a) Introduce Czech localization within 1 year

The analysis implied the probable problem concerning the language setting of the operation system. By localization it will not only raise the chances of new OS acceptance, but also accelerate the awareness and popularity spreading. Thus, making it a critical strategic goal.

S – the goal is specific to companies needs

M – measured by the percentage of finalization during the year

A – fully attainable regarding the capabilities of Jolla

R – the goal is realistic

T – should be achieved within a year from the entry

b) Gaining a financial partnership within 1-1,5 years

Financial partner, within the country might not be a critical strategic goal. Nevertheless, it would majorly increase the operations on the market. The pattern is taken from the Hong Kong entry and China Fortune Holdings Limited partnership. It is not purely financial, but also a knowledge partnership, with the benefit of further having local insight. Moreover, the capital nature of Sailfish OS R&D is very intensive as was stated by Mr. Saarnio and every funding counts.

S – the goal is specific to the companies needs

M – either would be finalized within the time or not

A – fully attainable regarding the experience of Jolla

R – the goal is realistic

T – should be achieved between a year and year and half from the entry

c) **Gaining brand above average recognition on the market**

It is crucial to spread awareness Jolla and its products on the market, which is one of the factors showing the successfulness of the company. Above average should be understood as above 50%. Measuring such an intangible and subjective (in terms of the meaning of brand recognition) factor is difficult. Jolla could cooperate with one of the local medias focused on technological field to create a poll, which would determine whether respondents do recognize the firm or not.

S – specific to the needs of Jolla

M – difficult to measure, but possible

A – attainable, if it was well promoted

R – the goal is realistic

T – assessment should be done on regular basis, however to gain above average recognition, the author suggest 2 years

d) **The establishment of R&D hub**

Establishing an R&D hub is in accordance with the mission. However, it is financially demanding and requires certain steps to be done. Firstly, it the main product – Sailfish OS needs to gain certain level of awareness. Secondly, transfer from the software alliance to research and development hub, which would require office spaces and hiring new people.

The following rough yearly cost estimation is for illustrative purposes and were taken from jobs.cz (Salary), rent of office space in Brno Campus, initiative cost as a rough estimation of investment into equipping the office and administrative cost as unforeseeable cost, which may arise.

Software developers – avg. around 1 500 € per month times around 20 people and 12 months equals 360 000 €.

Offices – avg. of 20 €/m² times 200 m² times 12 months equals 48 000 € offices.

Initiative costs – cost for all the unavoidable investments for the hub 50 000 €

Administrative (training) and uncounted costs (inflation) – unavoidable cost reserve 30 000 €

Combined all the cost, the first year would cost Jolla around 500k €, which still has only basic elements included. Jolla would have to pay more than 500k €, thus, a financial partnership would truly support this strategic goal.

At this stage, Jolla should be have already managed to fulfil the 3 previous strategic goals and be heading towards delivering R&D operations and services for the whole Europe. The aim for the future development would be expanding the hub, and engaging in licensing the OS to those potentially interested, drifting away from the hardware.

S – specific to the needs of Jolla

M – can be measured in milestones such as, dealing with offices, contracts, hiring

A – the goal is attainable for the firm

R – the goal is realistic

T – the author suggest around 3 – 3,5 years after entry

12.4. Summary of the proposed business strategy and its evaluation

As previously mentioned, Jolla follows the strategy of differentiation in terms of offering a completely new operation system, which introduces the gesture-based control. The author continues with the strategy and takes into consideration current focus shift of Jolla towards developing the software product. Therefore, the business strategy is tailored to elevate the software development from the Czech Republic by establishing a research and development hub.

For formulating the business strategy, the method of 7P marketing mix, described in the theory section, was used. Dividing the strategy into individual parts highlighted several critical elements, which would require attention. The author identified the most crucial fundamentals – product, price, promotion, and people.

Foremost, the hardware product, which was classified as vital promoting tool to the system, requires the change in terms of pricing and positioning. The price is currently too high, for a device with mediocre specifications and it might not be able to compete on Czech market, where the consumers pay attention to price/performance ratio. A possible solution was mentioned, as to upgrade the hardware. However, this would require additional investment and capacity to introduce the phone with better

specification. Thus, changing the pricing to adapt to Czech Republic seems to be the better solution. Moreover, to be more effectively accepted, the software should be localized.

Regarding promotion, choosing the effective way to promote with the help of a partner elaborates the awareness spreading of Sailfish system. Jolla and its partner would share the costs of promotion, which is beneficial for both sides. Lastly, growing and establishing a research hub is connected to the need for workforce. Czech Republic provides the opportunity to hire experienced, skilful and qualified personnel for rather small labour cost. Nevertheless, all the aspects are certainly highlighting one important need – awareness of Sailfish OS and Jolla ltd.

In order to direct the business strategy towards fulfilling the vision of Jolla's Czech market entry, 4 critical strategic goals were suggested. These strategic goals were tackling all problems described in the analytical part, with regards to the vision of establishing a significant research and development hub. The scope of these goals were between one to three years.

12.5. Business strategy evaluation

The basic prerequisite of this part was to identify the optimal business strategy, which would utilize the strength of the company to exploit the opportunities provided by the country. Thus, strategic goals were formulated; critical in the process of fulfilling the defined vision and mission of the entry. For the purpose of evaluation, 3 areas shall be examined (Keřkovský and Vykypěl, 2002):

Suitability

The strategy is tailored to the current focus and needs of Jolla. It not only aligns with the rapid growth strategy, but also is a potential solution for lower software development capacities. It was formulated with regards to the analytical part, which showed promising results of the country and Jolla's capabilities in terms of international growth. Therefore, the author deems the strategy to be suitable to Jolla and its stated intention for entrance.

Acceptability

Acceptability takes into consideration whether the strategy is acceptable for critical stake holders – in this case the management, customers (corporate or end-users) and the partners. Considering, how the strategy was proposed, it would be able to solve most of the issues seen in the SWOT analysis, which should please the management. Potential customers would have new differentiated products on the market, and current customers would have the time between consecutive software updates shortened. In terms of partners, all of them would benefit from the growth of Jolla. Thus, the strategy is deemed to be acceptable.

Viability

The viability of the business strategy lies within securing all the possible resources required for the business strategy to be implemented. In the proposal of the business strategy, related further to the strategic goals, requirements were addressed. The author believes to have covered the wide range of fundamentals such as financial resource, human resource, communication channels and strategic alliances. The result is promising and indicating the viability of the business strategy.

In order for the strategy to be able to succeed, Zich (2012) emphasizes that it must be goal driven, with regards to its competitiveness, goals, competitive space and the growth of the firm. All areas were taking into consideration during the analysis and formulation of the strategy. Furthermore, to be goal driven, the author of the thesis proposed strategic 4 strategic goals accentuated on the vision and mission of Jolla on Czech market. These goals were formulated, after the assessment of possibilities to develop advantages, competitive space and base and possible consequences of implementation on management. The set up goals are interlinked and a change in one goal would lead to the change of others. Therefore, the author is positive about the success-ability of the strategy proposed.

Conclusion

To conclude, Yip (2003) proclaims that increasing foreign competition itself is a reason for businesses internationalize. The purpose of going abroad is to gain skill and size required to be able to compete efficiently. This statement can be easily related to the businesses within the competitive smart devices industry. Firms that stay local are generally expected to fail due to incapability to rival the leading corporations. Jolla Ltd. realised the importance of internationalization and has started to establish connections before its smartphone was launched.

Examining the firm at the current time, Jolla changed the focus from devices to developing and licensing the Sailfish OS, managed to establish alliances throughout several countries across Eurasia and continues their fast pace internationalization. One of possible countries, which has cheap and skilful labour, great technological basis and unsaturated market with high smartphone penetration is Czech Republic. Entering the country's smart device market, would bring a certain boost to Jolla, but cannot be done without a proper analysis and strategy formulation, if they do not want to face failure.

The analysis underlines the potentials yet to be fully utilize and it is a chance for Jolla to benefit from it. However, threats and weaknesses were pointed out during the examination of influential environment and factors. Therefore, a strategy for entrance and development was proposed, which considers the results from the analysis. It was based on taking advantage of the strong features of Jolla such as knowledge, experience and differentiated operational system, and applying the to the Czech market. The strategy seems to be promising, as it complies with suitability, acceptability and viability regarding Jolla's stakeholders, resources and current needs. Moreover, the strategy is consistent with Zich's (2012) concept of success-ability, which indicates the potential of the business strategy to success.

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