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**INTERNATIONALIZATION OF ONLINE SERVICE
PROVIDERS:
NETWORK PERSPECTIVE**

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ABSTRACT

The study examines the internationalization process of online service providers in terms of network. Online service providers (OSPs) depend on digital delivery over the internet, thus, undertaking internationalization faster than traditional firms. The literature describes such phenomenon as 'born global' also means that OSPs can overcome geographical borders easily. Network theory emphasized the importance of pre-existing knowledge and network relationships of the entrepreneur both business and social. That drives OSPs to the new markets in more efficient, less risky and faster way. This study also reveals the trust building aspect of networks as well as the role of strong and weak ties in internationalization process. The technologically complex nature of online services and the importance of building local network relationships could explain why the case company used controlled mode of entry. World wide web provides the new ways and tools to build relationships, thus giving the chance for individuals to have a larger number of network relationships. Social media such as LinkedIn or Facebook create a base with useful and easily reachable contacts, which could facilitate internationalization of OSPs. All in all, this study contributes to the existed researches and demonstrates the internationalization process of recently launched international startups providing services through online channels.

KEYWORDS: internationalization, networks, online service providers, international new ventures, born global

1. INTRODUCTION

1.1. Background of the study

In October 2019 approximately 4,48 billion people were registered as the internet users, accounting for 58% of the world population. The heading countries with the most active internet users are United States, India and China. Nowadays, we can't imagine our life without internet. Internet links billions of people all over the world and became a central component of the modern information society. World's internet penetration rate is 57%, while both US and Northern Europe rank first, with the internet penetration rate 95%. The countries with the world's highest internet penetration rate also are Iceland, the UAE, Norway, Bermuda, Qatar, Andorra and Aruba with a 99% internet usage rate (Statista, 2019).

The online service providers (OSPs) have already made online services as an important part of the IT industry. Moreover, online services tend to form an independent industry nowadays. There were approximately 10 000 OSPs in the world by 1990s, among them more than half were located in US. By now, some of these companies merged into the larger providers or they have been acquired by the bigger OSPs. Furthermore, a lot of newly established OSPs enter the business in the large national markets, for example, in China or India (Computer Business Research, 2019).

The online world totally changed modern society's lifestyle as well as business operation style. Online service providers became an essential link between the users and the internet. Only through online service providers, people are able to enter the internet world. It might be stated that the internet has no sense without OSPs (Computer Business Research, 2019).

As the intermediary, the OSPs offer online services for the customers (usually paying subscribers), such as e-mail, discussion forums, websites, news articles, download files or the chat rooms. The online services provide an internet access to the specialized database or just online access for general purposes. Additionally, together with the internet access, OSPs can provide e-mail accounts, software packages and personal web pages. Overall, they make people's lives more convenient and comfortable than it was in the past (Computer Business Research, 2019). Through the OSPs, individuals are able:

- communicate easily with the others at every corner in the world;
- work at home by online services like video and chats;
- shop at home by online shopping services.

OSP also made the revolutionary changes in the business operation. Almost every company, organization or government office needs their own website. Most of these websites are hosted by OSPs. Especially for those companies that cannot afford to purchase own servers and hire computer experts to maintain their websites, OSPs are the best choice to solve the problem. For example, Yahoo and Google can build and maintain websites for their customers. They put these websites on their own servers. They also build a database for the customers. At the same time, OSPs can be connected to each other through networks to support more extensive online services. Through the OSPs, one company can (Computer Business Research, 2019):

- "save the money used for network build-up and maintenance;
- build their database, collect and store large amount of information;
- achieve online sale like Ebusiness, Eshop;
- share and exchange their data with the partners and customers (electronic data interchange);
- reduce the labor and overhead".

The number of internet-based ventures is systematically increasing as the internet has become a significant field. In addition, the new business models were created in order to challenge offline sector. Online markets are rapidly increasing and the traditional

companies are having troubles in overcoming the competition as internet connection and digital technologies are covered whole the world (Themner & Hedborg, 2014).

Online services and software development are phenomenal and these new ventures are referred to as super-fast growers in McKinsey & Company (2014) report. One year old companies dare to reduce billions in buyouts, optimistically receiving a multibillion-dollar offer in a few months. For these new actors the growth is the most important. This gives profitability and long-term success, and also turned out to be more important than margin and cost structure (Kutcher, 2014).

The internationalization of companies is a deeply researched field in the literature and articles. There are several well-established hypotheses of how a company might act during foreign market's entry. Yet, recently the rules have been changed and the company should not be present physically on a market when there is a need to enter it (Themner & Hedborg, 2014).

Research problem and research gap

Digital technologies have become an everyday phenomenon transforming physical products and services into online forms (Evers et al., 2018). One of the most interesting types of firms that emerged recently is internet-based international new ventures (INVs) with rapidly internationalization processes shortly after inception (Oviatt & McDougall, 1994). Besides, referring to the entrepreneur's behavior in the internationalization process, such firms make use of the founders' social and business network in order to develop a unique competitive advantage across borders (Sasi & Arenuis, 2006). The researchers also state that networks facilitate resource development and provide a pool of key contacts for learning and internationalizing (Coviello, 2006; Coviello & Cox, 2006). Research especially in strategic management has resolved the questions of why firms form networks and has explored the relational concepts, such as mutual dependence, commitment and trust (Johanson & Vahlne, 2009; Dyer & Chu, 2000;). However, there

is still a critical need for academic research in order to continuously examine the effect of networks on company's performance (Gulati et al., 2000).

Because there are several types of internet-based INVs, this study focuses on a new increasingly important in the global economy group of firms, namely online service providers. These firms are undertaking internationalization at an extraordinary speed and depend on online delivery through the internet. Furthermore, network relationships have been defined as important through the different stages of a new venture's internationalization processes and seen as a source of new knowledge required in foreign market entry (Evers et al. 2018; Johanson & Vahne, 2009). This creates a great interest for further research.

Rapidly growing online service providers have little time for market analysis, however, there is a need of understanding what key factors are important in the process of market entry. Since there are extensive studies about the benefits of internationalization, particularly when using network advantages according to the Uppsala model or Born global phenomenon (Johanson & Vahne, 2009; Knight & Cavusgil, 1996), we still have to go deeply in such specific topic as online service providers.

1.2. Research questions and objectives

Based on the previous assumptions the important problem is to understand how modern companies with the digitization processes and web presence internationalize and through which channels they are doing it. Particularly, this master thesis focusing on network processes of internet-based platforms, more specifically on service providers as an example of the young ventures presenting modern international firms. Since the use of networks has been shown to help international new ventures to overcome the traditional stages of internationalization and expand fast by connecting

themselves to established networks, the research question is the following: How do online service providers internationalize in terms of using networks?

The objectives provide an accurate description of the actions that will be taken in order to reach the purpose of the research. To clarify for the reader's meaning and understanding of the main problem the research objectives must be set. Thus, the objectives of this work are:

- to define the factors that drive OSPs to enter international markets;
- to identify why network plays an important role in the internationalization process of OSPs;
- to discover the impact of OSPs networking ties on such specific factors of internationalization process as speed of entry, entry modes and geography.

Delimitations

In order to narrow down the scope of the thesis and make it clear for the reader, the following delimitations are described. There are different ways how to organize the study research analysis. However, this project is divided into two interrelated aspects, which are internationalization strategy and what role networks play in it. It has been claimed that the three main elements of the internationalization process are mode of entry, geography and speed and they are mutually interconnected. For instance, the choice of geographic market will actually affect the speed of the internationalization process due to the geographical distance (Wentrup, 2016). Based on that assumption in this study these elements are applied.

During an internationalization process of the company, networks are usually created and then developed in order to obtain the necessary resources or to gain a better position within the foreign market. In addition, establishing contacts with foreign partners can be perceived as the company's actions and reactions in the market, as such,

it also leads to mutual commitments. (Johanson & Vahne, 2009; Coviello & Munro, 1995). Based on this, the network theory is an important aspect of the thesis work.

There is a number of researches that have been studied international new ventures, also named as born globals (Coviello, 2006; O’Gorman & Evers, 2011, McDougall et al., 2011). However, much less is known about the emergence and internationalization of more specific firms, such as online service providers. This is giving a motivation to focus on differences between traditional network models of internationalization and recently occurred one (Andersson, Evers & Kuivalainen, 2014; Gabrielsson & Sepulveda 2013; Etamad,2017).

1.3. Terminology and key concepts

Internationalization

In the economics context, the internationalization may refer “to a company that takes steps to increase its footprint or capture greater market share outside of its country of domicile by branching out into international markets”. The corporate movement towards internationalization process has helped drive the world economy into a globalizing environment, in which economies around the world are highly connected because of cross-border commerce (Kenton, 2019).

Internationalisation as a business idea or a strategy is original and depends on the following synthesis of the factors: administrative decisions, business goals and the other factors (Daniels et al., 2015). While some business organizations seriously considered the strategic and successful potentials of the internationalization activities, others were rejecting the whole idea as not only expensive but also exhausting for the company (Hill et al., 2016).

Networks

Network researches came into view in various disciplines, such as in marketing and in entrepreneurship (Granovetter, 1973; Curran et al., 1993). As a consequence, the definitions for a 'business network' may differ. According to Axelsson & Easton (1992), the networks are the "sets of two or more connected exchange relationships". Following this, markets are portrayed as the systems of social and industrial relations among, for example, consumers, suppliers, competitors, family and friends. In accordance to the network's perspective, the nature of the relationship established between different parties influence strategic decisions, and the network involves the exchange of resources between its members (Sharma, 1993).

Online service providers

Mobile technology, social apps, and the cloud have been growing significantly over the past years. It has created a lot of low-cost opportunities for potential online entrepreneurs to enter the technologically advanced internet world. Business operations raised from 1,9 trillion dollars in 2016 to an estimated 4,48 trillion dollars by 2021. Since technology increased in sophistication, it becomes much easier to access the online world of business (Finkle, 2019). Online service providers are playing a central role in the growing internet economy. Google, Twitter and Facebook are bright examples of the fast-growing OSPs established in US. In a short time, these companies became one of the largest in the world (Wentrup, 2016).

1.4. Structure of the study

This research is divided into eight main chapters. The thesis begins with an introduction chapter, which explains the main trends in the industry and why the research will contribute to further studies of the problem area. Besides, the delimitation of the study gives us more understanding of the scope and framework.

The second and third chapter includes an overview of the existing literature and theoretical approaches that are the most important for thesis specific topic. As it has been mentioned before the focus is on theory about online service providers, internationalization processes and networking ties in order to develop new insights and explaining the execution of the study. The fourth chapter gives an overview of the specific type of international new ventures – online service providers.

The fifth chapter describes the research methodology of the thesis. The methodological approach is chosen as well as a data collection method, sample size and composition. Finally, procedures to assure the validity, reliability and ethics of the study are highlighted.

The sixth chapter starts with an empirical examination, followed by the analyzes of the data collected from the interviews and the next chapter six provides the evaluation of the results. Furthermore, actual findings will be compared and connected with the existing theory within the research area.

Finally, the last chapter of the thesis presents the conclusion, acknowledges its limitations and identifies potential managerial implications of the results as well as future research suggestions.

2 INTERNATIONALIZATION THEORY

2.1 Drivers of internationalization

The current international economic environment is described as dynamics and requires from the companies a broad vision of their strategies. Nowadays internationalization has become one of the main elements of successful functioning as well as future perspectives of the company. The company's interest in acting on the international market could be defined by several key factors. Entering foreign markets gives more independence from local market business cycles, increases productive capacity, enhances market resources and efficiency. Johnson et al. (2008) indicated four drivers of the internationalization. These drivers are:

1. Market drivers

Standardization of markets has considered a crucial point that facilitates internationalization. There are three main elements on which this driver based on. The first one, similar customer needs and tastes that are equal within different foreign markets. The second one, the presence of global customers that requires standardize products. Finally, the third element is transferable marketing which helps in market globalization processes (Johnson et al., 2008).

2. Cost drivers

Acting internationally benefits in reducing the costs. Smaller local markets, for example, in the Nordic countries, lead companies to internationalize with the bigger motivation than companies in the United States, where large domestic market creates the huge opportunities. Internationalization is proposed where it is possible to take advantage of

specific business activities that a company can benefit from using resources outside the internal market (Johnson et al., 2008).

3. Government drivers

Government drivers can both facilitate and suppress internationalization. The relevant policy elements are diverse, containing the currency and capital flow controls, the tariff barriers, ownership restrictions, technical standards, controls over technology transfer, local content requirements, intellectual property (patenting) regimes, and subsidies to local firms (Johnson et al., 2008).

4. Competitive drivers

Competitive drivers refer directly to globalization as an integrated global strategy rather than simpler international strategy. These drivers have two factors. First, country-specific dependence calls for the global coordination. The second factor - directly related to the competitor's strategy. As it has been mentioned earlier, globalization provides a scale of cost-effectiveness, responsiveness, and flexibility that could be difficult to achieve (Johnson et al., 2008).

Internationalization can be a fantastic opportunity for companies, but it's crucial to have well-established operations and networks at the local level in order to be competitive on the international level. That requires a thorough analysis of all international strategy related aspects.

Andersson et al. (2014) in their research draw from Jones and Coviello's (2005) three dimensions of time (speed), foreign market selection and entry mode to underpin the internationalization process. Furthermore, Figure 1 shows that these dimensions are at the core of the new ventures internationalization process. The other research (Ruzzier et al., 2007) identifies speed, market entry strategy (or mode) and a foreign market choice as important dimensions in company's internationalization processes. That is

why internationalization and network processes are analyzed in terms of the above-mentioned dimensions.

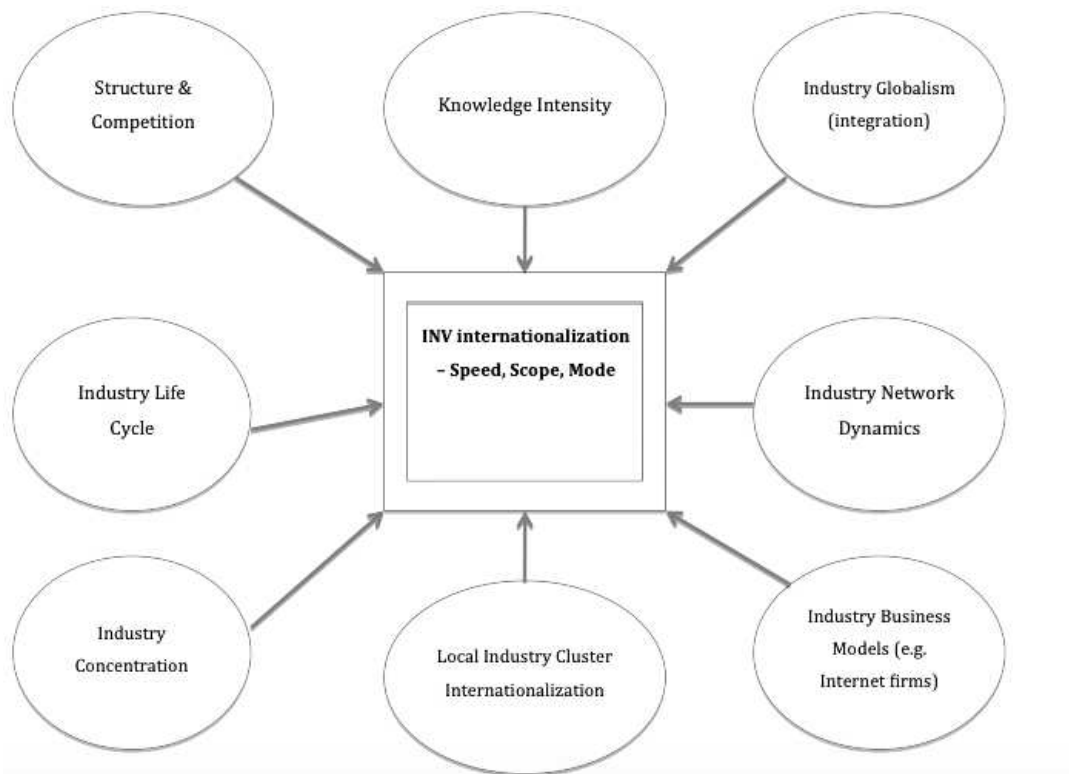


Figure 1. The factors influencing international new venture's internationalization process (Andersson et al., 2014).

Mode of entry

When the company enters a new market the mode of entry plays an important role because such crucial decision automatically limits the production and marketing strategies. The entry mode also have an affect how company faces the challenges and deploying new skills to successfully market its product (Gillespie et al., 2007). Johnson &

Tellis (2005) categorize five key types of entry modes based on Root's (1994) research survey, which are described below:

1. "Export - a firm's sales of goods/services produced in the home market and sold in the host nation through an entity in the host nation.
2. License and Franchise - formal permission or right offered to a firm or agent located in a host nation to use a home firm's proprietary technology or other knowledge resources in return for payment.
3. Alliance - agreement and collaboration between a firm in the home market with a firm located in a host nation to share activities in the host nation.
4. Joint Venture - shared ownership of an entity located in a host nation by two partners-one located in the home nation and the other located in the host nation.
5. Wholly Owned Subsidiary - complete ownership of an entity located in a host nation by a firm located in the home nation to manufacture or perform value addition or sell goods/services in the host nation" (Keller & Kotler, 2012).

Global Internet Strategy

Moreover, except of these five entry modes, world wide web development caused a reason for inventing a strategy where none of the above-mentioned modes are fully needed for the foreign market entry. This approach involves tailoring the website with country-specific content to target existing consumers that are living abroad as well as the foreign suppliers and, as such, develop global company awareness. With the help of internet, the companies also can effectively implement marketing researches and

provides more convenient and safer way of purchasing goods from abroad (Keller & Kotler, 2012).

The international new ventures have different ways to enter the foreign market. They can use one of the modes described above or combine them at different stages of internationalization. The degree of control is a key aspect that distinguishes different entry modes and allows the company to choose the best one according to the needs (Anderson & Gatignon, 1986). On the one hand, there is an export of goods with the lowest degree of control. While, on the other hand, franchises, licenses and various forms of joint ventures provide a high degree of control, which can also lead to the formation of divisions, belonging to forms of the ownership, such as a wholly owned subsidiary with the highest level of control (Johnson & Tellis, 2005).

Speed of entry

Additionally, to the right entry mode selection, speed of internationalization processes is critical for the international new ventures. Just as many companies overestimated market advantages abroad and underestimated the required efforts and time in order to develop a real market presence, so they justified their foreign expansion on the grounds of the rapid need for early market participation (Andersson et al., 2014).

Born global concept assumed that the firms internationalize rapidly due to large foreign revenues. According to Kuivalainen (2012) the industry variables can influence the decision to internationalize early in a firm's life cycle and can also speed up its international growth from an inception. For instance, existing studies of born global firms from the high-tech and low-tech fields argued that the company's choice to rapidly internationalization is determined by the industry factors (Evers et al., 2014; Andersson et al., 2014).

Geography

The researches have shown that the development of internet changes the internal orientation of the company, as information quickly overcomes the distance and the boundaries. Thus, it makes services available anywhere and anytime, as such, globalizing the service economy (Wymbs, 2000; Wentrup, 2016). Internet-based companies often use international knowledge and personal founder's networks to identify international markets and act with the commitment in order to take advantages from the foreign opportunities (Andersson & Wictor, 2003).

It is argued that service-oriented internet companies can serve a larger number of international markets than manufacturers do. Their pace of internationalization is rapid but also gradual, telling about the importance of physic distance (Kim, 2003). Laanti (2007) found that B2B companies in the wireless technology sector are rapidly entering distant markets. In addition, Gabrielsson and Pelkonen (2008) stated that internet-based companies can enter the distant markets at the beginning of their internationalization. If to talk about the geographical pace, the internet-based companies typically reach those markets where the online business is growing the faster, despite of the physic distance (Wentrup, 2016).

2.2 OSPs and internationalization theory

In order to understand how OSPs adjust with the internationalization theories and what aspects play an important role for them different aspects of internationalization theory is reviewed in this section. During the 1970s various models of internationalization occurred in the literature. Fetcher (2001) separated models of the company's internationalization process into four significant approaches. They are: the stages approach, the contingency approach, the learning approach, and the network approach. The researcher discussed that the stages, the learning and the contingency approaches were created on the basis of empirical observations about the past export operations.

Thus, there is a high possibility that the older models do not fully address the rising and complex nature of modern internationalization process (Hakansson, 1982).

This thesis work is focusing on a such category of internationalization processes as network relationships, generally referred to those companies that internationalize from their inception, for instance, international new ventures or born globals. The internationalization literature claimed about several types of international new ventures but this study concentrates on a new and increasingly important types of companies - online service providers.

The Uppsala model and modern firms

The Uppsala model (Johanson & Vahlne, 1977) is considered as one of the most discussed in the internationalization literature. The model “proposes a gradual approach with an emphasis on the importance of experiential learning and commitment building to overcome the psychic distance and the liability of foreignness and outsidership for international markets” (Vahlne & Johanson, 2013).

Johanson & Vahlne (1977) demonstrated in their model that the firm’s primary internationalization processes were conducted with the geographically close markets. Besides, many of the firms used export mode of entry due to the low level of commitment. The researchers justified that during early internationalization phase the actors usually learn about the foreign markets and gaining more knowledge over time. Only after obtaining enough experience they might increase foreign market commitments, as such, gradually enter to more geographically distant markets. This is an example how foreign market expansion’s risks are overtaken by achieving tacit knowledge about the market as well as showing how steadily the commitment is growing. Nonetheless, it must be admitted that traditional cross-border nature lays in

the core of the Uppsala model, while modern type of firms internationalize rapidly with great entrepreneurial ambitions (Oviatt & McDougall, 2005b).

In 2009 and 2013 the Uppsala model was revised by the researchers (Johanson & Vahlne 2009; Vahlne & Johanson, 2013). New versions are focused on the networks processes and sub-process, such as opportunity determination, trust and knowledge creation as well as the process of taking advantages from established networks. Besides, Vahlne & Johanson (2017) described modern firm as “process rather than structure oriented, business exchange rather than production; network rather than a stand-alone unit; proactive and entrepreneurial rather than passive, decentralized rather than hierarchical.” This is telling about the importance of using the latest version of Uppsala model in order to explain the internationalization motives of modern firms.

In line with Johanson (2009) “the business environment these days has become a web of relationships or networks, rather than the classic idea of a market of independent suppliers and customers as it was the case in the past”. That is why “trust-building” and “knowledge creation” were seen as crucial aspects to be added in comparison with the initial model (Figure 2). The revised model (Johanson & Vahlne, 2009) also emphasized that the “internationalization of the business firm will be a consequence of its development of relationships with the customer firms that are connected to those, which they are already working together with”.

Moreover, the researchers found out the similarities between the internationalization and entrepreneurial processes. The entrepreneurs tend to use learning approach in establishing business in the meaning that, firstly, they are gaining knowledge and experience necessary for starting business operations on particular field. They enhancing useful network relationships over time and only after that can make use of them. Similarly, the Uppsala model states about the internationalization processes.

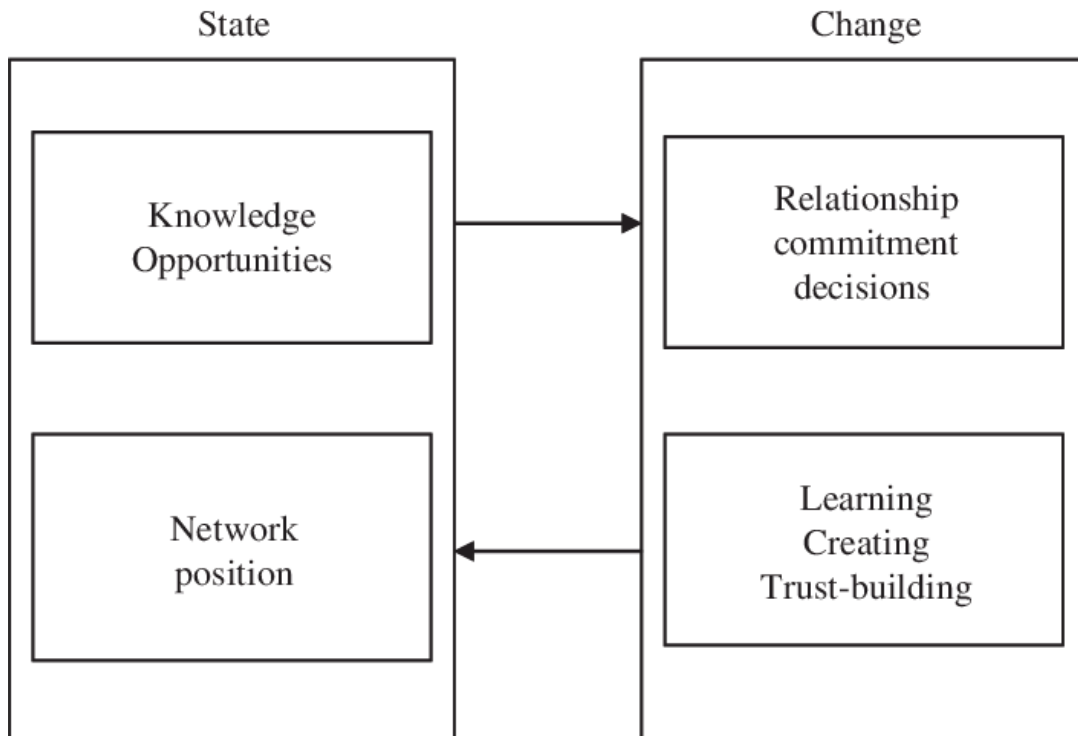


Figure 2. The revised interpretation of the Uppsala model (Johanson & Vahlne, 2009).

Johanson & Vahlne (2009) further portrayed the relationship between “uncertainty” and “commitment”. They claimed in their model that if uncertainty factor increasing the willingness to commitment decreasing. The uncertainty can be reduced if the knowledge and experience about the foreign markets is quite strong, means that in such case, the risk factor is limited and it creates a stimulus for higher willingness to commitment. Moreover, Johanson & Vahlne (2009) stated the networks and relationships developing are the central aspects of the internationalization processes. To summaries, there is a need for the foreign market experts in order to avoid risks, as much as it is possible, and to share the knowledge and experience about the foreign countries.

Born global phenomenon

More recently, it has been identified the rising number of companies, which do not go along with the traditional pattern of the internationalization stages. Oppositely, such companies have an international mindset or even global vision to enter the foreign markets right after the inception (Kenny, 2009). That types of companies are named as the global startups (Oviatt & Mc Dougall, 1994); high-technology startups (Jolly et al., 1992); born globals (Knight & Cavusgil, 1996), and international new ventures (McDougall et al., 1994).

The tendency of young companies to initiate early internationalizing processes was expected in the countries with the small domestic markets, for instance as in Sweden or Finland. Yet, very soon such types of companies began to born in countries with the larger home markets. In accordance with the Madsen & Servais's (1997) research, existing internationalization theories partially explain and analyze the born global phenomenon within new ventures. Later, they also claimed that using networks in firm's internationalization process give special additional insights and facilitate the process of foreign market entry.

McDougall et al. (1994) and later on Knight & Cavusgil (2015) have been trying to find evidence in the empirical studies in order to identify an increasing number of firms that tend to skip traditional stages of internationalization. With the same purpose Welch & Loustarinen (1988) were concentrating on small Australian, Swedish and English companies that omitted different internationalization stages and involved foreign direct investments right after launching the business.

Oviatt & McDougall (1994) also has been focusing more on recently born companies and described the international new venture as a "business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs in multiple countries. In contrast to traditional organisations that develop gradually from domestic firms to multinational enterprises,

the international new venture starts out with a new proactive international strategy - even though it starts with only a few employees/entrepreneurs”.

Regarding the operations structure of activities McDougall (1994) argued that there are several important differences between startups and traditionally established firms based on the amount and origin of resources. The latter sort of firms would have a few resources unconsumed from expensive investments, for instance, the distribution channels. Yet, if to compare with established firms, the entrepreneur should count on complex structure for managing and controlling international business activities (for example, the good approach is joint venture or use of close personal relationships).

Bell (1995) also argued about born globals and their entry mode. In his research the small computer software firms were examined. Bell (1995) stated that in such firms the Uppsala model do not properly reflects the fundamental drivers of the internationalization process. He discovered that the motives for internationalization emerged because of the home and foreign client followership as well as the targeting of niche markets and specific industry cogitations instead of geographical distance to the foreign markets. The researcher also investigated that the firms not necessarily progress continuously from export entry mode to the other, more controlled, entry modes. Even though, in his research the case companies showed the increasing level of commitment to exporting. To conclude, not all companies have established themselves in domestic sales before doing the foreign sales. This can be explained by the previous entrepreneur’s experience within international arena or due to the case that export was often shorted when looking for the suppliers abroad (Kenny, 2009).

Overall, the born global phenomenon was a response to the Uppsala model and its gradual approach (Wentrup, 2016). However, as it has been found by Luostarinen & Gabrielsson (2006) and Gabrielsson & Pelkonen (2008), the born global companies can also follow the stages approach of internationalization after establishing operations in the foreign markets. In the meaning that they go along with more gradual internationalization process.

Interesting insight from the born global literature is difficulty in figuring out what characteristics define the belongings to such category of firms as born global. The high-tech or knowledge-intensive companies are often clustered together with the manufacturing firms, which is making hard to examine the typical internationalization aspects of born globals. Besides, there is a problem how actually define these firms as the different researchers describes born globals differently with no common or distinct definition. Oviatt & McDougall (1994) claimed that probably all companies that have in mind internationalization could be described as born globals or international new ventures. Furthermore, Wentrup (2016) telling in his research about the difference between high-tech new ventures and online service providers. As such, that differences this thesis work will try to identify.

2.3 Internationalization in terms of networks

Most of the researches about international entrepreneurship conducted by Coviello & Munro (1995) have used network theory to analyze international market growth and operational activities related to the international markets. Based on their review of the internationalization processes of the software companies from New Zeland, Coviello & Munro (1995) concluded that that the understanding of the entrepreneurial firms' internationalization process has been enriched by extending the research beyond the behavior of individual firms and addressing the effect of the company's role and place within a network of relationships. From that point of view, foreign market choice and entry market activities arise from possibilities developed through business network relationships, rather than only from the firm's management strategic decisions.

It is not unexpectedly that the reported trends of international market growth for high-tech entrepreneurial companies vary from those of the larger manufacturing companies marked in the literature. Their incredibly fast and dispersed participation in the international markets creates the perception of being random and fairly irrational while

in reality the span of activities may be related to the opportunities gained from a network of relationships. To summarize, the networks are helping entrepreneurs to define useful chances and opportunities, build credibility and often could drive to cooperative strategies such as strategic alliances.

The strong international business networks were defined by Oviatt & McDougall (1994) as one of the seven most important indications of successful international startups. Their model characterizes the network relationships “as a moderating influence on the speed of internationalization. After an entrepreneurial actor discovers or enacts an opportunity and perceives the technologies that enable internationalization and the competitors that motivate it, the entrepreneur uses established network links that cross national borders to explore where and how quickly the opportunity can be exploited in foreign locations”. The researchers assumed that there are three major characteristics of the networks that moderate the speed of internationalization. That characteristics are the size of network, the strength of the network ties, and in general density of the network.

Oviatt & McDougall (2005b) found that “the entrepreneurs are most dependent upon strong ties at startups, and because strong ties require considerable investment and maintenance their number for any individual entrepreneur rarely exceeds 20”. Thus, because of their small number it is believed strong ties are not so important in internationalization process. On the contrary, weak ties are. The business-like friendly relationships with the suppliers, customers and others creates weak ties that require less investment. They are considered as very important because they are often critical sources of know-how and knowledge. Besides, if the cross-border weak ties established by the entrepreneurial actor are the more direct or indirect, the bigger is the potential country scope for internationalization and the bigger is the speed at which that scope can be increased. So, the size of the network of entrepreneurial actors is the second major factor to regulate the speed of internationalization.

Density is the third moderating factor of entrepreneurial networks. Although the sparse networks are incredibly good at collecting new information, when trust and reciprocity are important, dense networks are useful. The actors are said to have sparse networks because, for the most part, the nodes to which they are connected, not connected to each other. Density generates trust between network actors tied by weak ties, however, the trust is created by the monitoring potential in a dense network in place of the emotional connections present in the strong ties. As successful global business operations are relied on trustful interaction between the actors within different foreign countries, dense networks give quite efficient support for internationalization processes (Oviatt & McDougall, 2005b).

Mort & Weerawardena (2006) reviewed network relationships “as offsetting small firm resource scarcity”. They summarized that the born global companies tend to use network opportunities to identify and exploit market advantages, support international implementation and facilitate the development of knowledge-intensive products. The Chinese researchers Zhou Wu & Luo (2007) described the role of social networks between born globals. According to them, social networks have been found to provide awareness about market opportunities, global business know-how as well as to increase solidarity and trust. The final conclusions of the research suggested that responsible for internationalization processes’ managers should use social networks in order to internationalize faster and with greater profitability (Knight & Cavusgil, 2015).

The latest research describing more the nature of entrepreneurial processes in born global companies. Harms & Schiele (2012) studied the born global phenomenon and early internationalization process in terms of effectuation perspective. In accordance with their findings the experienced entrepreneurs in their early internationalization activities tend to use effectuation rather than causation approach. For example, causation-oriented entrepreneurs are engaged in more planning operations and usually choose exporting as an entry mode. In contrary, effectuation-based approach says about the less emphasis on identifying the most appropriate mode of entry in advance.

Sigfusson & Chetty (2013) studied how software international entrepreneurs use online social network websites in order to develop and enlarge their network relationships. They found that “online social networks provide opportunities for entrepreneurs to enlarge weak ties which are especially important for internationalizing firms”. However, they warned that the web should be used wisely by the entrepreneurs due to the unnecessary time wasting and inefficiency in some cases. In general, entrepreneurs should think about the strategic networks building in order to access different skill sets. In addition, they need to consider how to build strong and trustful network identity that will lead to the new bridging relationships.

Andersson, Evers & Kuivalainen (2014) advise to look more precisely over the internationalization strategy, especially in defining what is that mean by new ventures internationalization, having in mind three important aspects of internationalization: the speed, geography and modes of entry. Their study shows that psychical distance holds limited importance for born global firms in case of choosing international markets. That firms tend to choose international markets based on the previous knowledge and established networks of the founder as well as to use international opportunities with the decisive constancy. The researchers claimed that the industry external factors are especially important in avoiding the psychic distance because it allows international new ventures enter the markets where demand for the particular products is high.

3 NETWORK THEORY

3.1 Networks and international entrepreneurship

Over the last years, international entrepreneurship has been considered as an opportunity-focused operation (Oviatt & McDougall, 2005). Previous entrepreneurship literature emphasized the high importance of using networks because entrepreneur's network ties may help new ventures to gain necessary resources, overcome asymmetry of information and facilitate implementation of internationalization strategy (Anderson & Evers, 2014, Coviello, 2006). Due to this reason the networks and entrepreneurship are discussed in this chapter. The definition of entrepreneurial network ties says that it is a mixture of family, friends and business ties. The researchers highlighted that major role in the internationalization plays business ties of the founders (Sharma & Blomstermo, 2003). In line with the network perspective, the character of relationships developed between different parties will have an impact on strategic decisions, and the network relationships involve exchange of the resources among different members.

Nooteboom (1999) describe networks "as a pattern of more or less lasting linkages between firms or divisions within firms (departments, subsidiaries)". In accordance with such definition the networks might exist within a company, between companies or a combination of both. The network linkages could be uni- or bidirectional, sharing of resources, presenting flows of goods and services, relations of ownership or the other types of control or the line of cooperation and communication.

Launching of international new ventures could be seen as a matter of linkages between entrepreneurs, networks and international opportunities (Oviatt & McDougall, 2005). Puhakka & Mainela (2013) suggest the emergence of international new ventures through an entrepreneurial process involving four main elements which are highly interdependent:

- “international new venture emergence tends to be identified with the entrepreneur while the entrepreneur identifies her/himself with the venture”. Such statement tells about interlace of organizational and personal networks in the venture idea development.
- “new venture emergence requires resourcing the venture”. It means, the network relationships are highlighted as an instrument for information and knowledge transfer as well as the ways for access to new resources. Furthermore, important here is social contracting, for example, use of close friends or acquaintances as the routes of cheaper resources or the bridging points for virtual resources because of relation to the entrepreneur’s personal involvement to the venturing process.
- “networks are a basis for learning and creation in new venture emergence”. By engaging and creating interactions with others, entrepreneurs may intergrade their ventures into an innovative environment.
- “to turn the venture idea into an international new venture, an entrepreneur needs to be able to communicate the opportunity to others and that way legitimize the emerging venture”. Here, the venture should be quite clear to the others when presenting an innovative idea combining a strong value proposition with a new offering as well as the method for international opportunities implementation (Puhakka & Mainela, 2013).

All in all, networks are seen as an inherent part of entrepreneurship. Accordingly, the entrepreneurship is considered as a network-based method of developing new business in which the opportunities are found and converted into a form where it creates value by the use of the own resources as well as the resources of others. In the center of international new ventures business processes are the importance of relevant skills,

knowledge and capabilities in order to exploit new international opportunities (Puhakka & Mainela, 2013). In addition, the entrepreneurs are considered to be an important part in creation and internationalization of new ventures.

3.2 Types of networks

The existing network literature underline a lot of network types. O’Doherty (1998) in his study describes the next main categories of networks:

“Informal and unorganised Networking: this is the most basic form consisting simply of firms helping other firms”. Follow the definition, this does not entail any kind of conscious help or brokering. Although, there could be space for sort of the third-party awareness rising assistance in order to foster habits of mutual support.

“Membership-Based Networks: this includes traditional industry associations where members pay dues and commit themselves to a certain level of joint problem solving, but where their business success does not depend significantly on the actions of other members”. Although it is not easy to force the firms for commitment to this level of interaction, the relative lack of interdependence makes this type of collaboration easier to organize and facilitate than more closely-related networks.

“Customer-Supplier Networks: this involves a number of supplier firms co-operating with each other in meeting the needs of a ‘vertical’ customer, who often sets up and facilitates the collaboration”.

“Independent Networks of Firms: these are small, formal groups of sometimes competing firms who carefully select each other and agree to co-operate significantly with each other (often at a high level of trust)”. For examples: co-production networks in which the companies collaborate in manufacturing components, assemblies or finished products; co-marketing networks where the companies mutually market their products; learning networks where the companies look for learning jointly about some

complex changes important for improving competitiveness; research networks where the companies accumulate resources for creating new products or processes.

“Development Networks: bilateral, organisational or personal, regular and purposeful contacts between SMEs or entrepreneurs”. Here any business relationships exist. The entrepreneur only can openly discuss the activities that have been accomplished as important. The distinction between development networks and entrepreneur’s informal discussions is that the meetings between counterparts in the development networks are regular. Such type of cooperation gives an opportunity to learn from each other and can be seen as “mutual mentorship”.

“Cross-Border Networks: represent a form of emerging international network that is supposed to go beyond the traditional modes of markets and in consequence should fit with the network theory in general”. According to Imai & Baba (1991) these kinds of structure might take a form not only of, for example, joint ventures but also long-term cooperation or coordination (for example, subcontracting, cross-licensing and so on.)

Finally, Social Networks: In accordance with Holmlund & Kock (1998) the individuals in a company will have a significant impact on internationalization due to the close social relationships with another people affect the motivation of going abroad. Besides, Johannisson (1996) pointed out that social networks are exceptionally important for entrepreneurs in making a decision of foreign market entry. Furthermore, Holmlund & Kock (1998) stated “the social network is a sub-network within the business network thus effecting and being affected by the gained resources and the chosen operation mode. In the same way the chosen operational mode can affect and be affected by the present business network as well as the social network” (see Figure 3).

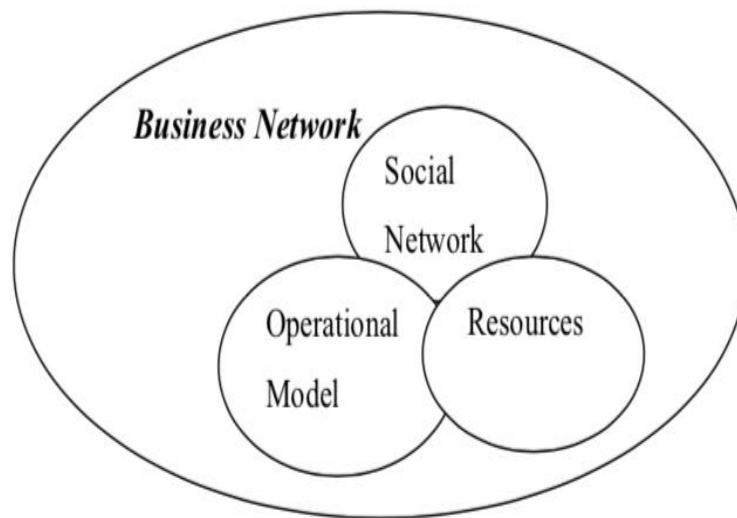


Figure 3. Factors affecting a focal actor's internationalization (Holmlund & Kock, 1998).

3.3 Forms of network relationships

The studies on networks in the pre-establishment stage focuses on identifying opportunities. Specifically, social networks are considered as an important factor for recognition of opportunities. Networks make possible creation of startup because they complement the own resources of the entrepreneurs, a diversity of which are needed to start and develop a company. Milanov & Fernhaber (2009) highlighted, the new ventures during early development stage should look for a partner with a central place in large networks. That partner could help them to get access to the network resources in the long run (Chetty & Holm, 2000).

The literature emphasized two main forms of network relationships: weak and strong. The lack or surplus of network relationships that are firm's important resources may have an impact on the strength of ties, which born globals can create and develop. It means, the strength of the relationships is related to the importance and level of influence that the firm has on the certain relationships, and vice versa. According to Gabrielsson & Sepulveda (2013) "strong ties are socially embedded links formed from dense cohesive sets of relationships, whereas weak ties are arm's-length relationships

that are not socially embedded and help firms gain access to new and diverse resources from their networks”.

Ellis (2011) argued that following foreign opportunities that came from strong network ties are easier to develop and lead up to faster market growth and higher revenue volumes than business chances came from outside the networks. The researcher also defined that “arm's length deals made with strangers require caution and trust-building investment” highlighting the reasons of less use of the weak ties in the initial stages of business development.

According to Jack (2005) the strong ties have been proved as important for business activity, even though different types of ties deliver different resources. Strong ties often have entrenched history and the degree of trust, whereas weak ties do not. That means that the person could use strong ties immediately and it takes less time to active them as trust is already integrated, the working scheme already organized and the mutual benefits have been already established (Gabrielsson & Sepulveda, 2013).

This research is focusing on the modern international ventures and how their networks enable to acquire and manage resources for internationalization process. Besides, since the outcome of successful contacts which the entrepreneurs hold (social capital) “is a key component of entrepreneurial networks” (Burt, 1992) the importance of it are researched as well. The Arenius's (2002) research claimed that the external social network relationships have a positive impact on the ways how new ventures enhancing knowledge about the foreign markets. The more social capital increasing the better access is to the needed international resources and opportunities and also it means “to overcome the liabilities of newness and foreignness” (Arenius, 2002). Moreover, trust is a very important aspect of social network relationships, in particular when observing the international network relationships of entrepreneur. Thus, trustworthiness will be taken into consideration as well.

4 Online service providers

4.1 Service sector growth

One more field of interest in this research is service sector and its growth. According to Gronroos (2007) the definition is the next:

"A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and physical resources or goods and systems of the service provider, which are provided as the solutions to customer issues." (Gronroos, 2007)

An important characteristic for most services is that the interactions are in general present and essential. For internet-based companies, the user (who is not always a paid customer) may interact primarily with the company's infrastructure and provided systems, where these interactions are just as crucial for the success of such services as the interactions with employees (Gronroos, 2007).

The service sector has been growing over the last years and competition is increasing globally as a consequence of the new competitors entering many service markets. In addition, the online world has opened the door to more service-driven development with focus on the sophisticated technologies and the possibility to operate a business without any geographical borders. Thus, the local market is no more a limiting factor and business is able to offer services through online channels engaging larger audience (Lazzari, 2019).

Now, the outsourcing services are relevant if the organization undergoes changes or shifts its business model with the aim to capitalize within a growing freelance market, where the qualified actors work on the contractual agreements. The technologies are contributing to the significant shifts in the services, as well as traditional roles such as

taxi services have been replaced by Uber or Bolt and other options connecting a large workforce to a specific market. One more bright example is Airbnb, which opened the rental market to the owners of personal property, thus, cutting out the intermediary management companies and making possible direct connection between a large audience and the owners (Lazzari, 2019).

Many service economy sectors are witnessing shifts in the perception of the employment ways and labor forces as new technologies broke the old system of conducting the business and open more opportunities to the contractors and individuals. Lazzari (2019) says: “the benefits that come with traditional employment are often lost but the overall service sector is open to more individuals and the technology ultimately facilitates growth in what were once perceived as locked markets”.

Since the consumers are getting more used to do different things by themselves through the internet, the self-service is a rapidly increasing aspect in the service industry. As such, for instance, the customers don't need the travel agents for online booking the flights or hotels and even they are able to compare different prices or propositions in an efficient manner (Karmarkar, 2004). That is why the information mentioned above is giving an impetus for further research in this area and understanding new trends for the future.

4.2 Online service providers

The final area of interest in this research work is an online business, that has many different shapes. Hedborg & Themner (2014) define three main segments of internet-based business models. The first segment is community and market makers, “which enables product and information exchange, or includes a financial flow amongst the users”. Facebook and eBay are the examples of such types of companies. The networks

developed by these companies are supported with the security agreements for personal information of users as well as confidentiality in the exchange of it. The second one is the service and product providers of retail services to the internet users. All the products and services could be order through digital channels. For example, iTunes provides the possibility to download official music or video through its digital platform or Amazon is an online platform that is working in the same segment selling digital and physical items. Finally, the third segment is search engines and portals where users can find the most famous actors such as Google and Yahoo!. These service providers channel traffic to the other websites through the web. That three segments have to engage new users and make them as repeated visitors (Hedborg & Themner, 2014).

Above mentioned online service segments are interdependent across each other and usually benefit one from another. Here the example could be the product and service providers that want to engage higher number of visitors, thus, have to cooperate with search engines to enlarge web traffic. Besides, many companies are going outside the particular business segment when they are in search for new opportunities because of need to widen the offer. Since the competition has been growing over the last years, the companies developed different level of functional integration and innovation (Hedborg & Themner, 2014). Figure 4 is showing how various of online platforms operate (Laseter & Rabinovich, 2011).

Till today there were different terms describing internet-based companies, which were developed by different researchers. That fact could create an ambiguity in conducting research with these types of companies. Wentrup (2016) collected common terms, which are presented in Table 1. Moreover, he argued that the narrowest and descriptive is the term online service providers.

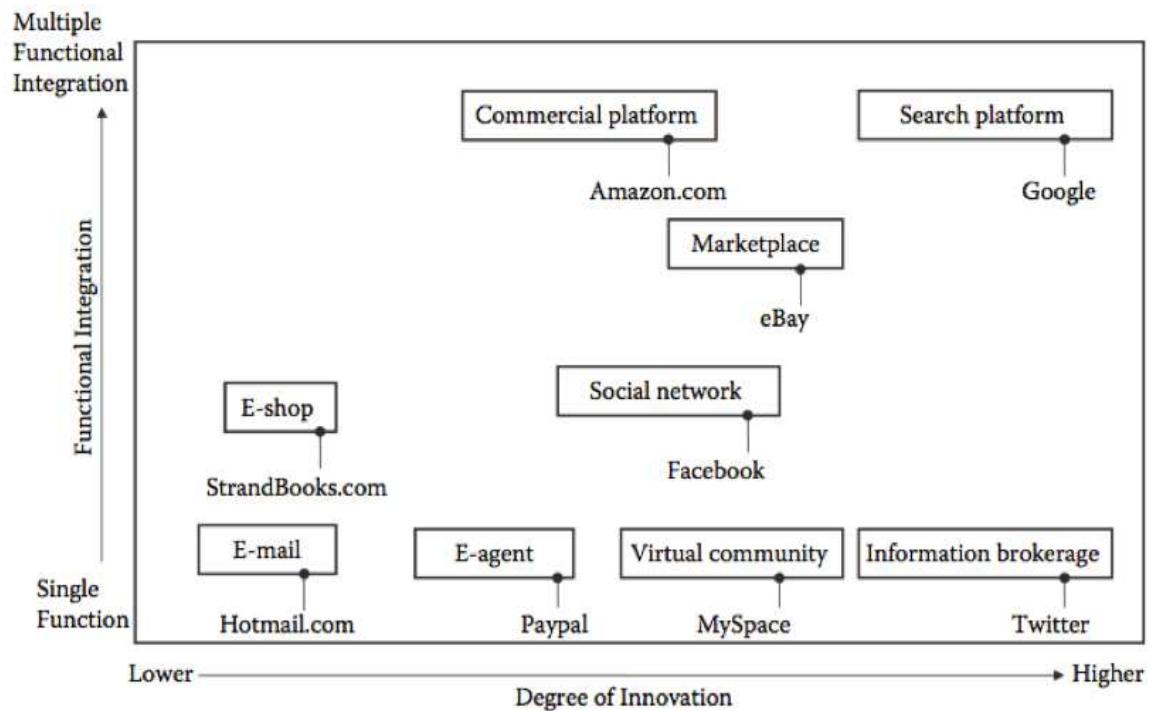


Figure 4. Innovation and functional integration of different online business models (Laseter & Rabinovich, 2011).

It has been stated that many of the largest online service providers nowadays are from USA. However, such types of companies are spread worldwide, for instance, Alibaba, Baidu, Tencent, AliExpress, Weibo coming from China and becoming more and more popular everywhere (The Economist, 2013). It is also worth mentioning the importance of speed and first-mover advantages in the online industry. For example, Facebook and Google pursue aggressive acquisition strategies primarily in relation with Canadian and European companies (Facebook, 2014). This reflects the geographical regionalization and the online business focusing on the global north, mostly the US (Zook, 2002b).

Table 1. Terminology of internet-based companies (Wentrup, 2016).

Terminology	Definition
E-commerce corporation	“Organizations that from inception are engaged in electronic commerce and derive significant competitive advantage from the use of network resources resident in virtual networks of commercial collaborative alliances.”
Internet intermediaries	“Internet intermediaries provide the internet’s basic infrastructure and platforms by enabling communication and transactions between third parties. Internet intermediaries can be commercial or non-commercial in nature and include internet service providers (ISPs), hosting providers, search engines, e-commerce intermediaries, payment intermediaries, and participative networked platforms.”
Internet firms	“Firms that derive most of their income from one or more internet-related activities. These can be divided into a number of layers, of which the key activities include search engines, internet service providers (ISPs), hardware, software, information services, and internet retail.”
Online service provider	“Abbreviated as OSP, an online service provider is a generic term that describes any company, organization, or group that provides an online service. These types of services may include web sites, discussion forums, chat rooms, or web mail.”

5 RESEARCH METHODOLOGY

This chapter provides a description of chosen research approach. The data collection method and the structure of the interviews are explained. In order to assess the quality of research, the validity and reliability subchapters are also included. Finally, such important factor as research ethics is included in the end of the chapter.

5.1 Research approach

The aim of this work is to gain a rich understanding of the internationalization processes of OSPs in terms of networks. As such, the methodological approach is presented as a case study. The choice of a case study approach provides an opportunity to study a phenomenon thoroughly in a specific context. A case study in brief is described by Yin (2003) as a “method that allows investigators to retain the holistic and meaningful characteristics of real-life events - such as individual life cycles, organizational and managerial processes, neighborhood change, international relations, and the maturation of industries”. Thus, the case study is an appropriate approach as the phenomenon that has been studied in this research is internationalization process and the units of the analysis is a case company that fits the requirements.

The case study can be presented as quantitative or qualitative approaches or also the combination of both because of the limitation of the sample that has been studied. However, the literature emphasized on the qualitative methodology when conducting the research as a case study (Osuala, 2005). Case study is mainly used in order to get in-depth understanding of the problem and studied subject. As such, it is focusing on the process and discovery the new insights rather than just getting an outcome and confirmation (Osuala, 2005).

Yin (2003) distinguishes between two main case study strategies which are single case or multiple case. A single case is often used where it represents a critical case or, alternatively, an extreme or unique case. Case study approach may also involve several cases, in other words more than one single example. The reason for implementing multiple case approach focuses on the need to assess if the first case's results appears in the other cases and, in summary, the need to generalize these findings (Saunders et al., 2009). Since this research is focusing on such specific firms as online service providers and gives an opportunity to observe the phenomenon that not many researchers have considered before, a single case study approach is selected.

Because of the complex topic of a case study research, it may be quite problematic and, in some point, inconvenient to use a probability sampling for the collection of the main informants. In contrary, a non-probability sampling that is based on subjective researcher's judgement might be more appropriate (Saunders et al., 2009). Due to this reason a non-probability sampling method, specifically convenience sampling was used. Convenience sampling "means that the sample was not selected randomly, rather based on the accessibility and the researcher's personal judgment." (Saunders et al., 2009).

Additionally, there was a need for defining criteria in order to find the proper case company. Thus, the next criteria were developed:

- it should be an online present company that provides services;
- the company should have international operations;
- it should be a recently established company to accurately track its development on the international arena.

After the criteria were selected, the process of finding company was started. There was a recent statistic about the Finnish startups that have been growing fast within an international arena (EU-Startups, 2020). According to the developed criteria five companies were appropriate for the research. As a result, these companies have been

contacted by the email. Three companies rejected the request, one company didn't answer anything and one company agreed to participate.

5.2 Data collection and analysis

Considering the behavioral emphasis on internationalization and the lack of comprehensive statistics for particular group of companies, a qualitative approach is appropriate. The qualitative technique is "an interpretative approach, which attempts to gain insight into the specific meanings and behaviours experienced in a certain social phenomenon through the subjective experiences of the participants". Due to this the researchers tend to build different concepts, abstracts, hypotheses or even theories by answering the questions "how", "why" and "in what way".

In general, a highly objective and systematic approach are used in the quantitative approach. Besides, qualitative method works more with the numerical data. In contrast, qualitative methods "use descriptions and categories (words) to study human experiences and realities from the subject's perspective" (Yin, 2011). It is also an iterative mechanism by which the theory or the hypotheses arise from the collected data, as such, making the researcher central in the process of data collection and analysis (Palmer & Bolderstone, 2006). Besides, the case study approach has been defined as the most efficient qualitative approach to illustrate and theorize real world phenomena (Yin, 2011).

When it comes to the data collection for this particular topic will be wise to use combined approaches in order to create an optimal method. Interviews and archive analysis are two common techniques to combine for data collection in the case study (Themner & Hedborg, 2014). Archive data includes the useful information about the case company in media (Medium.com, 2019; Eu-startups.com, 2020) and the company's own website.

For this thesis work, interviews were important in order to gain insights as to what the real process of market entry looks like, and what was the purpose behind it. It is worth mentioning that the preparations for the interview should be done in a proper manner in order to get as much valuable data as possible. The interview can be open or unstructured, structure and semi-structured (Host et al., 2006). The semi-structured interview has a pre-determined set of questions to ask, but the interviewee is allowed to speak not only about the defined topic, and the interviewer might ask follow-up questions that are not included in the pre-determined questionnaire, at the same time still following the direction of the interview (Host et al., 2006).

Semi-structured interview method was considered the most appropriate in this research as it allows to answer the research questions more descriptive but still draw a frame in order to avoid discussions unrelated to the topic of the study. Due to the unstructured model, this method is categorized by the flexibility and the ability to drive the discussion into non-expected areas. Thus, semi-structured interview method can give rich insights about the topic, as a result, creates more detail data (Saunders, Lewis & Thornhill, 2012).

The next step is selection of the interviewees. This research is in need of specific company's information only accessible through particular people. They should have a certain valuable position and should be involved in the internationalization activities of the case company. Besides, important is the fact of using networks in international expansion processes and the interviewees should be aware of it. Thus, the next managerial positions are considered as suitable for the research: founder/co-founder, CEO, marketing manager, expansion manager, regional manager etc.

The first interviewee was reached by contacting through LinkedIn and the other one through direct email message suggested by the first key informant. Table 2 shows the main characteristics of the interviewees chosen for this research.

Table 2. Overview of the chosen interviewees.

Occupied position	Years in the company	The role
1. Head of Marketing Department <i>(further at the analysis – Manager 1)</i>	3 years	From the beginning the manager was involved in the international market expansion activities; worked closely with the founders and knew how networks were used in the expansion. The country of origin is Poland, with the master degree in Management there. Poland is one of the markets where the company established its operations. It means that having a local person on board could facilitate business processes there.
2. Market Expansion Manager <i>(further at the analysis – Manager 2)</i>	2 years	Before the manager had his own business startup, which connected him with the Finish entrepreneurial society. That is how the founder of the case company met him. Originally, the manager is from Spain, which also gave an opportunity for the case company to use his networks, even though he did his master degree in Helsinki.

Altogether two semi-structured qualitative interviews were conducted. These interviews were done with Helsinki office representatives, more specifically with the head of marketing department and with the market expansion manager. The interviews were conducted during March 2020 via telephone and email. The length of the interview varied from 30 till 40 minutes, with the mean length of 30 minutes. The interviews were not recorded due to the technical problems. Instead, during the interview process notes have been taken in order to gather the main ideas of the respondents.

Every interview started with an introduction about the purpose and main ideas of the research topic. The interviewees were sent preliminary questions in order to feel more confident and relax answering it during the interview process. They also were asked to indicate in case some of the questions asked were not clear enough. Besides, it was

emphasized and confirmed that the data will be handled confidentially. At the beginning, the interviewees were let to tell about themselves, their position and field of interest in the company. Later, they were asked more specific questions related to the research topic. There was different set of questions for both managers, because they are responsible for different parts of business development in the company. For example, the head of marketing department knew more about home market expansions whereas the expansion market manager was able to tell about initial motivation to which foreign market enter. After the interview, the transcript of the conversations was written by the researcher and sent back to the interviewees in order check the trustworthiness. Finally, when the transcript was confirmed the analysis of findings started. The analysis was done in accordance with the research objectives:

1. It was identified the driving factors for internationalization;
2. Analyzed the evidence how networks influenced speed, mode of entry and geography;
3. Analyzed the network types and forms in internationalization process;

The interviews were conducted in English, which is not a native language neither for interviewees nor the interviewer. That's mean that all the participants were in the equal position and didn't feel embarrassed or nervous. Since English is not-native language it could have been seen as a disadvantage because of some misunderstanding with the questions and the validity of the research could be reduced.

5.3 Reliability and validity

The studies marked the reliability and validity as important characteristics of conducting and assessing the quality of quantitative research. Yet, there was a discussion among qualitative researchers regarding their propriety for qualitative research. In addition, even those who agree that the reliability and validity criteria are relevant have thought about the possibility that term's meaning need to be changed. Nevertheless, this study

uses the traditional evaluation criteria based such decision on the assumption of Morse et al. (2002) that, for example, most of European academics proved the importance of reliability and validity despite the type of the study.

5.3.1 Reliability

Since good research design is important in order to avoid credibility issue of research findings the attention has to be paid to two particular emphases: reliability and validity (Saunders et al. 2012).

Reliability refers to the degree to which reliable conclusions can come from the data collection method or analytical procedures. This may be tested by placing the following three questions (Easterby-Smith et al., 2008):

1. “Will the measures yield the same results on other occasions?”
2. Will similar observations be reached by other observers?
3. Is there transparency in how sense was made from the raw data?”

In order to increase reliability of this qualitative study, the research process has been described in details and the most appropriate approach was chosen as well as data collection method.

With the intention of enhancing reliability, initially the interview questions were sent to the people in order to check if the questions are understandable and well formulated. While performing the interviews the questions were explained in more detail when it was necessary with the aim to minimize risk of misunderstanding. Besides, the attention was paid on confidentiality of the information in order to reduce the risk of bias of the interviews, for instance when employee is afraid to lose a job when telling something wrong. Due to this reason, the interviewees' names were not mentioned in the research as well as the name of the case company. Care should also be taken when analysing the data to ensure that your data are telling you what you think they are telling you (Saunders et al., 2009). To ensure accuracy, all aspects of the study were scrutinized by

the company representatives. As it has been mentioned before, the transcript of the conversations was checked and approved by the interviewees. Reliability was also achieved in the meaning of holding several interviews on the same topic.

5.3.2 Validity

Validity is concerned with whether the findings are really about what they appear to be about (Saunders et al., 2009). According to LeCompte and Goetz (1982) there are two types of validity: “internal validity means whether there is a good match between researchers’ observations and the theoretical ideas they develop; whereas “external validity refers to the degree to which findings can be generalized across social settings”.

In order to maximize internal validity, the questions for this research were drawn from the previous interview studies (Wentrup, 2016; Hedborg & Themner, 2014) and then the most relevant for the research topic quotations have been used. Moreover, a small number of respondents allowed the interviewer to communicate profoundly with the interviewees, thus the most complete and in-depth information could have been deducted. Additionally, the reliability and validity of the study may have been influenced by the lack of necessary skills when performing the interviews. As the researcher of this study didn’t have previous experience, there is a possibility of mistakes such as wrong type of questions or missing the important questions as well as inability to go deeper to the topic with some persons.

LeCompte & Goetz (1982) discuss that, external validity, unlike internal one, poses a problem for qualitative researchers due to their propensity to use case studies and limited non-representative samples. Thus, this case study approach may not give a proper picture of the entire business field and the comparison can be problematic. That’s why the generalization should be carefully interpreted also taking into consideration the lack of resources and time constrains. However, the purpose of the research is to broaden existing studies and to develop new theoretical conclusions based on the analysis of this case study.

5.4 Ethics of the research

In the research context, “ethics refers to the appropriateness of researcher behaviour in relation to the rights of those who become the subject of the research work, or are affected by it” (Saunders et al., 2009). Therefore, research ethics represents the ways how researcher formulate the research subject, how the research is designed and conducted, how the data is collected, processed and analyzed as well as how the researcher summarize findings in terms of moral and ethical characteristics. Thus, the researcher should approve that the way of designing research is both “methodologically sound and morally defensible” to the people who are participants of the research. (Saunders et al., 2009).

In this study the privacy and confidentiality of the participants were gained by ensuring them that the answers remain anonymous. With the intention to avoid harmful effect on those who undertake research and provide relaxing atmosphere of the interview, it has been deeply justified the aim of current study and the arguments why the obtained information will not affect negatively the well-being of the company were given. At the begging of the interviews, the participants have been told about the possibility to withdraw at any stage of the interview if they feel uncomfortable with the questions or with anything else related to the interview process. Besides, they received the interview questions in advance so the key informants could be more confident during whole process but the main aspects of the study were explained once again at the begging of each interview.

Since some of the interviews were done by email and some through online calls, it was also important to assure the participants that the relatively greater level of control related to interview-based techniques was exercised. Although the use of the internet can allow the researcher to communicate with the participant remotely overcoming physic distant barrier, such approach can be seen as demanding and challenging for the participants. In contrast, using this data collection approach can adversely affect the reliability of data when participants are unable to devote the time needed to provide

broad written responses through their computer (Saunders et al., 2009). However, in order to minimize the ethical problems, it was essential to gain trust between the researcher and the key informants. Thus, it was emphasized that the case company and the interviewees have the right to ask for anonymity before, during or after the interview.

6 FINDINGS

This chapter represents the data collected from the interviews and the analysis of findings is described in detail. The sections of this chapter are in line with the thesis objectives when, the first internationalization process is described with concentration on three important aspects such as geography, speed and mode of entry. The second aspect is to describe network development with an intention to find how networks influence on the internationalization process.

About the company

The case company was founded in 2017 and started from 8 employees has grown to 40 employees of 12 different nationalities. The company has been in the market for less than three years but is already the leading iBuyer in Europe with more than 300 customers. The case company works across the offices in six cities in Finland, Tallinn (Estonia), Madrid and Barcelona (Spain), Warsaw (Poland). Later this year, the startup expects to expand to Paris (France). In August 2018 the case company announced €12M funding from Speedinvest, Schibsted Media Group, and Icebreaker.vc for expansion within Europe (Medium.com, 2019).

The company uses machine learning to give homeowners wishing to sell their properties a cash offer within 24 hours. That means you can quickly and easily sell your home without the hassle of enlisting a real estate agent and preparing the home for viewings, and without the inconvenience of matching moving out dates with others (case company website, 2020). Shortly, the case company undermine time-consuming process of selling and buying residential real estate and gives much needed transparency and liquidity of housing markets (Medium.com, 2019).

6.1 Pre-internationalization stage

The case company ambition, from the very beginning was to become an international company as Finnish market size is limited. Thus, forced the founders to build something that works everywhere.

“We are Finnish startup, but from the initial stage of conducting business we focused on involving international talents with diverse background and multinational experience. Having that global mindset from the very beginning is important when you build a company in Finland as you have to deal with the limited market size here.” [Manager 1]

“In some countries, the local market is so big, so basically you don’t need to think about expansion abroad. You can be a huge company and focus only on local market, especially if it is real estate business. However, in Finland you don’t have such an opportunity, so we knew that we needed to create a better technology and bring it to the other regions.”
[Manager 2]

According to born global theory and the international new venture theory, the global mindset and international expansion has been seen from the inception. The service was launched in 2017 and one year later was available in Estonia, then until 2019 in Poland and Spain.

The founders of the company are experienced entrepreneurs with the degree in real estate and AI technology. It gave them motivation to think about the new idea for startup as they had a good business network. Additionally, they met the third co-founder with the excellent technical knowledge, thus they had a pretty good background to start building the company. It means that in pre-internationalization stage different ties of social and business network existed. Yet the expansion of the ties is also an important aspect in particular case.

“At the beginning, we focused on building the tech team because, obviously, we wanted to come up with minimum viable product, an early version of the final website. After

that, we were in process of expanding the operational team. So, we had 8 people as a starting team and from that point we were scaling up. Right now, we have 40+ people and again we are paying attention in localization of technology in order to accelerate the product. The new markets like Poland, Spain and now we are thinking about France are big, so improving technology is priority for us. Strong long-term relationship there allows us to go deeper in building local presence.” [Manager 2]

According to the Manager 1, the case company commenced with an online presence but their model has a huge offline component that forced them to build strong local presence and expertise.

“Real estate business is operationally one of the most challenging model. That situation required from us significant local presence and physical offices in foreign countries.” [Manager 1]

6.2 Internationalization process in terms of networks

6.2.1 Speed and geography

After successful implementation in home market the next step was launching operations abroad. It was important for the company to have dedicated people that was leading the expansion, not necessarily the founders. For that kind of business, it was all about having a strong offline presence from the first day, even though the company’s online service did not really require it. They also had been in contact with the recruitment agencies trying to find the best local employees.

“It helps to have recruitment agencies. But when you have needed talents you don’t leave them on their own, even if they are fully qualified. Actually, you should have people who can bring the company culture to the foreign units. It is kind of a link between the local team and the management. We were really lucky to have that team, which gain

experience in one region and implement it through the improvement at the next region”.
[Manager 2]

First market that the company decided to enter was Estonia. According to founder words Estonia was considered as a good test market because of cultural similarity and trust to Finnish entrepreneurs. This choice also could be explained by the Upsala model, since the market with small geographical and physics distances as well as similar market maturity was entered first. After one year from inception and the success with Estonian market the company gradually entered to Spain and to Poland.

Since the beginning the case company has been supported by Spanish investor and successful international entrepreneur, who also is famous for the brilliant career in consulting and insurance. Besides, he was keen on technology, that is why this fresh real estate startup impressed him a lot. According to the Manager 2 “this Spanish entrepreneur, who has been working in US was inspired by our idea so much and even came back to Spain in order to give the best service to local consumers.” During 8 months Spanish team was formed and now has 27 professionals with different backgrounds, which is allowing the company to be the leading iBuyer with more than 300 clients.

“With his arrival to Spain, the company wanted to provide the best user experience with total transparency also allowing the consumer to close the transaction in a fast way and save waiting time. Spanish guy (investor) was warmly welcomed in Madrid and gave us a huge trust in relationships with local actors.” [Manager 2]

Similarly, was the entering process to Poland. The primary investor base contributed to the case company with an experience in international expansion as well as collaboration with the local investors. Together with analytical analysis of European markets from technical side and the size, the case company successfully implemented internationalization strategy.

These countries were chosen mainly because the founders had in mind well qualified persons that can speak local languages and can share the company's knowledge with the local team. In this case the personal networks of the entrepreneur played a major part in making the choice. As Andersson, Evers & Kuivalainen (2014) noticed in their research that pre-existing entrepreneurial networks is an important determinant for geographical choice. Right now, the dedicated expansion team whose job is to observe what is going on in foreign units, is preparing to go to France as it is the next strategic market.

"The next goal within our international strategy is to expand to more cities in Spain and Poland. Besides, we are analyzing the Spain's neighbor market – France as it is geographically close and with our experience should take less time for establishing office there." [Manager 2]

In terms of speed, the case company reports that the decision to become fully operational in a new foreign country takes approximately nine months. Yet, this period can vary due to different circumstances. For example, for the entry into Spain market it took longer time because of recruitment process and time spent on creating a quite large network of clients.

"Our idea is super fresh even in Finland. Of course, we want to grow as fast as it is possible. However, we also realized that building new markets can be time-consuming. First of all, we had in mind to get a strong presence and position in one market before we can think about entering another one." [Manager 1]

As Johanson & Vahlne (2009) emphasized that it takes time and resources to build relationship with important actors of the firm but it also decreasing uncertainty when the firm want to internationalize.

In addition, at the beginning there was a question how to create trust in new markets as real estate generally requires responsibility and trust between counterparts.

“We’ve been supported by the great investors such as Speedinvest, Icebreaker and Schibsted Media Group. They are well known so it’s increased our credibility. Besides, we’ve been transparent and all of this together helped us a lot in establishing partnerships with local actors. In addition, our technology is based on data, there is science behind it and we can explain everything to the clients. Yes, we had the question like: we don’t consider real estate agents trustworthy how we can be sure about your unknown technology? And we were able to explain it clearly and transparent.” [Manager 2]

Having European investor Speedinvest and Schibsted Media group that provides leading online marketplace connecting millions of buyers and sellers every day the case company got an access to theirs network and brand names. These partnerships may be explained through the lens of born global theory as a way of reaching geographically distant market through a partner.

6.2.2 Mode of entry

The case company prefers to establish their own subsidiaries and employ its own staff, thus adopted controlled mode of entry. Overall, the objective was to have a few employees in each foreign office and to control the activity from headquarter in Helsinki. One major point was to find the local data scientists in order to know the local data sources. As the technology was able to identify opportunities fully automatically from the system or from the public market, the case company could make a very competitive offer. The physical office was needed not only for practical reason but also to build market commitment and trustful relationships with local clients. The commitment is mentioned in the Uppsala model, however, controlled mode of entry at the stage of early internationalization does not correspond to the staged approach of gradual commitment. The reason for such entry strategy could be explained as the technologically complexity of the service and real estate business specificity.

“Many companies today have to invest heavily in increasing brand awareness. However, we don’t need such a big marketing effort instead we invest in localizing the technology and build relationships with local actors.” [Manager 1]

It is also telling about the need for a more robust team of employees in geographically distant markets to address cultural and language obstacles. In addition, the business should be gradually built up to sustain and adapt to the local market environment.

Trust in network relationships

It has been mentioned a lot that business ties should be based on trust, because networks are one of the most important aspect for successful growth of the company. Comparing with the rivals, the companies placed centrally in a network may achieve better and earlier useful for internationalization process knowledge. This can affect company’s internationalization process as network may generate unexpected random information.

“We are really happy to have the best talents in our company because finding the right talent is a key in real estate area. Mainly we reached the candidates through the online platforms like LinkedIn. We are using all resources to find the best experts in the world. If you want the best company in your field you have to have the best people.” [Manager 1]

Johanisson (1996) pointed out that social networks is extremely important for entrepreneurs. According to him “the social network is a sub-network within the business network thus effecting and being affected by the gained resources and the chosen operation mode”.

7 DISCUSSION

The purpose of this study was to identify how online service providers internationalize in terms of using networks. The next chapter will be divided by the goal of answering the research questions and objectives. In order to define specific factors important for internationalization such as speed, entry mode and geography as well as clarify the impact of network capability on OSP's performance the discussion part is presented here. Additionally, during the analysis of findings the new insights about the internationalization process of OSPs and their network relationships were discovered. As such, the discussion chapter includes literature that is not fully covered in the theoretical part.

7.1 The main characteristics of OSPs internationalization process

Speed

The case company was internationalized soon after the establishment which means that the speed of the internationalization process is fast. This fact is supported by the born global research studies of Oviatt & Mc Dougall (1994), Madsen and Servais (1997) and the theory of rapid internationalization of the internet-based firms studied by Kim (2003), Knight & Cavusgil (2015). The online entry may start immediately after defining which market should be first. Technically, it is more than enough to make the service available online for the particular foreign country. That process doesn't require as much efforts and time as it is needed for offline entry. The managers of the case company emphasized that for real estate internet-based business the online and offline presence is equally important. Moreover, such "ibuyer" model is totally new which allows to use benefits as a first-mover firm. According to Chen (2006) the first entrant in a new market can have a unique advantage that later competitors may not overcome, in other other

words “winner takes it all”. However, the pioneer benefits as some studies claimed is overestimated as a strategic principle.

The case company shows that being “fresh” even in such high-technological countries as Finland and Estonia may bring some obstacles. First of all, it could be time-consuming to convince clients that the service is safe and has a lot of advantages competing with the competitors. The second point is the consumer mobility in the meaning that the company has to act fast to attain a critical mass of customers as a pioneer, which may be difficult with unknown high-technological idea. As it has been mentioned before the physical presence of online service provider in real estate field is essential in early internationalization stage, thus, requires longer time in order to build fully operational business abroad. As such, the internationalization pattern for a born global firm is in some degree different from that for an online service provider.

Geography

In addition to speed of internationalization process, external dynamics in which online service providers operate may have an impact on the choice of foreign market and geographical market coverage. Yet, at first, the phenomenon of home market is needed to be explained as this is an interesting pattern of high-technological firms. According to the findings, the case company keeps its main development, administration and coordination activities in the home market, to be exact - in Finland. Moreover, they have their own dedicated team for developing company’s values in foreign units. They are doing this mainly because of technological complexity of the service provided and with a purpose to build strong long-term relationship with the local customers. However, the home market is the most important proof of concept before coming to the international markets (Wentrup, 2016). This observation contradicts to some extent the born global theory when “born global” firms do not start out in their home market and gradually increasing commitment to foreign markets . Once a client base is established in foreign markets and more international experience is gained, it is expected that foreign market

commitment will increase (Hashai & Almor, 2004). In addition, the fact that the Nordic countries are the most mature in terms of internet penetration and technology development obviously influences on such strategic choice.

When it comes to the international market choice, the case company started from Estonian market and then enlarging activities to the European markets: Spain and Poland. With regards to the foreign market selection, the Uppsala model (Johanson & Vahlne, 2009) argues that the geographically close markets are more attractive as a first choice in internationalization as it is less risky because of market similarities. However, the research also represents that the geographical distance has limited importance for born global firms in the process of choosing foreign markets. The companies mainly select foreign market due to the existence of international knowledge and the founder's networks, also showing the willingness to take advantages through the international opportunities (Andersson et al, 2014). The case company clearly demonstrates this as the founders are serial entrepreneurs with the years of experience with useful personal networks and that was the main reason when making the decision to what country enter at the beginning."

Besides, OSP's focus is on measurable online-oriented parameters which is in accordance with Sanchez-Peinado and Pla-Barber's (2006) findings. They claim that internet-based firms put more emphasis on collecting data on such strategic variables as marketing potential, internet penetration, user experience and willingness to try new technologies etc. Although the case firm has business partners and investors, but one of the important reasons to enter the market is technologically favorable environment. At this point, the knowledge intake is mainly coded knowledge rather than tacit knowledge in the entrepreneurial networks (Wentrup, 2016). The managers also believe that the high level of data collection mechanism is adequate measurement of the market potential. Moreover, this is more important at the early stage of internationalization of OSP as online entry usually requires less resources spending. Thus, data metrics and

data-oriented foreign market choice might be considered as a main indicator together with the partner networks.

Following Wentrup (2016), Figure 5 shows the geographical and speed behavior of the well-known OSPs such as Finnish - Wolt and Swedish more B2C oriented OSP – Spotify, in comparison with the case company.

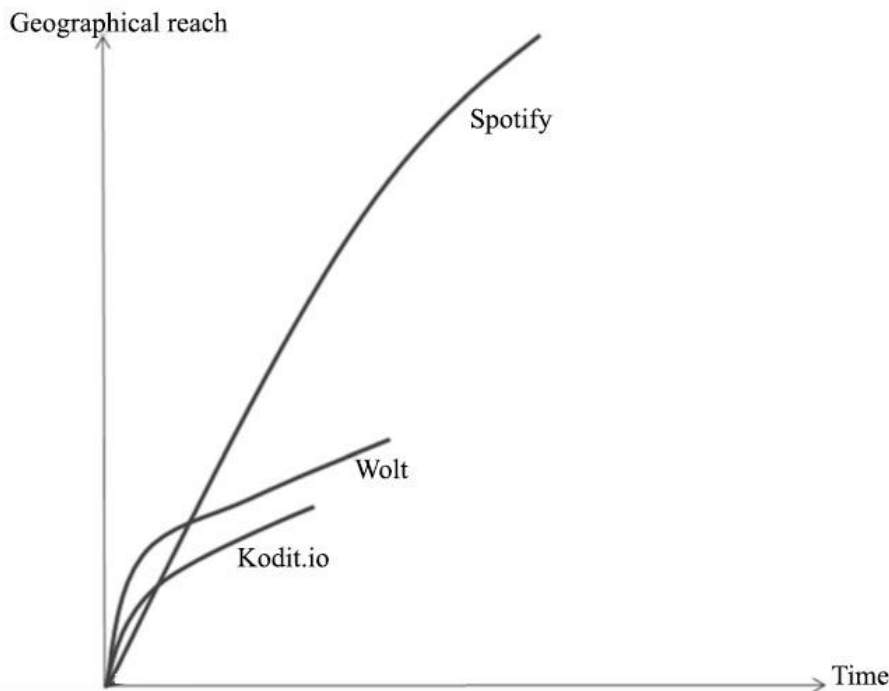


Figure 5. Illustrative view of the different geography and speed curves of the OSPs

It is discussed that the internationalization of OSPs is quite fast but they also go along with the gradual local pattern before entering international markets (Wentrup, 2016). This is also the case of the studied in this research company. Wentrup (2016) also stated that some online service providers could be able to reach a bigger geographical clients' base already in the early internationalization phase by using different digital platforms. For example, Spotify's mode of entry is similar to the definition of "online export" or "wired export" and underlines rapid online entry.

Mode of entry

The Uppsala model explains the way how companies internationalize from occasional export operations with the independent representatives to the ending establishment of a subsidiary. Born globals should not necessarily have to establish a wholly-owned subsidiary abroad. They also can manage their business activities from the headquarters without the need for physical facilities in foreign countries (Anderson et al, 2014). However, it is argued that the case company used controlled mode of entry such as subsidiary with their own dedicated staff and there is no gradual development of the entry mode, which is what Johanson & Vahlne (2009) state in their model. The case company also centralize a lot of operational functions in the main home office. This fact is in line with the theory of Sanchez-Peinado and Pla-Barber (2006) arguing that strategic factors are the most important factors in the decision of entry mode. Thus, internet-based knowledge intensive firms that are willing to maintain strong control over their processes tend to internationalize through wholly-owned subsidiaries avoiding distributors, licensing or agents. It seems that being closely align with international operations gives to OSPs flexibility of improving technologically complex service and react fast to the changeable business environment. This findings is also in line with with the findings of Bell (1995) and his research about computer software companies. He stated very little support for the concept that such companies progress consistently from exporting to other modes of entry . He also argued that the companies can choose some combination of them to enter a host nation, thus, confirming the behavior of the case company when the first step is a web-based strategy (Keller and Kotler, 2012) and then establishing subsidiaries.

7.2 Network development in OSPs

Usually, international new ventures are launched by the entrepreneurs who already gained international business experience and who have a good international network of

useful contacts (Oviatt & McDougall, 1994). The case firm studied was founded by a team of three persons who knew each other before the start-up. According to Sasi & Arenuis (2008) at the start-up the founders usually have friendship relationships with the high levels of trust and commitment. Two of them had the common "real estate" history in terms of the way how their initial networks were obtained. In other words, they could have overlapping pattern of ties such as the same advisers or investors. There is a risk not to get information advantages and open up opportunities if the founders have similar background (Sasi & Arenuis, 2008). However, the third person had different background in particular he was with technical expertise. Thus, existing ties of the three founders were a precondition to successful international operations. In addition, they attracted investors with the European network background that helped them to establish local relationships (Spanish and Poland offices).

According to Rasmussen et al. (2001) the entrepreneurs create social capital through their network activities and firstly turn to prior business contacts, family and friends, the physical and capital resources, and the social support needed to translate an idea into a business reality (Sasi & Arenuis, 2008). In case company the founders used their social capital in order to attract financial resources as well as experienced team members in the foreign countries. They also hired local people, because local representatives have local business experience and access to the local business networks. After one year of launching, the case company operated in two foreign countries with the presence of local offices. This is in line with the Oviatt & McDougall (2005) investigation about the roles of network resources and external knowledge in international new ventures. The existence of appropriate knowledge and supportive network relationships enhances the likelihood and potential of young venture companies to internationalize rapidly.

According to Vahlne & Johanson (2013) inter-organizational interaction processes involving learning, creation and trust building. A couple of times during the interview process it has been mentioned about the importance of trust in developing relationship abroad. Trust allows to predict the behavior of that actors who is in the other side of dyadic relationships, thus, can affect the degree of uncertainty. Trust is also a

precondition for commitment, which is an important aspect of building network relationships. It shows the willingness to continue relationships and let them increase a value (Vahlne & Johanson, 2013). This illustrates perfectly the case company situation when the trust is needed for effective, more productive and faster way of doing business in early internationalization stage. Besides, the relation between learning and creation is tight and it facilitates internationalization in the growth stage, because getting experience from the one market creates incentives to innovation processes in the second entry market. In addition, it does so in two ways, it creates new knowledge and new networks structure.

7.2.1 Ties-strength of networks

International start-ups may not have a big heritage of domestic and international network contacts as more traditional enterprises have. The lack of these resources can influence the strength of ties that international new ventures might be able to obtain and develop. In this sense, Gabrielsson & Sepulveda (2013) explains that “tie-strength refers to the importance and level of influence a firm has on a given relationship and vice-versa. Strong ties are socially embedded links formed from dense cohesive sets of relationships, whereas weak ties are arm's-length relationships that are not socially embedded and help firms gain access to new and diverse resources from their networks” (Gabrielsson & Sepulveda, 2013).

The founders of the case company had pre-existing strong relationships from the start. These relationships originated from the founders previous experience and background and included network from previous entrepreneurship activities, industry related networks and good relationships with different investors. As it has been found, initially, they tried to involve international people to their team in order to develop weak and strong ties that can be helpful in the foreign countries. Thus, Gabrielsson & Sepulveda (2013) argues that the networks must support born global early internationalization process and rapid growth on time in order to avoid firs-mover advantage's losing.

Besides, they suggest that born global should have the “right” contacts at the right time in order to satisfy the need that is growing rapidly.

Besides, the findings also show how availability of strong ties can influence on the strategic choice. For example, having in a team experienced Spanish investor with the networks within Spain directed the case company to enter this market. In addition, the purpose of using networks changed a little in the growth stage. At the beginning networks relationships were important in seeking financial, legitimacy and market entry support. Instead, in the present days networks is an important resource in creating competitive advantage. The company develops local relationships and positions itself as the closer to the clients agent with new advanced technology that making tough real estate process easier. They also trying to improve and localize technology in order to expand services, thus, also enhancing weak ties in the foreign markets. All of this could be supported by Gabrielsson & Sepulveda (2013) proposition that the higher the born global internal resource development, the more strategic the network content it seeks.

7.2.2 The impact of online social network

Indeed, the world wide web provides the new ways and tools to build relationships thus giving the chance for individuals to have larger number of network relationships. The researches started to explore this phenomenon but still it remains underexploited. According to Boyd & Ellison (2007) “online services allow individuals to create a public or semi-public profile within a bounded system; convey a list of other users with whom they share a connection, and view and traverse their list of connections and those made by others within the system”.

In our case, the founders were actively using LinkedIn - employment-oriented web-based service mainly used for building professional networking. It gave them a possibility to reach recruitment agents and employees in the target markets as the executives often percept individual relationships as a part of business network portfolio.

Thus, they developed weak ties through online social networking platform which act as a bridging social capital and allows to find geographically diverse actors. This is supported by Ellison et al. (2011) whose research is about the importance of weak ties that are formed through online social media.

Moreover, it is interesting to go deeper and to see that weak ties act as a “bridge” to part of the network that otherwise could be disconnected. The founders of the case company used their relationships with the investors to become more reliable in international markets in the meaning that investors have their own networks which linked to the important local persons. The evolution of this network can be described as “collective form of ties” when somebody starts with a few close friends and subsequently expended their network through the friends of those close friends which is in line with Sigfusson & Chetty (2013) findings. As the entrepreneurial network is unique it gives a possibility to obtain special set of resources like information, technology, human resources and financial resources, as such, the entrepreneur can achieve competitive advantage in the software industry.

However, there is different categories of international entrepreneurs such as opportunists, strategists and responders (Sigfusson & Chetty, 2013) with different mindset about building personal online networks. In addition, LinkedIn networks is not always useful and it could be time consuming to develop needed social capital through online platforms. As such, it creates a space for further research.

8 CONCLUSIONS

This is the final chapter where the summary is made and the conclusions are presented. The theoretical contributions together with managerial implications are explained. Finally, the limitations of the study are discussed at the end of the chapter as well as suggestions for future research.

8.1 Theoretical contributions

The purpose of the project was to identify the factors that influences internationalization strategy of the online service providers, more specifically what impact networks could have on the speed, geography and modes of entry. The results are presenting several important findings both for online service providers in general and for the case company in particular. Thus, it can be determined that purpose is reached. Many of the findings were the same as in already existed researches about high-technological online service providers and their internationalization processes (Wentrup, 2016; Johanson & Vahlne, 2009; Andersson et al., 2014). Moreover, such important aspect nowadays as network development was also studied and many of the insights were in accordance with previous research in this field (Sigfusson & Chetty, 2013; Gabrielsson & Sepulveda, 2013; Coviello 2006).

Nevertheless, some interesting outcomes have been found. The case study shows that Finnish OSP with complex technological nature and specific field of business operations uses home market as a proof of a concept and a base point for further international activities. Thus, demonstrates the difference between born global and recently launched international start-ups providing services through online channels. The Finnish OSPs usually choose the technologically mature neighbor market as a first foreign entry market because of short geographical distance which means easier and more profitable business operations.

What is important else it pre-existing knowledge and networks of the founders that drive OSP to new markets in more efficient, less risky and faster way. In addition, this study broadens the theory about trust building in networks. The example of the company in real estate field sheds a light on the reasons why trust is in priority when establishing international business units.

Moreover, the findings support the theory of Wentrup (2016) about online-offline balance of OSPs. B2B oriented OSPs need to be physically present in early internationalization phase and can't rely only on online presence. However, they do a lot of important operations from the home office through online channels such as data evaluation processes, recruitment processes, online social network creation processes.

This study makes a contribution to the researches in such aspects of internationalization as speed and entry mode. It has been argued that OSPs have a rapid early pace of internationalization which is driven by first-mover advantages in the online area and facilitated by a control mode of entry (Oviatt & McDougall, 2005; Chen, 2006; Sepulveda & Gabrielsson, 2013).

Additionally, this research supports the Rasmussen et al (2001) evidences about entrepreneur's network activities and creation of social capital through them. Here is also important the strengths of ties in such networks. This thesis work suggests that the strong network ties could define international strategy direction and more intensive development of weak ties are coming in the growth phase of internationalization. Overall, due to the small sample and only Finnish origin OSP, the results of the study have to be interpreted carefully.

8.2 Managerial implications

This study has the following managerial implications. The results indicate that the firms depend on the existing relationships during international expansion which influences on the speed of internationalization and geography. Thus, there is a need for managers to be proactive when prioritizing the markets and not lose first-mover advantages. Because OSPs are technologically complex the managers should take into consideration an importance of online and offline presence in the target markets. Besides, in the long-term run, sufficient investments in offline presence may have a positive impact on the speed of enlarging international market activities as it builds loyalty and adaptation to local market conditions.

This also leads to the entry mode choice. Managers who attempt to do internationalization for growth could face significant entry modes decisions. As there are different types of modes with different level of control and the amount of technological risk, the managers should choose the main important factors in making their choice. The critical challenge here is to find the right balance between all the factors and to define the most relevant one.

Online social networks create a social capital and provide an opportunity for the entrepreneur to develop weak-ties which are important in the internationalization processes. Managers have to build wisely and strategically their networks to access the people with diverse background. Moreover, they need to learn how to build trust within networks because it can bring them mutually beneficial long-term business relationships. In this research, LinkedIn acts as the main online social network that provides tremendous bridging opportunities and shows the entrepreneur's network strength.

Finally, OSPs also gaining experience from conducting business operations in one foreign market and creates more innovative processes and new knowledge in the next foreign

market. Thus, management should be ready for fast-changing environment and responds to these changes in accordance.

8.3 Limitations

This study has a few limitations that should be acknowledged when presenting the results. One limitation of the research is a focus only on a single type of industry, which is online real estate business. The choice of a Finnish online service provider with B2C orientation also could be considered as a limitation. However, Finnish online based firms are interesting cases for study as the technological level in Finland is high as well as internet-penetration rate. Besides, there are many recently launched Finnish start-ups that from the inception doing their operations online, thus, it creates an interest for deeper research.

Furthermore, one more limitation is the sample size, which is a single case study. This appears because of the time constrain and qualitative nature of the research. Thus, the generalization of the findings can't be considered as fully accurate. Nevertheless, the risk in using more case studies could have an impact to the level of detail. As the purpose of the study was not to make general assumptions but rather to gain more knowledge in internationalization and network processes of new ventures. Besides, such specific industry as real estate haven't been studied yet, that is why it bringing the new insights to OSPs phenomenon.

Moreover, the language of the interviews was English, which is not native for both the researcher and the interviewees. It can be seen as a limitation due to some misunderstandings during the conversations, even though both sides were fluent in English. In addition, the interviews were conducted through online channels such as email, Skype and simple phone call. Sometimes the connection wasn't good, thus,

created inconvenience and the chance to lose important information, which may have an impact on validity of the study.

Finally, the interviewer didn't have an extensive experience in qualitative data-collection techniques. It might have caused loss of some useful data for the research. Additionally, the author does not have many years of experience in producing academic papers of such large size individually, that is why the scope and depth of discussion could be compromised in comparison with the other scholars.

8.4 Future research suggestions

There is a lack of coherent statistic and available data about online service providers even though they are the most digitized types of the companies. This is giving a space for further research in the future. It would be interesting to examine OSPs from different industries. In particular, which networks futures for what business fields are the most important in internationalization. The case study only captures experienced entrepreneurs with strong ties and pre-existing knowledge. The suggestion for future research is to study the entrepreneurs with initially only weak ties and without deep knowledge in the industry they want to operate. Furthermore, it is worth to pay attention on entrepreneur's personal online social networks and the use of social platforms like Linked or Facebook. It could be either the advantages or disadvantages for the entrepreneur to build such networks, which is giving an idea for future research.

Moreover, this study only shows an example of one Finnish service provider, thus, creates a lack of research in different regions. For instance, it would be interesting to provide a research for Asian or Indian OSPs and to find out the internationalization pattern and networks development processes there. Whether they are more align with born global definition or rather similar to Nordic market behavior. Additionally, the greater sample of size and probably wider range of questions could give more insights for this topic, as such, different research methods might be used in the future.

Finally, the economic, cultural and environmental situation is changing rapidly. Current example is the worldwide lockdown caused by virus. Thus, the influence of critical events on internationalization processes and on the online providers in general is a good topic for future researches.

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Appendices

Appendix 1. Questionnaire (for Marketing Manager)

Date:

Company:

Interviewee:

Position:

Purpose:

The purpose of this interview is to investigate internationalization process and to define what factors with what degree influenced the foreign market entry.

The findings will hopefully result in assumptions related to what is important for online service providers in the case of establishing international network relationships which leads the company to expansion.

General questions

1. Describe please your position, and what is your responsibilities?
2. How long have you been working in the company?
3. Why do you have an interest to this industry?

Questions regarding the company

4. How the idea to establish the company came true and did it start only in Helsinki or from the beginning was oriented to the foreign markets as well?
5. Did the founders have previous experience in doing international business? Did they have some helpful business or friends contacts in current foreign offices of the company?
6. If yes – how networks helped in pre-internationalization phase and how they are developing right now? Do the number of useful for business contacts increasing?

7. What was the first foreign market the company entered and the next ones? What was the mode of entry? *(please specify the reasons of choosing that or another market to entry).*

8. As an online service provider, did you think about adaptation of the service within a new market, as such, better respond to the local needs?

9. How big is the competition in different markets? Was the company a pioneer in one of the countries?

10. What do you find was the most important factors when entering the market?

11. What was the hardest thing to predict? Did anything go wrong?

THANK YOU!

Appendix 2. Questionnaire (for Expansion Manager)

Date:

Company:

Interviewee:

Position:

Purpose:

The purpose of this interview is to investigate internationalization process and to define what factors with what degree influenced the foreign market entry.

The findings will hopefully result in assumptions related to what is important for online service providers in the case of establishing international network relationships which leads the company to expansion.

General questions

1. Describe please your position, and what is your responsibilities?
2. How long have you been working in the company?
3. Why do you have an interest to this industry?

Questions regarding the company

4. Did the company have some helpful business or friends contacts in foreign countries or how the company decided to enter the current foreign units?
5. If yes – how networks helped to develop business and how networks are developing right now? Do the number of useful for business contacts increasing?
6. How much was done before deciding to enter the new markets? What was the planned time frame for the market entry and how long it took in real?
7. Did the company establish some partnerships with local authorities?
8. Do you think about expansion now? What markets you are planning to analyze and enter in the future? Why?

THANK YOU!