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**THE ROLE OF SOCIAL NETWORKS IN NEW VENTURE  
INTERNATIONALIZATION: CASE OF RUSSIAN AND FINNISH FIRMS**

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## ABSTRACT

|                         |   |
|-------------------------|---|
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The purpose of current master thesis research is to investigate the role of social networks in internationalization of Russian and Finnish firms. Literature review of existing empirical researches on the topic is conducted in order to identify the gap, which is fulfilled by empirical research of 4 Russian and 1 Finnish firm that have established international operations no later than 8 years since their foundation. In-depth semi-structured interviews have shown that business network has been an influencing factor in firms' internationalization and that even if social network is not the driver of internationalization, it becomes important when a company has established international presence and is working on its enlargement. The study has both theoretical and practical contribution by contributing to research of Russian and Finnish firms' internationalization and by showing examples of successful foreign market entry of companies from different industries. General practical implication of current thesis is that it shows the efficient ways of entrepreneurs' social network usage in business development in international scope.

## АННОТАЦИЯ

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| <b>Ключевые слова:</b>           | Международные новые фирмы, интернационализация, социальные сети, Россия, Финляндия                 |  |  |

Целью данной магистерской диссертации является исследование роли социальных сетей в интернационализации российских и финских компаний. После анализа существующей литературы посвященной данной проблеме было проведено эмпирическое исследование 4 российских и 1 финской компаний, которые вышли на международные рынки в течение 8 лет с момента основания. Полуструктурированные интервью, проведенные с представителями компаний, а также сопутствующие материалы о компаниях показали, что деловые связи способствовали выходу компаний на международный рынок, и в случае когда они не были главным фактором, они все равно становились очень ценны при налаживании бизнес-операций на иностранных рынках. Исследование имеет как теоретическую, так и практическую значимость, дополняя существующие исследования в области интернационализации российских и финских компаний, а также приводя примеры успешного выхода на международные рынки компаний из разных индустрий. Общее практическое значение диссертации заключается в том, что показаны эффективные способы использования социальных контактов в сфере развития бизнеса на международном уровне.

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## **1. INTRODUCTION**

### **1.1. Background**

New ventures are known for their high contribution to economy by, first of all, remaining the main source of job creation even in crisis times (Crisculo et al., 2014). Moreover, new and young companies reinforce market competition and encourage innovation what in its turn leads to the whole economy strengthening by boosting demand for novel products and services, innovative technologies and ideas created by new firms.

Internationalization has recently become one of the main objectives of young companies around the world as almost every company is touched by international challenges. Companies seek international opportunities in order to widen their customer base, increase their production capacity and sales, diversify their products and services. When thinking about internationalization, the first things that come to mind are mergers, foreign direct financing, export and import. However nowadays business internationalization goes far beyond that aspects providing companies technical and commercial communication, that gives access to know-hows, progressive technologies, marketing and distribution channels. With the increasing importance of global networks and alliances desire of many companies to go international also grew up.

Nevertheless, internationalization of a new venture may require high resource commitment and result into high risks and losses. That is where social networks of entrepreneurs start to influence. Role of business and personal ties of entrepreneurs should not be underestimated as in many cases it helps internationalization process to go smoothly.

### **1.2. Research questions**

The goal of the research is to examine the role of the social networks in internationalization of Russian and Finnish new ventures and to compare this influence between two countries. The research question which is raised according to the goal of the research is:

How do social networks of entrepreneur influence internationalization of new ventures in developed and emerging markets?

There are also some subquestions that are planned to be asked while conducting the research:

1. What are the factors that influence internationalization of Russian and Finnish new ventures?
2. What is the influence of business and personal contacts of entrepreneur?
3. Is there difference between influence of business and personal social contacts?
4. What particular characteristics of social networks of entrepreneurs are the most important for understanding firms' internationalization and their further collaboration with international partners?

In order to answer the research questions raised a multiple case study is conducted by analyzing internationalization process of Russian and Finnish companies through interviews and study of secondary data.

### **1.3. Delimitations of the research**

The scope of the study is limited by the fact that interview is conducted with top-management only, as their network in particular is investigated in the study. There might be cases where network of lower level employees make sense in internationalization, however such situations are not observed in this research. Current research deals with the cross-industry analysis, even though there are several companies from IT sector. Cross-country analysis is applied in the current research, as case companies of Russia and Finland are investigated. Hence, results are applicable for developed and developing economies.

Moreover, the chosen case companies meet the definitions of International New Ventures and Born-Globals, SMEs and MNCs are not taken into consideration due to their internationalization modes, business models and size.

The main criterion of case companies' choice is that they have established international operations within 3-8 years after their foundation or even quicker. Interviews are conducted with the top-

management employees, as their social contacts are investigated in the research and are considered to be influential in internationalization process.

Longitudinal study would have been more valuable as companies' international operations could have been overviewed in process, however in this particular research case companies are analyzed in a form of a cross-sectional research. It would be interesting to apply longitudinal approach to future studies in order to see the changes in social networks role in internationalization through several years of operations.

## 2. THEORETICAL FRAMEWORK

### 2.1. Definitions of International New ventures

The field of the study is the internationalization of new ventures (INVs) that are defined as a business organization which seeks to derive significant competitive advantage from the use of resources and the sales outputs in multiple countries (Oviatt; McDougall, 1994). According to the numerous studies usually INVs are founded by the individuals that look for an opportunity to establish a company which will operate across national borders. The definition of Oviatt and McDougall (1994) is considered the most popular one in literature, however there are other opinions as well regarding how do define such companies, moreover sometimes the term «international new ventures» is replaced by born-globals, instant internationals, global start-ups Rialp et al. (2005) and these terms are considered to be interchangeable.

The main approaches to INVs definitions are described in the table below.

Table 1. Definitions of International New ventures.

| <b>Year</b> | <b>Autor, name</b>          | <b>INV definition</b>   |
|-------------|-----------------------------|---|
| 1992        | Jolly et al. (1992)         | «These are not just the simple small exporter; many of these firms engage in foreign direct investment from their beginnings»   |
| 1993        | McKinsey & Co. (1993)       | «These smaller entrepreneurial firms tend to adopt a global focus from the outset and embark on rapid and dedicated internationalization. »<br>«Born global’ firms often possess a knowledge-based competitive advantage that enables them to offer value-added products and services.»                               |
| 1994        | Oviatt and McDougall (1994) | «A business organization that, from inception, seeks to derive significant competitive advantage from the use of resources from and the sale of outputs in multiple countries»<br>The INV starts out with a proactive international strategy – even though it starts with only one or a few employees/ entrepreneurs. |

|      |   |   |
|------|---|---|
| 1996 | Knight and Cavusgil (1996)  | «Management views the world as its marketplace from the outset»   |
| 1997 | Oviatt and McDougall (1997)   | “International New Ventures are firms, typically from small to medium enterprises, that internationalize within six years since inception”  |
| 2003 | McKinsey & Co. (1993) , Rennie (1993)   | «From start-up, INVs view the world as their marketplace from the very beginning of operations.»  |
| 2004 | Gabrielsson & Kirpalani, (2004).  | «They must have a distinct differentiation strategy as compared with products that are already on the market. Such products must have either unique technology and/or superior design or unique product/service, or know-how, systems or other highly specialised competence»   |
| 2005 | Rialp et al. (2005)   | «Born-globals and INVs have become interchangeable in literature, although many definitions have emerged underpinning this type of firm, global start-ups, Born Globals, instant internationals, global hi- tech firms most researchers have used the term INV as it is probably the most encompassing depiction of these firms.»   |
| 2006 | Luostarinen and Gabrielsson (2006)  | «... at least 50% of sales should be on continents external to the one from which the firm originated»  |
| 2008 | Mika Gabrielsson, V.H. Manek Kirpalan, Pavlos Dimitratos, Carl Arthur Solberg, Antonella Zucchella (2008) | «The potential for early internationalisation may well be there, but as we all know, exporting is not straightforward, particularly not for start-up companies with limited international experience. »<br><br>«While experience can be gained by senior managers in previous job positions, the networks and insights provided by an experienced manager coming from another company may be relevant and directly useful for one BG, but not for all.» |
| 2008 | Mika Gabrielsson, V.H. Manek Kirpalan, Pavlos Dimitratos, Carl Arthur Solberg, Antonella Zucchella (2008) | «...such definitions are flawed, because the ratio of exports or range of geographic international activities are influenced by the size of the BG's country of origin and economy, the country's neighbour markets, and other factors such as the type of industry. »<br><br>«A BG firm as one having products with global market potential. Moreover, it can combine this potential with  |

an entrepreneurial capability to seek methods of accelerated internationalisation. In addition, it must have a global vision at inception. It must also carry the risks of a small start-up company; it cannot be a spin-off of a larger firm that is prepared to help it float, like for example Lucent Technologies Inc., which was a spin-off of A.T. & T, the telecommunications giant.»

Regarding the speed of internationalizations as a criterion of company identification as an INV, according to Oviatt and McDougall (1994) international new ventures are global from their establishment and see the whole world as a market place (McKinsey & Co., 1993; Rennie, 1993), and tend to internationalize within six-eight years since their foundation. When talking about the global market place some authors suppose that INVs need to realize at least a half of the sales outside of the firm home country (Luostarinen and Gabrielsson, 2006), however this position is argued by (Gabrielsson et al., 2008) who say that the geographic criterion is too subjective and can be biased due to the size and conditions of the home market, origin and size of economy, competitive situation and other industry related factors.

Specific attention is paid to INVs founders as well when differentiating this type of a firm. McDougall, Oviatt, Shane (1994) say that leading managers and founders of INVs are «alert» to the possibility to combine resources taken from different markets and tend to do so with the use of their networks, previous experience, education and other type of knowledge. This idea of competencies role in INV founder personality is also supported by Knight and Cavusgil (1996). Moreover, innovative, proactive and risk-seeking INV founders (McDougall and Oviatt, 2000:903) realize that their company will operate internationally in the very moment of company formation, because otherwise the company may depend too much on domestic market trends and changes, hence strategic planning will become less flexible by the time international expansion is required.

In current research a firm which meets the following pattern will be considered as an INV: a firm, that had a global focus since its foundation and established international operations during first 8 years since its foundation. International operations in this sense include import, export, licensing, franchising, strategic alliances, membership in international associations, subsidiaries and joint venture creation.

## 2.2. Method of literature review analysis

In order to understand main characteristics of internationalization process of new ventures and to explore the role of social networks in internationalization process and their specifics literature review of main empirical researches, presented in this part, has been run. In order to conduct a profound literature analysis, it was decided to address the ABS (Association of Business Schools' Academic Journal Guide) journal rating, which includes the highly cited journals and divides them into sections according to the science field. Three fields were chosen to be fitting the research problem: International Business (IB), Entrepreneurship (ENTREP) and General&Strategy. Articles from the following journals, published since 1990 have been chosen: *International Business Review*, *Journal of International Management*, *Journal of World Business*, *Management International Review*, *Multinational Business Review*, *Journal of International Business Studies*, *Entrepreneurship & Regional Development*, *Journal of Business Venturing* and *European Management Journal*.

In order to understand the specifics of the topic a vast amount of literature needs to be analyzed. With the use of EBSCO, Science Direct and Emerald databases scientific articles have been searched, the list of which is represented in the end of the work. On the whole the mentioned articles provide the understanding of the phenomenon of internationalization of new ventures and of the factors that influence its speed. When looking for the articles the following combinations of words have been put into the search window apart from putting the name of the journal into the «source» line: *internationalization speed*, *internationalization pace*, *international new ventures (and also the synonyms)*, *internationalization of INVs*, *social networks role & internationalization*. When looking for articles devoted to social networks impact on internationalization advanced search has been applied, the combinations of the words mentioned above with *social network impact (influence)*, *social ties* have been searched.

After deep analysis of all the articles found the ones most fitting the research have been sorted out, the list of the material has been made. The following table represents the amount of articles found per journal. The International Business Review journal appeared to be the one providing the main part of literature.

During the literature collection process, all of the articles have been divided into ones belonging to the topic of International New Ventures (INV) characteristics and operations, internationalization process and speed. Also a number of articles concerning the influence of social networks of entrepreneurs have been overviewed and systemized into a separate table. It is worth mentioning that the biggest part of overviewed researches deals with foreign markets, therefore the ability to imply the ideas on Russian market still needs to be analyzed.

Table 2. Summarizing table of journals and amount of retrieved articles.

| <b>Journal Title</b>                      | <b>Amount or articles retrieved</b> |
|---|-------------------------------------|
| International Business Review             | 43                                  |
| Journal of World Business                 | 15                                  |
| Journal of Business Venturing             | 9                                   |
| Management International Review           | 6                                   |
| Journal of International Management       | 5                                   |
| European Management Journal               | 5                                   |
| Journal of International Business Studies | 3                                   |
| Multinational Business Review             | 2                                   |
| Entrepreneurship & Regional Development   | 2                                   |
| Total                                     | 90                                  |

### **2.3. Main characteristics of internationalization process**

Internationalization by its definition is a process of international operations involvement increase (Welch & Luostarinen, 1988), that always includes exporting, licencing activities, and sometimes foreign direct investment (FDI), while in early internationalization international sales activities are characterized as a dominant mode and preinternationalization events such as pitching to investors and increase of technology awareness can take place (Hewerdine, Welch, 2013).

One of the main models of internationalization which is mentioned in all of the studies on the topic and considered to be a foundation of internationalization study is Uppsala model of evolutionary internationalization (Johanson&Vahlne, 1977; Johanson&Wiedersheim-Paul,1975), which is widely

used for empirical studies of firms' internationalization all over the world. Based on the case study of Swedish firms Johanson&Wiedersheim-Paul, 1975 have identified incremental steps for reaching international markets, according to which there are four stages that companies have:

- no regular export activities;
- export through independent agents
- organization of sales subsidiary
- start of overseas production/manufacturing.

After that Johanson&Vahlne (1977) have improved this model by implementing the findings on a dynamic model, moreover they took into account market knowledge (institutional, business and international knowledge) and level of commitment and found the relationship – the higher market knowledge leads to a stronger commitment to a foreign market. Business knowledge in this case refers to information about customers, suppliers, competitors and market situation, institutional knowledge includes knowledge about governmental framework, and finally international knowledge is information about how a particular international firm manages marketing information (Blesa et al., 2012). As the increase in knowledge leads to increase of commitment this process is considered to be cyclical, hence internationalization is achieved through learning, according to Johanson&Vahlne (1977).

Furthermore, Uppsala model supposes that international expansion is related to psychic distance – more familiar markets are seen as closer ones, in other words geographical distance is not the one that matters, more important is “the cultural proximity”. According to Johanson&Vahlne (1977) psychic distance is “a sum of factors preventing the flow of information from and to the market”. Some of the researches claim that Uppsala model deals more with gradual internationalization, while born global model is more appropriate for rapid internationalization analysis.

**Drivers** of internationalization have been also studied by Zucchella, Palamara, Denicolai (2007), the authors have paid attention to influence of particular drivers on precocity of internationalization in their study “The drivers of the early internationalization of the firm”. The quantitative approach was chosen to address this research question, a survey of 144 SMEs was run, and on the basis of the obtained results the authors have run explorative regression and correlation analysis.

By export precocity authors mean a number of years from “firm inception to the beginning of international sales”. If the firm has studied its international exports in the first 3 years of its operations, it is considered to be precocious and representative of both international new ventures (INV) and early internationalizing firms (EIFs).

The main findings of the study reveal that the main early internationalization driver is previous experience of the entrepreneur (basically international one), that was gained either in internationally oriented family firms or just in multinational or foreign firms.

From the knowledge-based point of view international entrepreneurship, the term that emerged with increase of new ventures internationalization, the major internationalization driver is the ability of entrepreneur to provide a global mobile offering (Yli-Renko et al., 2002). International entrepreneurship is viewed by authors as a combination of innovative, proactive, and risk-seeking behavior present at individual, group, and organizational levels (Zahra et al., 2000), that crosses national borders and is intended to create value in organizations (McDougall, Oviatt, 2000). Oviatt and McDougall (2005) also suggest a more complex definition: «International entrepreneurship is the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services».

As it is stated by the authors there are three main groups of influencing factors – entrepreneurial specific, such as education and foreign languages, international experience and prior work experience, location specific –belonging of the firm to certain clusters and districts, and business specific, which mainly take into account focalization and business strategy. However, after conducting of empirical research location specific factors were found to have low statistical association, as well as a group of factors connected with formal inter-firm agreements, social inter-firm relationships and knowledge sharing on the inter-firm level.

Moreover, the author underline that it is impossible to consider the influence of the factors separately – they should be better considered as a mix of vision of the founders, commitment of human and financial resources, capacity and relationships between management and founders.

There is a large number of works devoted to internationalization **strategy**. The internationalization of new ventures is often considered as an entrepreneurial strategy as it comprises both entrepreneurial and strategic behaviour (Lu and Beamish, 2001) This aspect of internationalization is particularly important from the side of firm's strategic development as it may give strategic competitive advantage (SCA) to the company. Moreover, sometimes the fact that company decides to go international may change their strategic focus, their resources and capabilities, so there will be changes if we analyze a company from the point of RBV (resource based view), as new resource activities devoted to internationalization appear apart from those directly related to trade (Prashantham, 2008). Gregorio et al. (2008) also support this position and say that internationalization should be overviewed more holistically, taking into account not only international tradem, but also resource mergers between new ventures and international companies that create cross-borders value chains.

Freeman et al. (2006) pays a lot of attention to the internationalization of born-globals, underlining that the main barriers of SMEs internationalization are lack of economies of scale, resources and risk aversion of top-management. In order to understand how these firms can go international, author conducts a qualitative case-study of 3 born-global firms from Australia aiming to develop main internationalization strategies that might help companies to overcome the mentioned difficulties and archive early internationalization. The five strategies discovered by Freeman et al. (2006) are as follows:

- extensive personal network;
- partnerships with large international firms;
- client followership;
- use of advanced technology;
- multiple modes of entry.

The findings of this study prove that influence of networks takes place when we consider internationalization strategy of born-globals, hence his aspect can be investigated on the basis of Russian firms.

Resource constraint issue mentioned by Freeman et al. (2006) is adressed separately by authors while discussing the resource commitment relation to new market entry mode choice. Choice of the

entry mode characterized by organizational agreements regarding foreign market operations is a crucial question for INVs as it will influence firm's success in the new markets (Blesa et al., 2012). Entry modes can be classified according to resource commitment level: while INVs as small and young firms do not possess a lot of tangible resources they should choose an entry mode with low resource commitment (Coviello and Munro, 1997), however according to Zahra et al. (2000) INVs view high resource commitment entry modes as a competitive strategy. According to findings of Blesa et al. (2012), early internationalization contributes to development of international market orientation, which in its turn justifies the choice of entrepreneur to commit a lot of resources while entering new foreign markets.

Park and Bae (2004) also study the topic of internationalization strategies in their work "New venture strategies in a developing country: Identifying a typology and examining growth patterns through case studies" and develop a three-dimensional integrative framework on new venture strategies. The key dimensions that are used for the classification of new ventures internationalization process on the stage of seeking opportunities to go international are:

- target market (local vs. global) – where is the target audience located and how activities are going to be coordinated across the borders
- product/market maturity (existing vs. emerging) – devoted to product life-cycle
- level of technological capability (follower vs. pioneer) – firms are judged according innovations they are likely to implement and create in their business processes

All of the factors mentioned above have influence on firm's performance.

Internationalization **patterns** are widely researched by numerous authors, but one of most structural approaches belongs to Baum, Schwens, Kabst (2015). In their work "Latent class analysis of small firms' internationalization patterns" they derive distinct internationalization patterns with the use of the strategic analysis tool – resource-based view. According to the authors, the main strategic internationalization patterns are:

- born-globals – high amount of revenues from multiple countries and internationalization is started shortly after foundation of the company, low control mode and operations in distant markets

- born-again globals – companies that venture abroad at a relatively late stage;
- traditional internationalizers – few international revenues from a limited number of foreign markets that are now that distant from geographical and cultural points of view;
- born-regionals – international scope is limited, but still amount of international operations is high.

Many authors identify born-globals as international new ventures, that are to be researched in this work, however they tend to internationalize within 3 years since their establishment while new ventures need 8 years to go international. Hence, born-globals can be treated as a subcategory of international new ventures.

However, born-globals also have different internationalization patterns. Kuivalainen et al. (2012) generate four internationalization patterns for knowledge-intensive INVs basing on their definition by Knight and Causvogl (2004), who claim that a firm can be called a birn-global, if a quarter of operations is international after three years sponce foundation. According to the amount and character of international sales INVs can internationalize according to the following patterns:

Table 3. INV internationalization patterns adopted from Kuivalainen et al. (2012)

| <b>INV Internationalization pattern</b> | <b>Characteristics</b>   |
|---|--|
| Sporadic                                | International operations started early, however foreign turnover is below 25% and amount of countries is small |
| Geografically based                     | Operations take place in a highly focused geographical area, foreign turnover is more than 25%                 |
| Failed                                  | High number of international markets, however the turnover is small  |
| True born-global                        | Many international markets are targeted, international turnover is high as well                                |

## 2.4. Speed as a main measure of internationalization

The main measurements of internationalization, according to the existing literature are pace, scope, rhythm and speed. In some works, like Shou (2007), pace and speed are supposed to be synonyms, however there is a great amount literature devoted to research of these internationalization characteristics separately.

Let us take a closer look at the internationalization speed firstly. This item has been widely researched by a number of authors; they have used it as both independent and dependent variable in their studies, run by both qualitative and quantitative approaches. Also there is a great difference of definitions and measurements of speed.

Casillas and Moreno-Menendez (2013) think that internationalization speed and speed of entry to the new markets are quite the same and look at speed as the relation between internationalization process and time, calculated as a number of days between the first local and international operation of the firm. This idea is quite the same is the one developed 3 years before by Khvaul, Perez-Nordvedt and Wood (2010) and Kiss and Danis (2008) that relate internationalization speed to the first sale abroad. Casillas and Acedo (2013) and Weerawardena, Mort, Liesch and Knight (2007) also connect internationalization speed with time, however not related to first international operations, but to company's international events.

Musteen, Francis and Datta (2010) measure speed as the number of years between the foundation of company and its international ventures. Knight and Cavusgil (2004) suggest considering a firm a born-global one (INV) if a at least a quarter of international operation has been established after three years after foundation, however many authors like Rennie (1993) insist on period of two years.

The idea of Ramos, Acedo and Gonzalez (2011) and Coeurderoy and Murray (2008) is close to the ones mentioned above, they connect speed of internationalization to the speed of entry into foreign markets via export. Still the certain time period for calling a company an early internationalizer is not clearly identified, as mostly the period from two to four years is mentioned when identifying INV.

However, even the experienced managers may need time to establish collaboration with new partners if their network is not giving quick results or is not influential on a certain market

(Gabrielsson et al, 2008). Compounding all of the market challenges export establishment may take even more than three years, that is why flexibility is required in internationalization speed evalutaion due to home market potential, product peculiarities, and export market receptivity (Gabrielsson et al, 2008).

A number of researches take speed as a dependent variable and investigate the factors that influence it. Oviatt and McDougall (2005) in their conceptual study “Defining international entrepreneurship and modeling the speed of internationalization” measure speed in four ways that summarize many of the mentioned approaches. These speed measurements are as follows:

- time from the discovery of an opportunity to internationalize and the first market entry;
- speed of entry to foreign markets;
- how rapidly are psychic distant markets entered;
- how fast are the commitments made.

Findings of Oviatt and McDougall (2005) suggest that there are two groups of influencing factors – the ones that force rapid internationalization and the ones that moderate it. The suggested model is presented in the figure below:

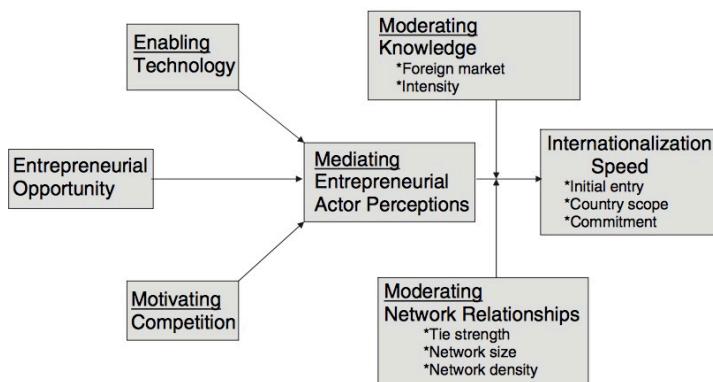


Figure 1. A model of forces influencing internationalization speed (Oviatt, McDougall, 2005).

The first group consists of general technological development, competition in the firm's industry and the firm's opportunity discovery. The second group comprises entrepreneur's perception firm's knowledge, and network relationships.

Chetty; Johanson; Martin (2014) also look at internationalization speed as at a sum of two components – time and distance, and underline that speed of international learning has a great contribution to internationalization speed. Moreover, the authors pay a lot of attention to possible future researches in the field of speed – they suggest “comparing different types of firms: SMEs vs. MNEs; business to consumer vs. business to businessmarkets; products vs. services; traditional vs. technological and/ornew industries; emerging vs. developed-country firms and privatevs. state-owned firms”.

It would be wrong to look at the speed of internationalization just as is it, omitting the outcomes. Speed in its turn influences the performance of the firms. This phenomenon is investigated by Wagner (2004), who runs a quantitative research of 83 large, stock-quoted German firms based on hypothesis testing. In this study degree of internationalization has its own index, which is calculated as foreign sales-to-total sales ratio, so speed of internationalization is calculated as change in this degree.

Cost efficiency is divided by Wagner (2004) into two parts – “labor cost efficiency” and “material cost efficiency”. In the analyzed study “labor cost efficiency” is used as a key explanatory variable for the identified curve type. On the contrary, internationalization speed doesn’t affect “material cost efficiency”. Moreover, according to Wagner (2004) the findings suggest that “cost efficiency” (i.e., operational performance) represents an important mediator between international expansion and firm-level financial performance.

Findings of Wagner (2004) suggest that, moderate internationalization speed leads to increase in firm’s performance, while the speed that is too high is destructive for the company die to dramatic decrease to performance.

As it has been mentioned above internationalization speed or pace, as it is called by some authors, are not the only measurements of internationalization. The next and also important internationalization measure is scope, a parameter devoted to geographical dispersion of international operations of a firm (Vermeulen and Barkema, 2002). According to Wagner (2004), there are two ways to assess internationalization scope. Firstly, it can be described by amount of international markets touched by firm’s activities, such as trade and investment, and secondly, it can be treated as a spatial concentration of firms’ activities. In any case, internationalization scope

appears to be a very important measure of new venture internationalization, as internationalization speed, calculated by any means proposed by authors mentioned above, is already fixed in INV definition while scope gives more possibilities to compare the internationalizers.

Last, but not the least, is the internationalization rhythm, which refers to regularity of internationalization actions (Vermeulen and Barkema, 2002) and serves as a characteristics of internationalization pattern Wagner (2004) connects internationalization rhythm with regularity of foreign subsidiaries opening, still it can refer to any other ways to internaitonalize, such as signing deals with international partners, exporting goods and providing licences for international partners.

So to sum up at this point the internationalization of new firms can be assessed from various perspectives, such as scope, rhythm and speed, where the latter can be categorized by different types of international activities being established by a firm, and in case of international new ventures, speed has an upper limit restriction of 6-8 years, set in its definition by Oviatt and McDougall (1997).

## **2.5. Social networks types and definitions**

Social network is a multi-sphere term widely discussed not only in sphere of knowledge management, but in business collaboration context. Influence of social networks on firms' internationalization becomes a more and more researched topic among scolars.

The social network of an individual consists of all other individuals that are linked with each other through interactions, that are represented by social, business and informational exchanges (Bjorkman and Kock, 1995), and on the whole it is represented by the totality of persons connected by social relationships within a particular population. The most popular way of distinguishing social networks of entrepreneur is dividing them into formal and informal, where the former includes distributors, stakeholders, suppliers and partners, and the latter encloses family, friends, close colleagues and other individuals. When acquiring formal contacts entrepreneurs do not use any particular networking strategy — contacts emerge in activities related to business operations (Harris, Wheeler, 2005), and personal contacts are built on the basis of reputation and trust (Ge, Wang, 2013)

In recent literature social networks of entrepreneurs are classified also as strong and weak ties. Strong ties characterized with high level of trust, social expectations and obligations are considered as a valuable facilitator of internationalization process, as they open market opportunities and provide foreign market knowledge for firms as well as advice and experimental learning (Ellis, Pecotich, 2001). According to Harris and Weeler (2005) firms with strong international ties can access international markets more rapidly due to access to constant communication with foreign partners, that reduces influence of internationalization limitations that small firms have. Moreover, strong ties provide entrepreneurs with current information about international opportunities and may act as a helping party in international strategy, credibility and legitimacy establishment (Zahra et al., 2000). It is also argued that the amount of strong and weak ties depends on country institutional context (Kiss, Danis, 2008), where strong ties are more effective in countries with low levels of institutional development due to low level of formal institution activity and weak ties are more beneficial for countries with high level of development.

Even though weak international ties are easier to obtain (Oviatt, MacDougall, 2005), their influence cannot be underestimated. First of all, they can provide a greater diversity of market information (Granovetter, 1985) about business opportunities, and the higher is the amount of weak ties a particular entrepreneur possesses the more likely he will be to internationalize rapidly (Oviatt, MacDougall, 2005), because of easier resource acquiring and recombination (Han, 2006).

To conclude, both strong and weak ties can act as a competitive advantage for a firm preparing to access international market, as both types of ties provide marketing information and help identifying business opportunities, and the decision which ties to use in a particular market can be made on the basis of external factors such as country institutional development level. Nevertheless, extensive reliance on networks may hinder the new venture's performance (Musteen et al., 2010).

## **2.6. Social networks approach to internationalization**

While conducting a literature review 24 articles describing the social network approach to internationalization of new ventures in particular has been found in the chosen journals. Appendix 1

table summarises the main approaches, research questions, findings of the articles that have been identified as valuable ones for the literature analysis.

In a number of studies that we have already observed social networks seem to have influence on rapid internationalization. However, this opinion is not supported in all of the studies. For example, Pla-Barber and Escriba-Esteve (2006) run a quantitative research of 271 actively exporting Spanish firms, by testing hypothesis of influence of top-management's attitude, the global strategy, marketing and technological differentiation and the intensity of the network relationships on accelerated internationalization. And the findings of the research show that hypothesis about influence of networks of relationships with customers and suppliers is only partially confirmed.

Social networks aspect of internationalization of new ventures is studied in both quantitative and qualitative researches. Sasi, Arenius (2008) run a multiple case-study of 10 Finnish firms by interviewing entrepreneurs, business angels, venture capitalists. The researches look at both formal and informal networks and arrive at the conclusion that INVs focus on exploiting existing ties in order to increase their company's attractiveness, not on adding new ones, and moreover, personal relationships role is not that important as a role of trust and commitment. However, they still state that long-term relationships, that can be classified as strong ties as well, helped the case companies to get access to new resources and effectively mobilize them.

Also Sasi, Arenius (2008) divide internationalization process into two steps – early internationalization and subsequent global growth. Regarding the dyadic relationships, they are found to be useful on the first stage, but they become a limitation on a second one. The authors claim, that significant international growth is achieved only by the companies that manage to transit from dyadic relationships to multilateral network.

Ojala (2009) makes a research of network influence more specific by focusing on knowledge-intensive SMEs. Even though SMEs will not be analyzed as case companies and only INVa will be taken into account, conclusions about their approach to internationalization is valuable due to sphere of operations. Ojalause also applies the qualitative multiple case-study method due to the exploratory nature of a research question (Eisenhart, 1989; Yin, 1994). The final sample consisted of eight firms, varying in the year of establishment from 1998 to 2000. The author presents a very detailed description of the conducted analysis, which is based on total 16 interviews. According to

Ojaka (2009) the following conclusions can be made about knowledge-intensive SMEs and their use of networks in business: knowledge-intensive SMEs (KI SMEs) actively develop new relationships or utilize existing ones to achieve the market entry to physically distance markets, they can take benefit from mediated relationships to achieve the entry to psychically distant markets. In the entry to psychically distant markets, KI SMEs more likely select the target country without any influence of network partners and, thereafter, start to develop new relationships or utilize existing relationships to achieve the market entry (Ojaka, 2009), and finally KI SMEs entry-mode choice in physically distant countries is more related to the strategic reasons to locate nearby customers than initiated by different types of network relationships.

The main conclusion at which Ojala (2009) arrives is based on the fact that the findings show a definite need of managers to develop their international contacts in order to archive market entry to the leading market, because just a passive following the already established networks will downsize the market opportunities and if the internationalization happens after all, it will take place in the economies with lower economic potential.

Performance of the company and its internationalization speed, which was earlier discussed, can be influenced by many factors and social network of entrepreneur is one of them. Musteen, Francis and Datta (2010) investigate this question on the example of Czech SMEs. The study is based on a sample of 155 Czech SMEs with no specification on a particular industry, statistic analysis is run with the use of hypothesis testing, correlation analysis.

Main findings of Musteen, Francis and Datta (2010) suggest that firms sharing a common language benefit from networking and internationalize faster than the ones that do not share common language. Moreover, managers should pay attention to structure and content of their networks and not to over rely on interpersonal contacts, because at it was found in the paper decisions made only with reliance on networks and trust may lack managerial and informational quality. It is worth mentioning that Francis and Datta (2010) underline the meaning of geographically diverse networks as they give more opportunities and variants to entrepreneurs in choosing a new market for their products.

The methodological base of the research is sample selection and data collection. After collecting data about 108 firms from Chinese manufacturing sector, located in Zhejiang province (a vibrant

private sector in author's opinion), Ge and Wang have created a questionnaire, which was aimed to reveal information about companies' operations from the network perspective. The detailed process of the questionnaire creation with accordance to literature review is provided by the author, and this information is extremely valuable for the master thesis work, because this methodology may be also applied for the research.

Ge, Wang (2013) have run factor analysis in order to distinguish personal and business networks and hypothesis testing.

Main findings of Ge, Wang (2013) are as follows:

- Network relationships have impact on internationalization of Chinese private manufacturing companies. Direct effect takes place in pace of internationalization and resource commitment;
- Personal networks have no influence on the time of the first market entry.

Ge, Wang (2013) also state that even when personal networks are unavailable, there always are business relations that can also serve as a source about market information, which will already be enough for making entry decisions.

Many authors align social networks influence with access of to knowledge about foreign market opportunities (Zhout et al, 2007; Ellis, 2011), which is presented by network members (Evers, O'Gosman, 2011) and is very valuable at the stage of market entry planning (Sharms, Blomstermo, 2003). According to Galkina and Chetty internationally oriented use such opportunities whenever they emerge.

Information technology firms and knowledge-intensive companies tend to frequently internationalize. The analysis of social network influence on foreign market access by such companies shows that firstly if the company has an already established position in the home market it will be networking easier with foreign partners and new international personal relationships will be stronger (Singfusson, Harris, 2013), and secondly information and communication (ICT) INVs get access to resources through long-term relationships (Arenius, Sasi, 2008).

As companies of other sectors IT companies identify foreign partners with the use of their social relationships, both personal and formal and benefit from established networks while identifying market opportunities (Evers, O'Gorman, 2011). In the research by Evers and O'Gorman IT companies' internationalization was strongly influenced by entrepreneur's formal and personal ties. The same idea is supported by Ng and Zain (2006) that find out that software firms in Malaysia were motivated to internationalize by their network, and moreover they were influenced by their network in market-selection decision-making. International ties were also beneficial for those software firms as they provided access to additional relationships and resources and helped to gain credibility. Before that research Coviello and Munro (1997) have already received the same findings about software companies, claiming that both formal and informal relationships influence market selection and entry mode to new markets.

The idea that international exposure is positively influenced by network relationships is also supported by Fernaber and Dan Li (2013) that run a quantitative research of 448 high-growth ventures from high-technology industries and contribute to the subject saying that alliances with partners are more beneficial for older ventures while the younger ones are more influenced by geographical proximity of a new market.

However, some researchers emphasize the negative influence of networking as well, for example in the study by Prashantham and Birkinshaw (2015) home-country ties turned out to slow down the internationalization process of new ventures and reduced international intensity. Still they find out that industry group membership generally helps.

So now, after we have analyzed the phenomenon of internationalization, its main characteristics and measures, influence of social networks on internationalization of INVs we can move specifically to the observation of Russian cases.

One of the main articles on influence of social networks on internationalization of Russian new ventures is a study by Galina Shirokova and Patricia McDougall-Covin (2012). In this paper authors investigate the influence of social network in internationalization of three Russian companies – Big Filter (founded in 1988, internationalized in 1994), Lubimy Kray (founded in 2000,

internationalized in 2005) and Dipaul (founded in 1992, internationalized in 1999). The research design of the study is based on the case study and data were collected via interviews.

According to the authors, Russian entrepreneurial environment is much more different from western one – a base for numerous researches of networks influence. Firstly, cultural aspects play a great role. In Russia so called “connections” and “blat” have always played a great role in business, especially in Soviet times. “Blat” is considered as a system that “enables people to get around bureaucracy and restrictions”, at the same time personal “connections” have become more and more important after the collapse of the Soviet Union.

One more aspect of peoples’ relationships that is taken into account by Shirokova and McDougall-Covin (2012) is trust. Johanson and Vahlne (2009) define trust as an ability to predict behavior of another person, characterized by high ethical standards, and can be also used as a substitute to knowledge - in case of the entrepreneur doesn’t have any particular knowledge about the market but trusts his middleman, he can transfer him the decision-making process. However, in Russia trust is hardly gained by people that don’t belong to one’s social network and are located outside of it.

Regarding the influence of networks, Shirokova and McDougall-Covin (2012) claim that when companies go international to distant markets social networks may be very useful in overcoming the barriers in finding potential partners and creating trust and mutual understanding, even at very remote distances. At the same time in case of Russian firms’ cultural proximity is the main factor in establishing networks.

Findings of Shirokova and McDougall-Covin (2012) suggest that networks were the main source for market information for companies observed and the effect on internationalization varied with the type of the product. However, even though not all of the analyzed companies have used their personal networks to internationalize they admit that doing business is impossible without close ties and trust. The authors have also paid attention to aspect of internationalization on the industry, saying that “the higher the degree of internationalization in the industry, the more developed is the organizational structure of the market, and, correspondingly, the lower is the value of networks in establishing new business contacts.

## 2.7. Summary of Chapter 2

To sum up, internationalization of new ventures has become quite a popular topic for researches all of the world in various spheres of business. Modes of internationalization appear to differ depending on specifics of firms' business models and industries where they operate, so not only exporting and importing firms are considered as internationalizers, but also companies that establish foreign partnerships and franchising, provide licensing and become members of strategic alliances. Internationalization mode may also be driven by previous experience of entrepreneur, social and business ties, location and other factors.

From the point of view of internationalization measurement, such aspects as speed, scope and rhythm can be taken into account. Even though ways to assess internationalization speed as well as influencing factors vary a lot, in case of INVs that are studied in this research the upper limit of 8 years for internationalization speed is preset.

Regarding influence of social networks of both personal and business origin on new venture internationalization, such ties appear to be influential for firms from various industries – from IT to manufacturing, and in all cases social networks serve as a source of business opportunities, of market knowledge and of help in establishment of operations in a new foreign market with unknown business sphere peculiarities. Regarding Russian cases, analysis of recent researches on the topic of social networks role in new venture internationalization shows that role of networks in Russian new ventures internationalization is not such an investigated subject, even though existing studies provide a lot of insights about perspectives from which different types of ties may appear to be beneficial. The deeper analysis of the Russian INVs internationalization has to be conducted and moreover such factor as the personality of entrepreneur and its prior experience should be taken into account. The table, which summarizes the results of main studies mentioned above is presented in Appendix 1.

### **3. EMPIRICAL STUDY OF SOCIAL NETWORK INFLUENCE ON INTERNATIONALIZATION OF RUSSIAN AND FINNISH FIRMS**

#### **3.1. Research design**

##### **3.1.1. Case study method justification**

The case study method is described in the book by Robert K. Yin “Case Study Research: Design and Methods” (Yin, 2009). According to the author, choosing a case study as a research method must be explained by the necessity coming from the type of research question – not all research questions can be asked within field study. As the author says, the case study is a king of empirical research which requires the following conditions: a real-life phenomenon needs to take place in contemporary context, boundaries between phenomenon and context are not clearly evident and multiple sources of evidence are used. As the research questions of the research, that is planned to be conducted in the master thesis, are “how” and “why” questions, case study or multiple case-study is applicable as several companies are going to be analyzed. Moreover, the current study relates to investigation of a contemporary phenomenon and does not require control of the behavioral events, what makes a case study approach appropriate.

The current research is driven by the following main research question:

How do social networks of entrepreneur influence internationalization of new ventures in developed and emerging markets?

There are also some subquestions that are planned to be asked while conducting the research:

1. What are the factors that influence internationalization of Russian and Finnish new ventures?
2. What is the influence of business and personal contacts of entrepreneur?
3. Is there difference between influence of business and personal social contacts?
4. What particular characteristics of social networks of entrepreneurs are the most important for understanding firms’ internationalization and their further collaboration with international partners?
5. Is there difference between difference of social network influence in internationalization of Russian and Finnish new ventures?

Regarding the sources of information for case study, the advice of Yin (2009) is also very useful. In order to collect as much data as possible the following sources need to be considered: documents and archival records, interviews, direct- or participant-observation and physical artifacts. The author also describes the process of creation of case study database and chain of evidence – these tools can also be implemented in the research of the master thesis, in order to keep data organized and provide a transparent flow of the research which would be easy to follow for the reader.

According to Yin (2009) there are four types of case study designs: single-case (holistic) design, single-case (embedded) design, multiple-case (holistic) design and multiple-case (embedded) design. For this particular research a multiple case (holistic) study has been chosen in order to get more insights for research question answering. Even though single case studies present more critical, unique and extreme cases, multiple cases in its turn can provide a compelling support for the propositions set in the theoretical framework and give a possibility to conduct replication analysis. According to Yin (2009), the replication logic of the multiple case studies is similar to multiple experiments: theoretical framework states certain conditions under which a particular phenomenon is about to be found (a literal replication) and contrasting conditions under which it cannot be found (theoretical replication).

Following the Yin's instructions, the current analysis, based on the multiple case study, method will consist of following steps:

- developing a research design;
- preparing to collect data by selecting cases on the basis of certain criteria and designing data collecting procedure (interview guide in this work, which is described later);
- collecting data and writing individual case reports;
- adjusting the theoretical framework and propositions according to the insights retrieved from case studies;
- analyzing data by drawing cross-case conclusions;
- writing cross-case report and deriving conclusions for the thesis.

The most prevailing critics of case study method is that it does not provide generalizations, however the thing is that case studies provide generalizations to theoretical propositions and not for statistical populations. On the contrary case study method provides deep insights in the research questions.

To sum up, current research is run in a form of comparative multiple case study and deductive approach, based on preliminary study of literature on INV internationalization and social network influence in entrepreneurship.

### **3.1.2. Case selection and data collection through semi-structured interviews**

As it has been mentioned above, the main principles of data collection in case studies are investigation of documentation, archival records, interviews, direct and participant observation and physical artifacts. Due to the fact that the research question of the thesis deals with social networks of entrepreneurs the most insightful way of data collection is the interview. Nevertheless, in order not to spend recipients time companies' websites and company related publications have been analyzed in order to do the preliminary research about the sphere where company operates and its main activities. Hence, multiple sources of evidence have been used, what increases validity of the research results as well as time spent on information collection and analysis.

Data collection for the current research consisted of the following stages:

- identification of sampling criteria. Russian and Finnish firms that have established international operations within 8 years since their foundation have been chosen for the research.
- creation of the list of potential interviewees, that have been found through personal connections and with the help of supervisors
- establishment of the first contact with the company by sending an email with invitation to participate in the research, explaining how the contact has been obtained and describing the purposes of the research
  - phone call with companies' representatives that agreed to participate in the research, during which research objectives were explained once again, interview structure has been described, also a decision has been made about date and time of interview conductions which would suit both sides. In several cases the interview guide has been sent to an interviewee in advance so that possible responses could be planned

- note taking during the interviews and conversation recording, only if there is a permission from an interviewee.

Semi-structured interview has been chosen as a tool of getting insights about internationalization of sample companies. In-depth interview as a qualitative research technique that is applied when the amount of respondents is small and emphasize is given to particular situations and experience (Boyce and Neale, 2006). Moreover, primary data necessary for the research questions answer may be quite personal and unpredictable, that is why a simple questionnaire will not provide a required base.

Semi-structured form of the interview has been chosen, the interview guide contains elements of both structured and unstructured interviews, as certain questions are the same for all respondents, however the flow of discussion may require additional questions for getting more details about a particular case.

The main advantage of interview design is that information flow can be moderated by interviewer, certain issues can be qualified if misunderstanding arises as flexibility of interviews allows to do so in order to get more insights. Moreover, personal interviews allow having social interaction and networking, and in case of this particular master thesis research interviewees are more than interesting people to communicate with as during the conversation they do not shortly respond to questions in terms of their current activities, but also reflect on their previous business experience.

However, interviews have important drawbacks, the first of which is time consumption. As top management persons are the ones to give the most valuable insights for the purposes of the research, the arrangement of the interview becomes even more difficult. According to Lars Wikholm, managing partner in PROMAN, who acted as one of the interviewees in this research, it takes him three seconds to decide whether to respond to an invitation email or to put it in trash, so making an appointment for the interview is extremely difficult. Moreover, interview itself is very time-consuming — for student who conducts an interview one hour may not seem so much, however for an interviewee this hour could be spent on more valuable meetings or deal closing. Decision making of when and where to conduct an interview is also a challenge, however if an agreement of a company representative to participate is received, these questions are decided about quickly

Furthermore, semi-structured interviews are usually characterized by a smaller sample size and information retrieved from them cannot be as easily compared as fully-structured ones. As a semi-structured form of an interview has been chosen, first bullet pointed questions are the one that can provide comparison, while information retrieved from other questions may differ with industry in which a case company operates, willingness of an interviewee to respond and other factors.

For the purposes of current research 5 in-depth interviews have been conducted – 1 with a Finnish company and 4 with Russian ones. The range of industries where these companies operate is quite diverse: mergers and acquisitions, software development for hospitality management purposes, mobile applications promotion, sales of wellness, massage and beauty equipment and products, web design and brand management. Interviews with company founders and representatives have been organized in a semi-structured way in accordance with prepared interview guide. The amount of information retrieved from each interview depended on willingness of a company representative to participate and share private information, which was required for understanding the role of networks in internationalization of companies.

Interview guide for this particular research has been prepared in both Russian and English. It is divided into three main parts:

- international operations: devoted to timing of the foreign market entry and main information about the sphere where company operates;
- international operations policy: contains questions about relationships with partners;
- social networks role in internationalization: addresses role of personal and business contacts in establishment of international operations.

At the beginning of the guide recipients are welcomed by an abstract in which purposes of the research are described. When starting the interview these purposes were explained to the interviewee once again, however this abstract has not been removed, as some interviewees asked to send them questions in advance in order to look it through and think about their possible answers. On average, interviews lasted from 40 to 60 minutes depending on amount of free time respondents had and their openness in answering the questions. Interview guide in English can be found in Appendix.

Apart from interviewing the company representatives from top-management, analysis of secondary data resources, such as internet publications, articles devoted to companies' operations as well as their websites has been conducted. These resources allowed to get to know the companies better before the interview, to learn the main facts about their activities and history, and to save interview time by not asking details that can be easily found in the online resources.

### **3.1.3. Data analysis method**

To make the study representative and valuable several companies are observed (Eisenhardt, Graebner, 2007), moreover the more companies are taken into consideration in the research, the better analytical generalization can be made (Yin, 2009). Case study does not aim to provide statistical generalizations, which means that the obtained results can be used in a bigger population, as in case study method compelling information is analyzed in order to compare it to the generated theoretical framework.

In cases when an interview conversation is recorded, the first step in data analysis is transcription, during which the recording is transferred phrase by phrase into a written text. In this research transcription has been done manually, without use of special software. There has been a possibility to transfer the recording to the special university service that would transcript the recording into a Word document, however software may have issues with speech recognition, and the main reason not to do so is confidentiality of information. For the same reason experienced audio typists have not been addressed. Furthermore, it is more efficient to conduct an interview transcription without external help as it helps to refresh memory and insights retrieved in the interview (Gillham, 2005).

According to Gillham (2005) one of the main rules for transcription is to transcribe as soon as possible after the interview, because the quicker the recording is listened to, the easier it is to write done the results and make conclusions. The best practice is to transcribe the day after the interview, so this advice has been followed. Transcription is a very time-consuming method of interview data analysis, because it requires time for not only writing down the information, but also for organizing it in an appropriate way of a coherent text. Hence, interview transcription requires a lot of concentration, so in order to keep up the quality Gillham (2005) recommends not to spend more than one hour at a time on this process. Since data collection has been conducted in a semi-structured

form, interpretation, as one of the main characteristics of case study research (Yin, 2009) has been needed in order to extract the essence (Gillham, 2005).

After case interview transcriptions are made, all of them are went through one by one and substantial statements are highlighted. After that they are categorized by coding in order to see the linkages, similarities and contradictions between cases, thus constant comparison of cases is performed in data analysis stage. When categorization is finished, the transcripts are reviewed once again in order to see whether any significant details have been missed (Gillham, 2005). When amount of cases is high, for example 10, a special analysis grid or spreadsheet is recommended to be made in order to see to which extent answers relate to each other. In current research amount of cases is not that big, so creation of analysis spreadsheet with categories is not appropriate. Nevertheless, cross-case analysis is conducted where case companies are compared by their operational characteristics, such as industry, amount of employees, year of foundation and internationalization, and separately from research questions prospective, where difference in influence of business and personal network on their internationalization is compared.

### 3.2. Case companies' description

The following research is based on case study of five firms that represent various spheres of business: mergers and acquisitions consulting, wellness products sales, IT industry from web design to mobile application promotions and development of software for hospitality management. Comparison of case companies by its age, speed and mode of internationalization, target markets and degree of internationalization is presented in the table below.

Table 4. General information about case companies.

| Company        | Country of origin | Year of foundation | Year of internationalization       | Int. Speed (years) | Industry   | International Market              | Intern-tion Mode                                  | % of international activities                 |
|----------------|-------------------|--------------------|------------------------------------|--------------------|--|-----------------------------------|---|---|
| PROMAN         | Finland           | 1988               | 1995                               | 7                  | Mergers & Acquisitions                                   | 35 countries                      | Sales, international services, membership in IMAP | 90% of deals are with international companies |
| GESSION Market | Russia            | 2006               | Import from 2016, export from 2013 | 7                  | Sales of wellness products, massage and beauty equipment | China, Estonia, the CIS countries | Import, export                                    | 100% import, 20% export                       |

|          |        |      |      |   |   |                           |   |   |
|----------|--------|------|------|---|---|---------------------------|---|---|
| DataLead | Russia | 2013 | 2014 | 1 | Applications promotion, web campaign design           | China, the CIS countries  | Services to foreign companies                                       | 90% of services are provided for Chinese partners   |
| Tillypad | Russia | 2008 | 2011 | 3 | Software development for hospitality industry         | The UK, the CIS countries | Licensing, establishment of dealer network, opening a UK subsidiary | aim for 20% revenue from British subsidiary by the end of 2016, high sales to the CIS countries |
| SFCD     | Russia | 2007 | 2010 | 3 | Web- and app development and design, brand management | The USA                   | International services, NYC and San Francisco offices opening       | 80% of American clients, 20% are occupied by Russian famous brands                              |

## *About PROMAN*

PROMAN company is one of leaders among corporate finance advisory firms focusing on mid-market mergers, acquisitions and other financial transactions that has been founded in 1988. During the last several years PROMAN has been ranged among top-3 companies conducting mergers and acquisitions in mod-market segment (PROMAN Oy, n.d.).

Lars Wikholm, the managing partner of PROMAN company conducted international business operations long before founding IMAP — he was working for Wärtsilä company of an oil and gas industry, selling big welded blocks – accommodation and power modules, he was particularly responsible for sales office in the USA and Canada and Great Britain. Already in that time he has been doing acquisitions for Wärtsilä. When PROMAN company was founded in 1988 it was pretty local for about 7 years, basically the company has been doing turnaround contract management – jumping into crisis companies as managing directors for 3-6 months, sometimes for a year or even longer, trying to restructure them and increase their profitability. Since 1995 they have been selling companies abroad, even though it was not that systematic. A couple of times they tried to start business on a regular international scale, however for different reasons it did not work properly unless they bought shares in a Swedish M&A company and joined IMAP – Global Mergers & Acquisitions Advisory (IMAP, 2016).

In 2000 Lars became a managing director decided that it was time to put that in shape and start going even more international. After 2000 about 90% of profit was received from mergers and acquisitions – mainly selling companies, but also helping them to find the best buyer. In 2002 PROMAN has been invited to IMAP, a global mergers and acquisitions organization. It enabled PROMAN to do the following:

- find buyers for Finnish companies for sale;
- present Finnish companies on international sales level so that foreign buyers could be attracted because a company for sale is represented for 35 markets simultaneously, for example a Belgian or Austrian partner can have a good buyer that would not be found without IMAP due to lack of networks and having a deep understanding of the market situation;

- participate in educational trainings and experience sharing. There are 35 partners in IMAP (IMAP, 2016) and if there is a problem that needs to be solved, Lars and PROMAN advisors can just call their IMAP partners and ask for help or advice, so there is a constant experience sharing, they help each other and participate in regular training sessions

#### *About GESS Market*

GESS Market is a family-owned sales company founded in 2006, which operates in sphere of health care, beauty, massage equipment, wellness and sport product sales in both B2B and B2C modes (GESS Market, 2015). At the beginning of operations 100% of production was occupied by imported goods from China, however now more emphasis is made on export of products made by Russian producers. Regarding international sales, GESS Market maintains sales to clients in the CIS countries and recently a new office in Estonia has been opened that allowed the company to launch its presence on European market.

Decision about export establishment came to mind of founders due to willingness to widen the market, reach out to higher auditory and moreover, because of recent economic situation buying power of Russian customers went down because of recent economic situation and obtaining incoming cash flows in euro became even more attractive and profitable for the company. GESS Market is constantly researching opportunities in a way how to become even more international keeping stable financial position. Now they are working on its own production establishment in Russia and will aim to increase export revenue share in order to achieve more stable financial position by equalizing import and export profits.

#### *About DataLead*

DataLead company, a member of Embria holding (Embria, 2016), has been founded in 2013 and had began its international operations one year after foundation. DataLead provides advertisement of mobile applications through Facebook, VKontakte, Odnoklassniki, Mail.ru, Google Adwords, Twitter and other social networks (DataLead, n.d.). The user sees a banner, clicks on it and gets to the application store. Banners are designed by Datalead designers,

however, the already existing company campaigns can also be optimized. Digital advertising can be targeted according to socio-demographic, geographical, interest and device characteristics (DataLead, n.d.).

The most famous clients of DataLead are Tap4Fun, AviaSales, Machine Zone, LaModa, Uber and AliExpress. The latter gave DataLead a strong position in Chinese market.

#### *About Tillypad*

Tillypad XL company has been founded in 1995 by a group of young and talented specialists in sphere of software development, engineering, marketing and hospitality management (Tillypad, 2016). In 1997 the first version of Tillypad software, a hospitality management system has been launched to the market offering unique capabilities for restaurant management. Soon after the product launch Tillypad company established a partnership program which attracted companies from the CIS. Nowadays Tillypad XL, a later version of software, is distributed by 90 partners all around Russia, in the CIS, in Germany and the United Kingdom and installed in numerous hotels, restaurants, bars and pubs (Tillypad XL, n.d.). Company headquarters is situated in St. Petersburg where all the engineers, developers, marketing specialists, sales managers and finance department employees work together.

Tillypad XL is a hospitality management system which provides automation for all of the possible business processes in a restaurant. Front office is synchronized with back office, all orders are tracked, stock is controlled and security images are shown online on special screens in the back office. Moreover, Tillypad XL is a multilingual system which makes communication of international teams much easier, as language can be changed on a particular device. This type of software is compatible with more than hundred hardware devices, can be integrated with third-party software, furthermore, it provides fully configurable reports and detailed audit trial (Tillypad XL, n.d.).

The most famous Russian clients of Tillypad XL are a widely known restaurant chain “Dve Palochki”, “Market Place”, “Bushe”, “Bolshaya Kuhnya” and many others (Tillypad, 2016).

### *About SFCD*

The SoftFacade company, renamed to SFCD in 2014 (SFCD, 2014) has been founded in 2007 by digital designers and developers and grew up to a full-service digital design and development studio with headquarters in New York, offices in St. Petersburg, Novosibirsk and San Francisco totally employing more than 30 people. SoftFacade gained their popularity and global recognition in sphere of digital design by making application icons, however founders soon understood that they want to go deeper from designing – they wanted to create and illustrate themselves (SFCD, n.d.). In 2014 the company was renamed to SFCD, giving the brand name minimalism and connection to its routes at the same time.

Nowadays SFCD provides a wide range of services for its customers going far beyond digital design – they develop digital strategy, UI/UX (user interface/ user experience) design and development, application and web design, work on brand identity establishment (SFCD, n.d.). According to feedback of SFCD clients they are more than just a design studio — they work on brand identity, build responsive applications and interactive websites that fit into the overall company digital strategy providing customers with easy-to-use interfaces and pleasant experience. SFCD design studio provides services for a wide range of Russian and American customers from young start-ups to globally recognized firms like Yota, Huawei, Princeton University, Toyota, Uber, Sony and Samsung. Design and implementation of the globally known Speedtest has also been created by SFCD.

### *Comparison of cases*

From the point of view of internationalization mode, the most popular way was establishment of a subsidiary in a foreign country – Tillypad company opened an office in Birmingham, SFCD opened two offices in the United States (New York City and San Fransisco), GESS Market opened a subsidiary in Estonia. Two out of three companies related to Informational Technologies sector placed their facilities abroad, however for different reasons: Tillypad opened a British subsidiary to access the whole European market from highly saturated market of Great Britain, while SFCD moved the head office to New York in order to maintain close

contact with clients on a regular basis. Datalead internationalized through providing services for international clients (AliExpress, for example) and now they are working on increase of their international presence by participating in thematical fairs and events in Europe and the USA. DataLead is the youngest IT company among the overviewed cases, so it cannot be said for sure will they open a subsidiary abroad or not, today they have no need to do so. PROMAN company achieved international presence by joining IMAP organization and becoming their representative in Finland, thus such a mode of internationalization can be considered as a strategic alliance. Joining the global IMAP organization gave access to 35 distant markets simultaneously, while before that international company sales were conducted mostly within Scandinavian countries.

Regarding the target market choice, only two Russian companies (Tillypad and GESS market) established cooperation with clients from the CIS countries, while the two left (DataLead and SFCD), both operating in sphere of IT services noticed higher potential in more distant markets. Datalead considers Chinese application market to be highly attractive for provision of promotion in Russia, while SFCD pays a lot of attention to Syllicon Valley startups and industry giants (contract with Google is being negotiated).

All of the companies that participated in the research have a high share of international operations in their business activities. PROMAN negotiates 90% of deals with international partners and posts their offers in a global intranet, GESS Market purchases 100% of its products and sells 20% of its production to foreign partners and clients (total percentage for both B2B and B2C), DataLead provides 90% of its services to Chinese partners, SFCD works mainly with American companies – a lower share is still left for Russia, but mainly for industry leaders such as Yota. In case of Tillypad no definite numbers have been announced, however they plan to establish the dealer network in the UK by the end of this year and boost their international sales by to 20%, moreover Tillypad constantly works with companies from Kazakhstan, Turkmenistan, Ukraine.

In terms of internationalization speed two companies have internationalized within 7 years since foundation: PROMAN has bought shares of a Swedish company and started conducting

international deals in the region of Scandinavia, GESS market opened an office in Estonia, however they had 100% Chinese import from the very beginning and in several years after their foundation started selling products to companies and clients from the CIS. Hence, these two companies are international new ventures in accordance with definition which was derived in the literature analysis part of the thesis. DataLead internationalized within 1 year, SFCD and Tillypad became international within 3 years, thus they can be called born-globals.

### **3.3. Cross-case comparison of social networks role in internationalization and further collaboration**

Analysis of the interview insights and secondary data regarding internationalization of case firms has shown that social networks used to have different, but very interesting impact on internationalization depending on industry. At this part let us overview social networks role from two perspectives: its role in internationalization process and its impact on already established collaborations in the foreign market.

#### **3.3.1. Role of trust and specifics of collaboration with foreign partners**

Role of trust was one of the most interesting questions during the interviews. All of the interviewees emphasized the role of trust. In order to provide ranking three levels of trust importance have been identified:

- ✓✓✓ — super high role of trust, strong “no trust – no business” position
- ✓✓ — trust is important, however, it stays on the same level with relations regulations stated in formal agreements
- ✓ — trust is said to be important, however it is not the base of making decisions regarding collaboration and this topic has not been emphasized a lot during interview conversation.

Table 5. Value of trust and partner relations characteristics of case companies.

| <b>Company</b> | <b>Value<br/>of<br/>Trust</b> | <b>Partner relations characteristics</b>  | <b>Clients return</b>                   |
|----------------|-------------------------------|---|---|
| PROMAN         | ✓✓✓                           | Very close everyday communication with partners from all over the world, information and experience sharing | Entrepreneurs sell their companies once |
| GESS Market    | ✓✓✓                           | Close communication, frequent meetings  | Frequent, especially in B2B             |
| DataLead       | ✓                             | Constant but remote communication   | Almost not                              |
| Tillypad       | ✓✓                            | Regulated by partnership agreement, highly important for company reputation                                 | For technical support only              |
| SFCD           | ✓                             | Constant communication during the project fulfillment process and meetings                                  | Constant                                |

PROMAN and GESS Market interviewees underlined trust as the main base of business, both Lars and Anna said that if there is no trust between partners, collaboration is threatened and impossible. According to Lars, trust is extremely important. Even while working in 80<sup>th</sup> with Soviet Union in oil and gas industry trust was the core of operations. “If you know people and trust them, you do the business” and the same situation is in mergers and acquisitions sphere. Personal relationships do help, and in IMAP trust between members is even higher and more valuable, employees within PROMAN have access to all of the contacts so there are no secrets.

GESS market company in its relationships with international partners and investors keeps to a strategy which is based on not only business game rules, but also honesty, trust and other crucial aspects of stable long-term human relationships. So if any supplier or partner doesn't

behave in a proper way contracts are finished. Trust is treated very seriously by GESS Market, as Anna said “No trust – no business”. From their opinion trust is being sure about quality, being flexible for partners and expecting the same respect and flexibility from them.

Regarding IMAP company, all IMAP members are all the time in very close and strong relationships with each other in all levels of organization (IMAP, 2016). There are two regular meetings per year (in autumn and spring), sometimes industry group and audit meetings take place. IMAP members know each other close even though sizes of offices vary, for example there are 9 people in IMAP Finland, while approximately 40 people work in IMAP UK – the size of the office and amount of advisors depends on the market. Moreover, educational trainings are provided for company representatives.

In case of PROMAN high level of trust exists not only within IMAP organization, where representatives of all offices trust each other completely, but also with entrepreneurs that come to PROMAN to sell their companies or buy some. “Entrepreneurs sell their businesses once”, there is no return of the clients, that is why company’s goal is to provide a service of the highest possible level. In case of GESS Market trust can be treated as a core of business. First of all, China, the import market, is geographically distant from Russian offices and regular meetings and checks are not as frequent as they would be with Russian partners. Anna and other GESS Market representatives organize business trips to China to maintain communication and check quality, however without trust the only way to be sure in trustworthy of a partner would be living in China and constantly watching the production process. Secondly, Anna identifies trust as a very important component of long-term relationships which is established in B2B sector mostly in both cases – import and export. According to Anna’s interview insights, trust to Estonian partners was the main reason to make a final decision about subsidiary opening. So, extremely high level of trust was underlined by two companies – PROMAN and GESS Market.

Tillypad company COO Ludmila also told a lot about trust as well and paid attention to its importance. According to Ludmila, trust is very important in business, however sphere of software distribution has a fixed manner of partnership establishment, so no crucial sacrifices

are made and internationalization is rarely achieved with the use of close ties. Partner relations between Tillypad and its representatives are mostly regulated by formal agreements and requirements that need to be fulfilled by both sides, however Tillypad dealers' actions have a direct affect on company reputation and financial situation, that is why if a possible partner is not considered to be trustworthy enough, his benefit from Tillypad software distribution is decreased (from 50% profit to 30% or lower) or collaboration proposal may be denied. Moreover, Ludmila has faced an unpleasant experience with their first representative in Great Britain what led her to understanding that regardless the business relations they are still working with people who can misuse their positions, so business definitely requires trust that would come from both sides simultaneously.

Regarding negative experiences, GESS Market company has faced such situations as well with both clients and suppliers that resulted in immediately finished contracts and serious financial losses. However, stable long-term collaboration made trust with some partners even stronger with years what helped to find new business solutions and run joint projects. According to Anna, if there is trust between partners GESS Market can sacrifice something in order to surround itself by trustworthy partners that are searched in the market as well as through personal connections in order to obtain richer information.

Datalead and SFCD treat trust as an important aspect, however they do not put it in the core of relationships with their clients. In case of SFCD trust was strongly associated with meetings with partners (similar to GESS Market where top-management travels to China) and this particular aspect forced them to open an office in New York.

Contract negotiations with potential partners of SFCD can last for many months, in cases with small firms it goes much quicker. Task fulfillment time also varies depending on its difficulty, for setting the scope it can be said that the typical notes application, which contains functions of writing and editing of the note, having a date and time on its heading, list view of notes and notes search inside of the app, seems to be simple in terms of user experience, however it takes developers 25 days to lead the app from stage of strategy development to publishing (SFCD, 2014). More complex projects can be run during more than a year. Strategy and

concept setting is the first and one of the crucial steps in task fulfilment, that is why constant communication with clients is required in order to make the best product in terms of design, performance and client's business suitability. Synergy of designer's and client's vision lead to high result, that is why mutual understanding, trust and collaboration is required.

In case of SFCD most of the clients come with service demands themselves, trusting the company because of its high industry reputation and recommendations. According to Oleg Turbaba, creative director of St. Petersburg office, company has tried to perform marketing actions in order to promote itself. However, that was not an effective strategy as most of the customers were coming after getting a recommendation, reading reviews on company progressive cases (Creative Russia, 2015).

IT sector considers client turnaround, as basically there are now final products, as applications require version updates in accordance of mobile platforms recent improvements, moreover some applications and services require periodical customization. Due to this all the networks are tried maintained all the time so that when a client needs updates, improvements or new projects he came back to SFCD. Network communication is spread throughout the whole company so that not only creative directors new about the upcoming and current projects. Final solutions can be delivered and presented by designers, art directors, creative directors or by the whole team simultaneously, it depends on task comprehensiveness and formed company approach to a particular client.

In case of DataLead, while working with international companies, personal contacts and trust are considered to be a crucial element as without trust there is no business, according to Evgeny. Nevertheless, the framework of communication with clients is quite formal.

Initiation of the new contracts comes mostly from Datalead. Incoming clients appear if they have received a recommendation from their friends or business contacts. Establishment of new contracts does not always happen through face-to-face meetings, as most of them are in China. However, Datalead arranges meetings with partners once in 6 months. Sometimes meetings are more frequent. Location of such meeting is always flexible – it can be China, Russia, UK

or any other European country. While working on a contract with a new partner the win-win situation is the main goal, however if there are some issues, the choice is made for the favor of the client – there are no particular issues on which Datalead would insist. The model of international cooperation is fixed within the company so it doesn't change dramatically from client to client. 100% of the existing contacts is kept, however clients do not tend to return and this is a business specific thing – clients get the advertisement and rarely return, but provide recommendations and attract new clients for the company.

To sum up, trust is treated as a very important aspect of partner relations and collaboration on international scope by all of the case companies, that also consider such an aspect of human relationship as a base for running business together. Moreover, trust is strongly associated with frequent face to face meetings between partners and close permanent communication, and its importance depends on nature of business and clients' turnover possibility in a specific business model.

### **3.3.2. Social networks role in internationalization process of case companies**

The last section of the interview was devoted to role of social networks of entrepreneurs in firms' internationalization. **PROMAN** company had several stages of internationalization. When firstly Lars Wikholm, managing partner of the company, bought shares of a Swedish company he has used his business contacts – he was aware of this company operations in advance and came to them with an offer. When joining IMAP everything was conducted very formally with audit of PROMAN operations, observation of their way to do business and filling of the necessary agreements. However, after this international presence has been established the role of social networks got boosted due to information access that PROMAN gained by entering IMAP. Nowadays daily operations include constant collaboration with partners all over the world, many of them became closer than just colleagues due to permanent meeting and events. Nevertheless, personal business contacts of PROMAN advisors are also frequently used.

Regarding getting to IMAP, according to Lars, this is a formally fixed process. First of all, there are requirements concerning number of international projects per year. After PROMAN company had been recommended to IMAP, then they have been audited – people from other IMAP companies came over to observe business operations and procedures. The process was quite formal, included specific rankings and high requirements, and only after all of these procedures and analysis PROMAN was approved to be IMAP representative in Finland. In most countries it is just one company that gets to IMAP, same is in Finland that is why PROMAN Oy is a synonym of IMAP Finland (IMAP, 2016).

Approval to IMAP forced PROMAN to make some sacrifices. For example, they had to sell their Swedish company share, because it was not allowed to work with two organizations – it is either Swedish shares or IMAP membership (global). Lars' vision was to broaden their work capability, increase the project size, sized of companies that are sold and bought and IMAP gave that push, so they sold those Swedish company shares and moved on.

Nowadays business contacts are built not only within IMAP, of course the ones from outside are also valuable. There are not that many transactions, for example in 2015 there were 11 (IMAP DealBook, 2015). Couple of those are IMAP and others are done through PROMAN direct contacts. IMAP helps in finding buyers abroad, however when there is a Finnish company for sale, very often there is a Finnish or Swedish buyer. So they are contacted directly after conducting a research.

**GESS Market** company case is the one of the brightest examples of social network influence on international activities. As it has been said above relations between GESS Market and its partners are very close, company always aims for long-term collaborations and as it was discovered during the interview some business contacts became personal, and this transition was caused by very long and strong communication and high level of trust. The most demonstrative case is the story of Linda, company Chinese partner, that helped them with supplies on the early stages of internationalization and has opened her own business, that collaborates with GESS Market till today.

Anna considers social networks role in internationalization of GESS Market to be highly important. Rising network helped to gain more opportunities and to ease communication in a foreign business environment. Both personal and formal contacts' value increased over time and sometimes formal became personal during long collaboration period and high mutual trust. Permanent communication is conducted with all suppliers and customers all the time in order to keep selling and maintain market position — regular trips to China are organized for top-management and sometimes company representatives are sent there for the quality checking business trips.

Unplanned acquaintances did not happen to influence internationalization of GESS Market and no informal contacts were used while entering new markets: only formal contacts, no intermediaries, no business associations membership — everything was done by GESS Market itself.

**Tillypad** company case has shown that in order to maintain efficient market entry the company has firstly established a local business contact (Person A) that helped them to start operations in a completely new business environment.

Main internationalization action of Tillypad company apart from establishment of partnership program with the CIS countries' companies happened in 2011 when Tillypad company opened a separate office in Birmingham, UK (Tillypad XL, n.d.). British market has been chosen as the majority of typical software is done there and England is a favorable location from where the product license can be sold all around Europe. So market choice was a priority, not a presence of special favorable network. Nowadays British subsidiary is a separate office with full rights on Tillypad distribution to restaurants, which has been opened by locals, not by Russian representatives of the company that moved to do business there.

According to Ludmila, the process of subsidiary opening was very time-consuming and followed the following procedure: firstly, they have placed a job offer looking for a person who would conduct market analysis, evaluate to which extend the product would fit the Great Britain market needs, so Tillypad was looking for a person who had experience in selling

software products in Britain and who knew market specifics. However, the response rate to this job position was very low and the Russian office still did not know whether they need to update their system or not.

After that company representatives started contacting consulting companies directly and those operating in similar spheres asking whether they could provide Tillypad with a local specialist. This demand has been send to 100 companies and Russian office received only 5 replies from people who agreed to try themselves on a consulting and market researching position. The main requirement of Russian office was that an applicant comes to Russia for a final stage of interviewing, only one person agreed to do so (will be called “Person A later, as name has not been disclosed by interviewee”), so Russian office did not even have to make a decision who to chose. The chosen person has been conducting deep market research for two months, analyzing which features of software were legal and not, gave advice on potential customization of software, and the results showed that Tillypad would fit British market perfectly as no major changes were necessary.

Sometimes international partnerships result into negative experience, which is frequently hidden by the company as more is said about victories, not losses. However, Ludmila shared her experience and said that currently Person A is not employed anymore as he abused his position, used it for his own benefit and completely failed to meet expectations of the Russian headquarters. It has been found out that market research and sales forecast conducted by Person A did not fit real market situation. So Person A was fired and the former sales manager (Person B) took his position as he used to show high performance and gained trust. Nowadays Person B is a COO (Chief Operating Officer) of Tillypad subsidiary in Birmingham and manages a team of five people who he hired himself.

Nowadays, Tillypad company participates in fairs and trade shows in Britain, however Ludmila sais that this is not efficient enough for clients search even though it provides good marketing. The most efficient strategy for Tillypad is establishment of dealer network which will help to spread the software around hospitality venues. However, foundation of a British subsidiary was a very important and valuable step for the company, especially because they

have used locals and omitted terrible bureaucracy with the help of their Russian partners in papers collection. As Ludmila concluded the interview, “People are still people, whether they are British or Russians, so regardless standardized agreements personal qualities must also be checked”.

Regarding domestic network, Russian colleagues have helped with document preparation for foreign subsidiary opening. Regarding sudden acquaintances, they could have had influence in company internationalization, however in the end the agreement with a company in Thailand has not been signed for some reasons that were not revealed by Ludmila, however she admits that such contacts can facilitate business internationalization.

**DataLead** is a part of Embria Holding (Russia, Belorussia, the UK), according to Evgeny it provides financial stability, helps to obtain wider market information and to look at it from global perspective thanks to Embria’s partnerships with Vkontakte, Google, Microsoft, Apple and many other key industry players (Embria, 2016). Embria provides fosters communication between the group companies what provides them a strong competitive edge (Embria, 2016). However, Embria holding influence has not taken place in DataLead internationalization, according to the interview with Evgeny. DataLead was a part of this holding from the time of its foundation, so it can be said that such membership provided positive influence on company internationalization.

Moreover, DataLead permanently participates in international fairs and events such as Facebook Bootcamp Warsaw, WhiteNights2015 annual conference in Moscow, which gathered 1500 participants, leaders of mobile industry, game and web developers together for education and networking, and Apps Flyer MAMA conference devoted to mobile attribution and marketing analytics (Dataleadcomoany, n.d.). DataLead participates in not only European events, but also in ones organized in the USA: Mobile Games Forum in Seattle (18-19 October, 2015) — world premium mobile event that sets the benchmark for speakers and attendees in all world mobile conferences, Affiliate Summit in Las Vegas (10-12 January, 2016) devoted to marketing communications and Game Developers Conference in San Francisco (14-18 March, 2016) focused on learning, inspiration for game creation and most

importantly networking (Dataleadcompany, n.d.). All of the conferences are attended by Evgeny himself what gives him a perfect opportunity to meet with many possible clients at the place. participation in the events provides enlargement of both personal and business network, and the company is relatively young to judge whether a particular type of networks appeared to be useless, but entry to the foreign market has been done by DataLead itself without any external help.

**SFCD** case has shown that business network has speeded up company internationalization dramatically, because as soon as the company began to work with American clients their physical presence was needed in order to show their credibility. SFCD company has internationalized in 2010 when founders of the company realized that in order to keep the American clients they need to establish physical presence in the USA market. Face-to-face communication in partnership relations is highly valued by American clients, that is why CEO and PR director moved to New York. This internationalization step allowed SFCD to capture the larger share of the market, to gain credibility amount clients and collaborate with even more American companies. Almost the whole business environment of application and web development and design is situated in the United States. San Francisco office has been opened specifically for communication with Silicon Valley companies (SFCD, 2015), now they are looking for new specialists who would work there. Hence, it can be said that company business network was a driver to internationalization in sense of moving the headquarters and widening international activities. Regarding personal network, nowadays SFCD has a local lawyer in New York that helps Russian company representative with legal issues of private and business concern.

The table below summarizes the conclusions about influence of personal and business ties on case firms' internationalization.

Table 6. Cross-case comparison of social networks role in internationalization and further collaboration.

| <b>Company</b> | <b>Role of Business Network</b>  | <b>Role of Personal Network</b>  |
|----------------|--|--|
| PROMAN         | Internationalization process for formal (joining IMAP), but networks are of high value in all operations   | Due to strong and permanent communication with IMAP partners many of business network members transfer to category of close ties. Nevertheless, process of joining IMAP consisted of formal procedure, personal networks did not provide any assistance. |
| GESS Market    | Business network is highly valued as company aims to maintain long-term relationships with its partners  | Some members of business network became personal network with years due to high level of trust and close collaboration   |
| DataLead       | All partnerships are made formally and through cold contacting, personal network didn't matter + no returning clients  | Business network provided by Embria holding provides the company with market opportunities information and experience  |
| Tillypad       | Formal relationships with partners are regulated by formal agreements, however still actions of members of dealer network directly affect company reputation their operations are frequently checked. Dealer network provides a high share of sales. | Personal network helped to make internationalization process smoother due to help with documents preparation for subsidiary opening, however there was no direct effect during internationalization.   |

|      |  |  |
|------|--|--|
| SFCD | NYC advocate helps with law and issues devoted to USA business environment specifics | Business network, clients in particular, forced the company to move to the USA |
|------|--|--|

To sum up, all of the interviewees keep to an open-door policy and share their contacts within organization so that not only top-management, but also sales managers could maintain contact with foreign partners. None of the case companies utilized close acquaintances for internationalization, however question of personal networking and business is quite confidential, that is why there are the following possible explanations for such a result: not revealing information due to confidentiality; there were no personal contacts in the target international market; there were some personal contacts in the target or home market that seemed to be helpful, however it did not work, so it was not mentioned in the interview answers.

The interesting fact is the difference in DataLead and GESS Market way of communicating with Chinese market – the first does not conduct frequent meetings and does not treat it as a possible close network, while the latter maintains constant communication with Chinese partners, organizes frequent business trips. The difference might have occurred due to industry specifics – mobile application promotion is more of a technical process that depends on a service providing company (DataLead in this case), while constant supplies of wellness and beauty products requires higher quality control and longer-term collaboration.

Moreover, companies have different modes of finding clients – PROMAN maintains email marketing in order to embed information about their services in companies' minds. There are 1200 new possible clients per year, so PROMAN spreads the message annually, because companies are usually sold on its 10<sup>th</sup> or 15<sup>th</sup> year of existence. So the marketing challenge is that if PROMAN analysts call a company three years before the founder decides to sell the company, they will refuse because there is no need, however the target is that he calls back when he decides to sell a company. The main issue is that clients have to know PROMAN before their decision about sale or purchase, so PROMAN must be on the market all the time

and remind about themselves by offering possible clients different companies to buy, for example. Keeping up the contacts is the core of marketing strategy.

Tillypad contacts big restaurant chains itself while partner program application has a set procedure which is initiated by a possible partner, DataLead contacts companies itself and participates in fairs to promote its services, some clients come after recommendations in their network, GESS Market has a 50/50 distribution on incoming and outcoming contacts, and SFCD company is mostly contacted by companies that have heard about their reputation from industry network. All of the companies aim to achieve win-win conditions for collaboration, however admit that they can make small sacrifices in order to maintain long-term partner relations.

### **3.4. Findings framework of social network role in Russian and Finnish firms' internationalization**

As a result, information provided by the companies allows creating the following theoretical framework of social network role in internationalization. In the cases of this particular research personal network did not appear to force companies to internationalize, on the other hand business contacts development and maintainance made companies pursue international operations establishment. According to cases' data the following factors appeared to have influence on firms' decision to internationalize and made cases differ from each other: nature of business network, industry, B2B or B2C business model which in its turn identified the presence, absence and mode of customer turnover, internationalization mode chosen by the company according to industry specifics and previous experience of top-management or founder. Physical proximity of the target market also caused differences in firms' internationalization and way of collaboration with foreign partners.

Nevertheless, even though internationalization characteristics varied a lot from case to case and the main uniting factor was internationalization speed, in other words how many years after the foundation company has started international activity, the common aspect in the cases

was their behavior after establishment of presence in the new market. Which ever internationalization mode was chosen and regardless other influencing factors, social network increased in its importance when a case company started operating internationally. Moreover, trust to partners became more valuable due to physical distance between them and importance of international collaboration in terms of company reputation. Business network importance has been emphasized by all of the case companies underlining that once international partner appears, close communication must be maintained in order to keep trustworthy relationships and effective collaboration.

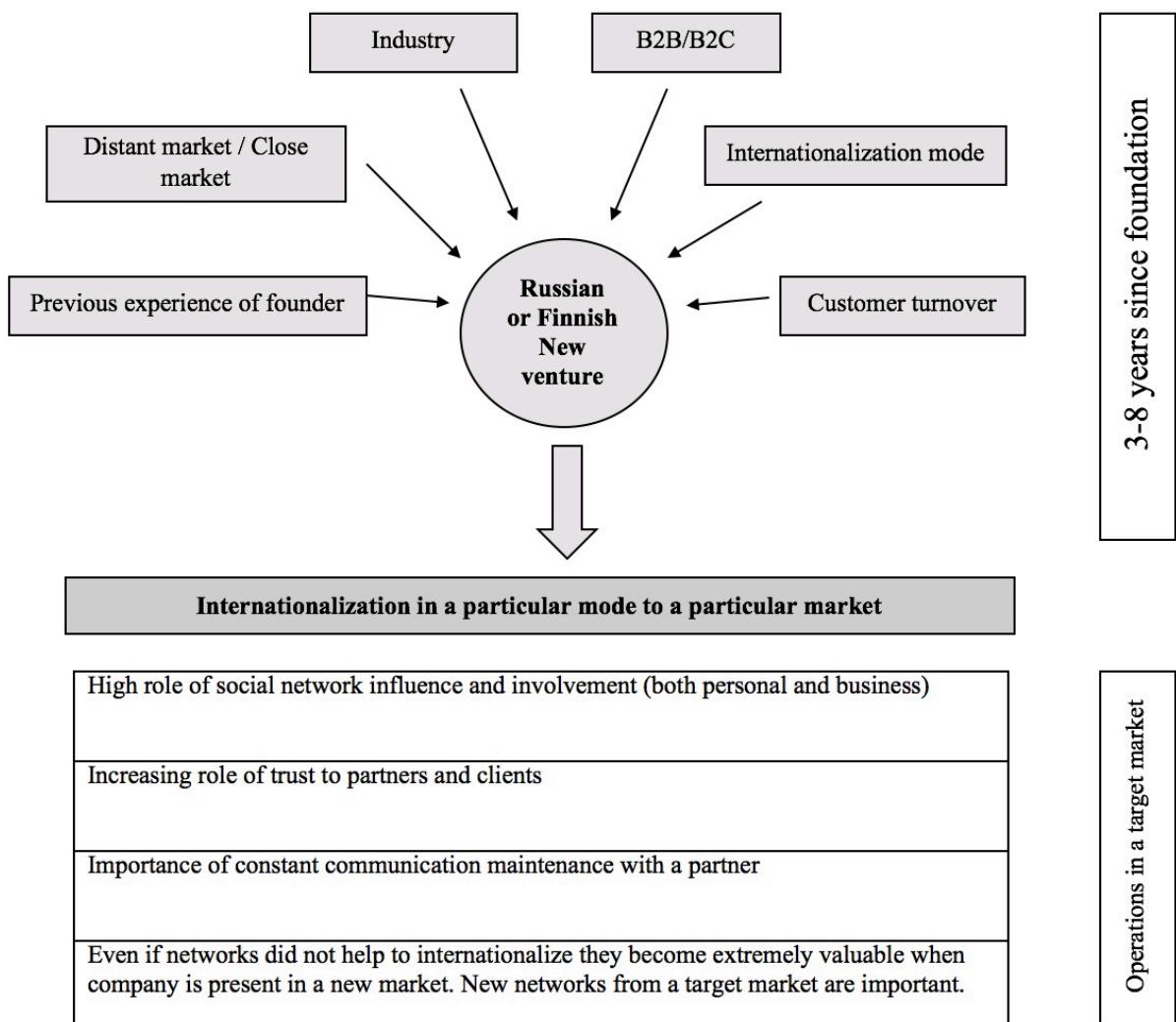


Figure 2. Framework of current empirical research findings.

## 4. DISCUSSION AND CONCLUSIONS

### 4.1. Discussion of the findings

The aim of the study was to investigate the influence of social network on internationalization of Russian and Finnish new ventures, and the following main research question identified the research process:

How do social networks of entrepreneur influence internationalization of new ventures in developed and emerging markets?

The main research question was too broad, so additional sub-questions have been generated and answered during the research:

1. What are the factors that influence internationalization of Russian and Finnish new ventures?
2. What is the influence of business and personal contacts of entrepreneur?
3. Is there difference between influence of business and personal social contacts?
4. What particular characteristics of social networks of entrepreneurs are the most important for understanding firms' internationalization and their further collaboration with international partners?

Coming to comparison of findings with existing empirical studies it could be said that mostly ideas of authors who have also researched influence of social networks on new venture internationalization were supported by cases, however but not simultaneously by all of them. For example, case study of Evers and O'Gorman (2011) underlines prior knowledge and of entrepreneurs as a factor which strongly influences internationalization. This idea is true for PROMAN, as its managing partner Lars had knowledge regarding the sphere even before he founded PROMAN, so he knew the industry specifics and could predict efficient steps in moving the company forward to international scope. In all other cases prior knowledge of entrepreneur was not the factor which influenced internationalization actions. However, the idea of business ties influence (Evers, OGorman, 2011) was strongly supported by cases overviewed in current research.

Knowledge aspect from the market knowledge perspective has been also researched and underlined as a driving factor of internationalization by Sharma, Blomstermo (2003). According to the authors, market knowledge possessed by entrepreneurs and the one supplied by network ties is a factor of market selection by Born-Globals. Findings of current research deal with three Born-Globals firms' experience (Tillypad, DataLead, SFCD), and all of them had knowledge which made them choose a particular market for internationalization. Chetty and Wilson (2003) also research early internationalizers and say that they focus on external reputation – this idea is also supported by Tillypad, DataLead and SFCD. Sharma and Blomstermo (2003) also claim that weak ties are particularly important at the beginning of internationalization. This idea can be partly supported by investigated cases and it should be said that if there were no ties in the target market and if there were weak ones, they quickly transferred to the category of strong ones by influence of trust.

Market knowledge possessed by the company gives it understanding of which benefits can be acquired, so thinking about advantages and resources that will become available after successful internationalization may be a defining aspect when making a decision (Chetty, Wilson, 2003), to which market to enter and how. Moreover, networks help internationalizing companies to get new opportunities, learn from experiences and benefit from resource synergy (Chetty, Holm, 2000). This idea was strongly supported by PROMAN company – when taking about internationalization decision-making, the first thing that Lars has mentioned was possibility to access IMAP resources after becoming a member and boosting operations due to availability of their knowledge. Horizontal competitor-based networks may also provide useful resources (Chetty, Wilson, 2003), and that was exactly what happened when PROMAN bought shares of the Swedish M&A company, moreover this was the initial goal. From the point of view of the resources that become accessible through establishment of long-term relationships (Arenius, Sasi, 2008), all of the case companies tend to fit this idea, especially PROMAN.

Not all of Chetty's ideas are supported by findings of current research. For example, the study of 2014 with Galkina provides a conclusion that network is the identifying factor for target market choice, not the market itself. This idea can be argued by experiences of observed case

companies, as none of them entered a market under influence of network, all of them have firstly identified the market and then started created networks: DataLead looked at Chinese market from the very beginning of operations as considered it beneficial and high demanding for their services, TillyPad has chosen the UK to be able to build the European partnership network from there, SFCD targeted American start-ups from very beginning, PROMAN went to Sweden due to high amount of deals between Sweden and Finland, and GESS Market has chosen Estonia for export to Europe before making a decision who would be a connection there.

Harris has dedicated several studies to role of social networks in internationalization and provided valuable ideas that have been supported by several cases of current research. Firstly, he gives the idea that network strategies are rarely planned (Harris, Wheeler, 2005), what is supported by story of Tillypad, when Ludmila has almost established collaboration with Thailand through an unplanned acquaintance. Even though operations with Thai partners has not started and nowadays Tillypad partner relations are regulated by a formal procedure, Ludmila admits that such ties can lead to international collaboration. Case of Linda from GESS Market also supports the idea of unplanned network strategies, as when they started collaboration they could not have known that she would become their independent business partner years later. Participation of DataLead in fairs can be called “planned”, however the planned part of such participation mostly deals with getting there while getting new contacts during following networking is natural and sometimes spontaneous. Nevertheless, the overviewed cases support the idea of Eberhard and Craig (2013) that inter-personal and inter-organizational networking positively influence firms’ internationalization.

Relationship with foreign partners is also claimed to be influenced by the way existing relationships in domestic market are maintained (Harris, Sigfusson, 2013), for example if strong communication takes place in domestic market, the same characteristics will be seeked in a new market. This idea is strongly supported by case of GESS Market: relationships with their Russian partners are built on high level of trust and constant communication, so the same policy of close communication with highly trustworthy partners only was pursued by the company when opening the Estonian subsidiary. Trustfulness of the ties is also underlined by

Kontinen and Ojala (2011), who say that this is a very important aspect in maintainance of existing and formulation of new contacts. The authors arrive to this conclusion after studying the cases of Finnish companies, however this idea is completely supported by all of the investigated cases that are mostly from Russia. Kontinen and Ojala (2011) also claim that nature of cooperator is even more important than the target country – this is quite possible, however within the cases in the current research target country was initial, not the network existence. still nature of cooperator makes sense as high level of trust is required.

Manolova et al. (2010) claim that domestic network has a positive effect on internationalization degree. Taking into account insights from reviewed cases this idea seems to be contradictory for the following reason. All of the reviewed cases have a very high degree internationalization (from 80 to 100% of profits come from international operations), however domestic network is not involved into itnernationalization actions. For example, PROMAN conducts almost all international deals with the help of IMAP, even though they have domestic connections that they tend to maintain over time so that those connections asked them for services when they need it. In Tillypad company domestic partners and those coming from UK are separated from each other and are controlled by local offices. No influence of domestic personal network on internationalization degree takes place in SFCD and GEES Market. The only case where internationalization degree could be considered to be connected with personal domestic network is DataLead, and their membership in Embria holding in particular, that gives them the opportunity to «see the bigger picture of current market situation and opportunities». All in all, idea of Manolova et al. (2010) is not supported by observed cases.

Fernander et al. (2013) say that age of the venture identifies the internationalization mode, highlighting that older ventures benefit more from alliance partners. This idea can be considered to fit the case of PROMAN and their membership in IMAP, however this fact should be more attributed to specifics of mergers and acquisitions market than to company age.

From the point of view of internationalization modes, the study of Freeman et al (2006) presents extensive personal network and clients followership as ways of born-global internationalization along with partnerships with large companies and advanced technology usage. In current research, extensive personal network did not influence companies, but at the same time business network was the key to international markets, including clients followership, which appeared to be the reason of SFCD internationalization — the company followed the clients to their market in order to keep and enhance collaboration.

Musteen et al. (2010) say that sharing of the common language with international ties makes the internationalization faster. This is true for all of the companies described in the research, however it should be said that absence of such mutual goal understanding became a challenge for Tillypad – probably if the initial company UK representative shared the company goals, market entry would have been quicker and more efficient. Musteen et al. (2010) also highlight that geographically diverse network contribute to superior performance, and this idea is strongly supported by current cases – all of the companies collaborate with geographically distant markets and achieve high internationalization degree. The third idea that Musted et al. (2010) provides is that extensive reliance on personal contacts hinders firms' international performance. Such ideas have not been revealed during the case study as companies did not show any reliance on personal network. On the contrary, many of them chose the target market firstly, as it has been mentioned several times already, and not personal, but business network appeared to be influential.

A separate set of studies is devoted to family-owned companies' internationalization. In current research there is one family-owned case company – GESS Market. According to Eberhard and Graig (2013) family ownership negatively influences inter-organizational networking in international operations. In case of GESS Market this can not be considered to be true as family ownership has no negative effect on its operations. However, some authors see family-ownership as a benefit (Chen, Mustafa, 2010), as it helps to get indirect provision of resources.

As the biggest part of case companies represent different spheres of IT industry, special attention should be given to studies of IT companies' internationalization. According to Coviello and Munro (1997), both personal and formal networks influence the target market choice and mode of entry, and this idea is supported by all IT cases. Moreover, membership in industry groups within the home country positively influences international intensity (Prashantham, Birkinshaw, 2015), this idea has been proved on example of DataLead and its membership in Embria. DataLead case as well as SFCD case ideally fits the ideas of Ng and Zain (2006), who have investigated software forms from Malasia and came to conclusion that network relationship is not only a driver, but also a motivator to internationalize, moreover such internationalization mode helps to gain credibility.

#### **4.2. Theoretical contribution**

The main theoretical contribution of current research is that it adds information about internationalization of Russian new ventures from different branches of IT sphere and wellness products sales, describing the cases from the point of view of social networks role in internationalization and from perspective of collaboration with partners. Moreover, such challenges as lack of trust and misunderstanding of the goals within internationalization agents are described.

Furthermore, as it has been described above provided cases argued with some of the existing findings regarding social networks influence.

#### **4.3. Managerial implication**

The cases that have been described in this empirical research come from various industried and used different modes of internationalization depending on industry specifics, characteristics of communication with clients and partners. Managers may use these

companies experience in order to plan their company internationalization profoundly: for example, if the target market is the priority and there is no network, experience of Tillypad can be implied and a local company representative with corresponding experience can be searched. One of the main ideas that should be emphasized is that companies should pursue international opportunities even if there is no network in the target market it does not mean that nothing will come out of internationalization attempt, moreover the target market should not be necessarily close to domestic one.

Moreover, PROMAN and DataLead represent the case when membership in industry association allows company to access richer resources and market information by operating within such organization, so the efficient step would be to think of joining possible strategic alliances and industry holdings. Undoubtedly managers should work on development of their professional network and assess them as an opportunity to go international, moreover personal network should be taken into consideration.

#### **4.4. Limitations and direction for future research**

The main limitation of the study was that only one Finnish company agreed to participate in the interview. This was caused by absence of networks in Finland apart from university channels and by unwillingness of companies to participate in a research on such a private topic. Nevertheless, the Finnish case added valuable insights about mergers and acquisitions sphere and provided a lot of information on networks role and partner communication in big alliances.

Regarding the future research, the first way to develop the study further would be to make a longitudinal research in order to see the changes in networks influence and analyze their importance in various stages of company's international presence development. Taking into account more companies from Finland would be a strong plus, moreover the concentration on a particular industry could be made, so that the bigger picture of networks role in a particular sphere of business could be overviewed.

Case companies of current research were different in too many parameters, that is why fixing some characteristics apart from internationalization speed and industry would also be interesting to analyze, for example by taking into account companies that acquire the same resource types after internationalizing.

Furthermore, current research was based on in-depth interviews with top-management of the companies. In some of the cases both personal and business networks of middle management may be beneficial for internationalization opportunities exploration. That is why interviews should be conducted with not only CEOs and founders, but also with heads of particular departments, this would allow getting more insights and overviewing networks influence from various perspectives. It should not necessarily be a semi-structured in-depth interview as well, it can be a questionnaire or a small structured additional interview.

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**APPENDIX 1. Social network approach to internationalization of INVs**

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| <b>Year</b> | <b>Author, title of research</b>   | <b>Research question</b>   | <b>Methodology</b>   | <b>Main findings</b>  | <b>Future research</b>   |
|-------------|--|--|--|---|--|
| 2011        | (Evers N., O'Gorman C.,2011) Improvised internationalization in new ventures: The role of prior knowledge and networks | By what processes do new international firms emerge?   | Case study, critical incident technique (CIT) of 3 Irish-owned companies | Entrepreneurs used their social and former business relationships to identify their initial foreign exchange partners, which dictated their initial foreign market choice; foreign market selection emerged from opportunities presented by various network members. Internationalization process was strongly influenced by entrepreneurs prior knowledge and their social and business ties |  |
| 2013        | (Sigfusson T., Harris S., 2013) Domestic market context and international entrepreneurs' relationship portfolios       | How much are international entrepreneurs' first important business relationships are based on strong social interaction ? how having or not having a domestic market affects the | Multiple case study of software companies                                | The developed analytical model shows how and why the presence of a domestic market influences international entrepreneurs' portfolios of relationships. Having a domestic market influences profoundly influences the personal relationship strength sought in new international relationships, and activeness towards developing new relationships that are embedded in foreign markets.     | Studying international entrepreneurial relationships within different industry sectors, or originating countries, and with different |

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|      |   | relationship portfolios developed by born global software entrepreneurs  |  |   | starting characteristics.  |
| 2003 | (Sharma D., Blomstermo A., 2003) The internationalization process of Born Globals: a network view | What is the applicable framework for the internationalization of Born Globals ?                                    | Illustrative case example, theory discussion | Born Globals possess international market knowledge before their first foreign market entry. The selection of foreign market entry mode is based on their existing knowledge and the knowledge supplied by their network ties. Internationalization process of Born Globals is a reactive process. Weak ties are especially important at the beginning of internationalization. |  |
| 2014 | (Pruthi S., 2014) Social ties and venture creation by returnee entrepreneurs                      | To what extent REs leverage their social ties across their host and home countries to create a new venture and why | 20 case studies from India                   | 1. Local ties are indispensable for venture creation. 2. The heterogeneity in the way REs leverage social ties across the host and home countries is contingent on the location of their intention to start up and generation of idea for their venture.  | 1. A comparative analysis of REs based on the impact of the length of their work experience abroad or at |

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|      |  |   |   |   | home on the development of these ties 2. Explore the relationship between REs' social ties and cultural or cognitive characteristics.             |
| 2005 | (Harris S., Wheeler C., 2005) Entrepreneurs' relationships for internationalization: functions, origins and strategies | 1. What are the functions of relationships in the internationalization process? 2. From where do the important relationships originate? 3. What strategies of relationship development do entrepreneurs pursue? | Case study, indepth interviews with entrepreneurs 3 | 1. Entrepreneurs might look to strong, deep, inter-personal relationships from which to build transformational international development of their firms 2. Networking strategies are rarely planned - their originate fromsocial activities related to business | 1. Some of the international relationships that entrepreneurs form do not just fulfill a marketing function, give information, or yield access to |

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|  |  |  |  |  | <p>networks. For these entrepreneurs, the relationships do much more, they direct strategy, and can transform the firm. 2. The origins of the relationships are wide, spanning ‘social/personal’ and ‘business’ situations.</p> |
|--|--|--|--|--|---|

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|------|---|---|---|---|--|
| 2014 | (Hohenthal J., Johanson J., JohansonM., 2014) | <p>1. How the general international experience via experiential network knowledge influences the development of a business relationship value in the foreign market</p> <p>2. how important firm managers, depending on their international experience, think that knowledge about customers is for development of a business relationship in the foreign market? 3. how important the managers think that knowledge about competitors is for development of a business relationship in</p> | <p>Tests based on a sample based on a sample of 1807 managers in charge of international operations in small and medium-sized Swedish, Danish and New Zealand enterprises; statistical package used was LISREL 8.5.; correlation analysis</p> | <p>1. Experiential network knowledge and knowledge about the importance of customers and competitors in the network influence the value of business relationships in a foreign market in different ways. 2. ENK has a direct effect on business relationship value in the early part of a firm's expansion in a foreign market network, while international experience has no such direct effect. 3. Development over time that is a requirement for a dynamic approach to network development.</p> | <p>Knowledge about network actors and probably about relationships is important for understanding network development.</p> |
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|      |   | the foreign market? 4. if the two types of knowledge importance are interrelated. 5. whether it is likely to lead to an expansion of the firm's current network by adding new customers.                               |  |   |  |
| 2006 | (Ng S.I., Zain M., 2006) The Impacts of Network Relationships on SMEs' Internationalization Process | 1. How is the internationalization process of SMEs manifested in their choices of foreign markets and modes of entry? 2. How do network relationships of SMEs impact their international market development? 3. How do | multisite case study method, 3 software firms and 1 control firm, Malaysia | The evidence from the case of three software firms and one control firm in this study support the firms' internationalization process in the ways that network relationships trigger and motivate them to internationalize, influence their market- selection decision and mode-of-entry decision, help them gain initial credibility, allow access to additional relationships and established channels, help in lowering cost and reducing risk, and influence their internationalization pace and pattern. | Enhance the generability of the results, |

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|      |  | network relationships of SMEs impact their market-ing-related activities within the international markets?   |                                       |  |  |
| 2003 | (Chetty S.K., Wilson H.I.M., 2003) Collaborating with competitors to acquire resources | 1. Do particular types of networks support either domestic or international firms? 2. Does the use of different types of networks, and/or the pursuit of a domestic or international strategy, result in the acquisition of different resources for the firms? | Survey, case study, New Zealand firms | 1. The willingness to access external resources, especially from horizontal or competitor-based networks, may be a defining aspect of the international firm. 2. For international firms, horizontal networks represented the principal source of external physical, organisation, technical and reputation resources while, for domestic firms, the more critical network for these resources was socially/vertically related to the firm. 3. The case study confirms and expands on the critical role of horizontal networks for enhancing physical, organisational, technical and reputation resources. 4. Late international firms focus on external human | Whether collaborating with competitors to acquire resources and thus speed up internationalisation is a phenomenon restricted to firms operating from a small domestic base such as New Zealand or is it |

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|      |  |  |  | resources, early international firms - on external reputation and organisational resources.  | more widespread ?  |
| 2010 | (Chen S., Mustafa M., 2010) The Strength of Family Networks in Transnational Immigrant Entrepreneurship  | How such transnational family networks influence the internationalization process of entrepreneurial firms?  | Multiple case study of immigrant entrepreneurs in Malaysia and Singapore | In the majority of cases, family members have assisted in providing introductions to third parties who have provided the necessary resources. Indirect provision of resources was most common in the case of distant relatives or non-kin. In these cases the resource provided was most commonly advice or knowledge about the local market.          | A need to more carefully define what is meant by "family" and to distinguish between different family members in future studies. |
| 1997 | (Coviello N., Munro H., 1997) Network Relationships and the Internationalization of Small Software Firms | How network relationships influence the small firm's approach to internationalisation, particularly in terms of foreign market and entry mode selection. | Multi-site case research on the software industry.                       | Internationalisation process of small software firms reflects an accelerated version of the stage model perspective, and is driven, facilitated, and inhibited by a set of formal and informal network relationships. These relationships impact foreign market selection and mode of entry, as well as product development and market diversification | in-depth, longitudinal, "in-process" methods should be applied; incorporate the perspectives of multiple players                 |

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|      |  |  |  | activities.<br><br>in the network rather than just that of a single firm.  |
| 2000 | (Chetty S., Holm D., B., 2000) Internationalisation of small to medium-sized manufacturing firms: a network approach                     | How do firms use business networks when they internationalise?                                     | Longitudinal case study of four manufacturing firms in a small open economy such as New Zealand is used. | 1. Networks can help firms expose themselves to new opportunities, obtain knowledge, learn from experiences, and benefit from the synergistic effect of pooled resources, 4 different ways in which firms internaitonalize.<br>2. It is the manager who decides whether the firm will pursue internationalisation opportunities that their network counterparts initiate. A manager can inhibit internationalisation of the firm although the network wants to drive it into internationalisation. |
| 2013 | (Fernhaber S.A.,Dan Li D., 2013 ) International exposure through informal and formal network relationships: Implications for new impacts | if international exposure through informal and formal network relationships positively impacts the | Quantitative, correlation, hypothesis testing, 448 U.S.-based,   | 1. International exposure from both types of network relationships positively influence new venture internationalization, and serve as substitutes for each other. 2. The effects differ based on the age of the venture. While older ventures in  |

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|  | <p>venture internationalization</p> | <p>internationalization of new ventures, and if so, whether or not the relationship differs according to the age of the venture.</p> | <p>high-growth ventures in high-technology industries</p> | <p>ventures benefit more from international exposure from alliance partners, younger ventures are more influenced by international exposure from geographically proximate firms. 3. Analysis confirms a three-way interactive effect of age and international exposure from informal and formal relationships on new venture internationalization.</p> | <p>broader contexts—firm (public vs. private), industrial (high-tech vs. non-high-tech), geographic (U.S. vs. non-U.S.) and temporal—is needed. Attempt a fine-grained measurement of attention through surveys and interviews.</p> |
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| 2014 | (Galkina T., Chetty S., 2014) Effectuation and Networking of Internationalizing SMEs | How small and medium-sized enterprises (SMEs) network during internationalization. | Multiple case study, 7 Finnish SMEs which have established operations abroad, semi-structured interviews with an interview protocol employed for guidance | <p>1. Entrepreneurs who network effectually enter markets wherever an opportunity emerges, and commit to network relations that increase their means.</p> <p>2. Effectually formed network relations influence the internationalization decision and determine which foreign markets the firm enters, rather than vice versa.</p> <p>3. Firms enter markets wherever they recognize an opportunity to commit to a network relationship that will increase their means.</p> | Concentrate on individual entrepreneurs as the unit of analysis |
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| 2011 | (Federico J.S., Kantis H., Rialp A., Rialp J., 2011) | Does entrepreneurs' human and relational capital affect early internationalization of young firms? A cross-regional comparison      |  | Quantitative, empirical binary choice model, 1,700 young firms in 13 countries within three different regions (Latin America, South-East Asia and Europe), Rare Events Logistic Regression technique | Network size and profile contribute positively to increase the likelihood of being an EIF, in Latin America, entrepreneurs should complement and extend their human capital platform by incorporating additional partners into the entrepreneurial team.  | Including cognitive, strategic as well as marketing variables into the analysis                     |
| 2015 | (Prashantham S., Birkinshaw J., 2015)                | Under what circumstances are certain home-country relationships more likely to contribute to higher levels of internationalization? |  | Mixed-method study, with quantitative analysis of 102 Indian software firms and a longitudinal   | 1. Home-country ties generally hindered international growth while industry group membership generally helped. 2. Strong home-country ties are negatively linked to international intensity (H1), while industry group membership (within the home country) is positively linked to international intensity | Collect and use data from multiple industries with varying degrees of international visibility from |

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|      |  |  | study of four firms   | (H2).  | one or multiple countries, including more advanced economies.   |
| 2010 | (Manolova T.S., Manev I.M., Gyoshev B.S., 2010) In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy | What is the effect of domestic personal networking? What is the role of domestic interorganizational networking on internationalization of small companies from transition economies | Quantitative, OLS regressions, 623 new and small ventures from Bulgaria | The size of the entrepreneur's domestic personal network has a positive effect on degree of internationalisation. The importance of domestic inter-firm networks for internationalisation decreases over time. The other two hypotheses (inter-firm networks' effect on degree of internationalisation and the moderating effect of new venture age on the personal networks' effect on degree of internationalisation) were not supported | 1. Future studies with additional measures such as number of foreign markets served or number of products/service s sold abroad would offer a more holistic representation of the internationalizati on of firms in the service |

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|      |   |   |   |  | sector. 2. Analyze cases from transition economies vs ones from established economies.  |
| 2010 | (Musteen M., Francis J., Datta D.K., 2010) The influence of international networks on internationalization speed and performance: A study of Czech SMEs | Do CEO's international relationships influence the speed of internaitonalization and its success? | Survey, 155 Czech SMEs from manufacturing industries , hypothesis testing | 1. Firms sharing a common language with their international ties are able to internationalize faster than firms that do not share a common language. 2. Geographically diverse networks contribute to superior performance. 3. Extensive reliance on personal contacts hinders the performance of the first international venture. | Future research that extends this study to other emerging economies (e.g., those in Latin American or Asia) will help validate our findings in a broader context. |

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| 2013 | (Eberhard M., Craig J., 2013) The evolving role of organisational and personal networks in international market venturing | 1. How do firms' inter-personal and inter-organisational networks affect internationalisation? 2. How does family ownership influence these relationships?  | 1304 Australian manufacturing industry SMEs  | 1. Inter-personal networking and inter-organisational networking positively influence SME international market venturing, but this relationship is contingent on a time lag effect. 2. Family ownership negatively moderates the effect of inter-organisational networking on international market venturing. |  |
| 2011 | (Kontinen T., Ojala A., 2011) Network ties in the international opportunity recognition of family SMEs                    | 1. What types of network ties do family entrepreneurs utilize in international opportunity recognition? 2. How does the strength of network ties explain the international opportunity recognition of family entrepreneurs? 3. What is the level of networking activeness of family entrepreneurs | Case study of 8 Finnish companies operating in France. Interviews in Finland and France. | 1. Family SMEs respond reactively to opportunities that emerge coincidentally. 2. The trustfulness of the tie is important when they consider these opportunities and form new ties for internationalization. 3. The nature of the cooperator appears to be more important than the target country.           | 1. Focus on the precise ways in which trust and commitment are developed in international opportunity recognition. 2. The role that may be played by differing degrees of family |

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|      |                                | when they recognize the opportunity to enter a foreign market?   |   |   | ownership and management on their network formation could be determined.<br>3. Interview more than 2 persons from the company.      |
| 2007 | (Zhou L., Wu W., Luo X., 2007) | What is the mediating mechanism of social networks role in internationalization and the Performance of Born-Global SMEs: The Mediating Role of Social Networks | Quantitative method, use of research assistants, questionnaire for 129 Chinese SMEs and 30 follow-up interviews | Social networks, though locally rooted, can extend their impact to a firm's strategic growth in the course of internationalization. Internationally oriented entrepreneurs may become more informed and capable for capturing growth opportunities for better firm performance. | Investigate the connection between informal social network ties and formal business relationships in the course of internationaliza |

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| 2011 | (Ellis, 2011) Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization | How do entrepreneurs identify opportunities for international exchange? | Quantitative study of 664 ventures, 41 interview with managers | Entrepreneurs in relatively open economies are more likely to rely on social ties than entrepreneurs in less open economies; that tie-use increases with international experience (but only marginally so); and that tie-based opportunities lead to generally better exchanges than opportunities identified via non-network means such as trade fairs and advertising. The main takeaway of this study is that social ties with known others provide access to distant and valuable opportunities. | In this study an element of trust was assumed to be present in all tie-based exchanges. However, no attempt was made to gauge the actual level of trust in the exchange relationships studied. |

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| 2000 | (Ellis, 2000) Social ties and foreign market entry  | Is it true that foreign market opportunities awareness is a key ancendent to foreign market entry?  | 133 highly internationalized manufacturing firms  | Decision-makers tend to follow the line of least resistance abroad by capitalizing on their existing connections with others.  | Explore the connection between exports success and conditions of venture establishment  |
| 2008 | (Arenius P., Sasi V., 2008) International new ventures and social networks: Advantage or liability? | 1. How personal relationships are transformed into exchange relationships?<br>2. How this transformation contributes to the early and rapid internationalisation of INVs? | 10 Information and Communication Technology (ICT) case companies (NVs) from Finland, interviews, descriptive frameworks | 1. The case firms gained access to and mobilised resources through established long-term relationships. 2. Only those firms that manage to complete the transition from dyadic relationships to multilateral network relationships achieve significant international growth. | Longitudinal and holistic studies that follow international new ventures over time are needed to examine whether their network creation follows the course advanced |

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| 2008 | (Kiss A.N., Danis W.M., 2008) Country institutional context, social networks, and new venture internationalization speed | What is the role of social networks in the internationalization processes of new ventures in contexts characterized by different levels of institutional development? | Theoretical model development | 1. A country's level of institutional development may have a direct effect on the composition of entrepreneurs' social networks (i.e., prevalence of strong versus weak ties) 2. Both strong and weak ties may have direct, positive effects on the speed of new venture internationalization, but the relative strength of these effects likely depends on a country's level of institutional development. | Focus on the specific resources that entrepreneurs gain through their weak and strong ties, as well as the way they move between the structural positions of the networks and brokerage opportunities. |               |

## **APPENDIX 2. Interview guide.**

### **Interview Guide “Role of Social Networks in New Venture Internationalization”.**

Numerous researches devoted to social networks influence on internationalization of new ventures are presented in scientific literature, however most of the findings are based on American and European companies' examples while Russian cases are poorly investigated in comparison with developed markets firms. Your participation in this interview will contribute to the research of entrepreneurs' social networks influence on emerging and developed market firms' internationalization.

#### **I. International operations.**

1. When has your company been founded? (year)  
How many people are currently employed in your company?
2. In which sphere is your company operating?
3. When did your company start operating in the international scope? (year)  
Which particular way of internationalization is established by your company? Export, import, subsidiaries creation, joint venture creation, licensing, franchising, strategic alliances?  
What is the international operations share in total sales of your company?  
Do you make purchases abroad for your product creation?
4. Why have you decided to go international?
5. Are you planning to widen your international operations? If yes, then in which directions?  
What is your planned international operations volume growth?

#### **II. International operations policy.**

6. When you work with international partners you keep to a following strategy:
  - a. business only, no personal relationships and liabilities
  - b. personal contact and trust are useful and necessary
7. What is trust for you?  
What is the trust role in relationships establishment while going international?  
How has trust to particular network members changed as time goes by?
8. Where are you looking for foreign partners?
  - a. in the market
  - b. through personal connections
  - c. both
  - d. other
9. While establishing contact with a new partner you are:
  - a. meeting and evaluating his/her personal characteristics first of all
  - b. inquiring about his/her business characteristics and past behavior
  - c. not showing interest in partner's personality and designing a reliable contract
10. While negotiating the first contract details you:
  - a. always achieve a trade-off between price and contract conditions
  - b. are ready to sacrifice a part of your benefit in order to create strong long-term relationships

### **III. Social networks role in internationalization.**

11. How has your network changed during internationalization?  
Value of which contacts has increased with time — formal or informal?  
How often do you communicate with your formal and informal contacts?  
Could you please emphasize the stages of partnership relations establishment? (If possible)
12. Was the target country choice for internationalization actions defined by existence of connections in the market or on the contrary — firstly you have chosen the target market and then started looking for connections there?
13. Did any unplanned acquaintances influence new market entry or widening expansion of international operations?
14. Have you asked your close acquaintances for services and help in foreign market entry? To which extent were those services valuable?
15. Have you asked your \*\*\* for services and help in foreign market entry? To which extent were those services valuable?
16. Have you used services of any intermediaries that you have never met in person and who you have not worked with in business occasions before while entering foreign markets?
17. To which extend did collaboration with business associations help you to gain new contacts?  
Were those contacts valuable? Why?
  
18. How do you establish new contacts nowadays? Please, provide an example of the most successful and the most unsuccessful process of contact establishment with a new partner.  
Which challenges did you encounter while establishing contacts?
19. Do your international contacts help in foreign business environment communication?
20. Do you keep up contacting with your international network? Have you transferred any contacts to your employees so that they could maintain communication as well?