

**Describing and explaining the foreign expansion of network managing
electronic business companies (NM-EBCs)**

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A diffusion and network perspective

Dissertation
zur Erlangung des Grades
eines Doktors der wirtschaftlichen Staatswissenschaften
(Dr. rer. pol.)
des Fachbereichs Rechts- und
Wirtschaftswissenschaften
der
Johannes Gutenberg-Universität Mainz

vorgelegt von
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in Mainz
2011

Tag der mündlichen Prüfung: 15.06.2011

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1. Introduction

1.1. Research Problem

The rapid development of Internet technologies and access to these technologies has not only facilitated traditional business transactions but has also helped existing firms to manage their business processes more efficiently. According to a recent survey 70-80% of European companies deploy e-business (to various extents) within their organization (European Commission, 2008). Moreover, Internet technologies also offer completely new ways of doing business (Kalakota and Robinson, 2001; Slywotzky and Morrison, 2000). A new species of companies has exploited this opportunity to create and deliver unique value to their customers not feasible before the Internet revolution (Amit and Zott, 2001). The fulfilment of the novel value proposition of their business model¹ heavily depends on computer-based information systems (IS) and on the use of the Internet only. For the purpose of this research these firms are called network managing e-business companies (NM-EBC) and are defined as organizations which manage to leverage the full potential of the Internet to offer their customers a unique value proposition consisting primarily of a unique and richer user experience through *connectivity to other users* and through *co-creation of content* in addition to cost-efficiency, convenience, variety of offerings, personalization and customization, all based on digital processes without the integration of physical components to fulfil this value proposition. This study therefore targets business models such as community models (e.g. myspace, dooyoo), matching platforms (e.g. eBay, Monster.com) and portals (e.g. Lycos).

1.1.1. Definition and characterization of NM-EBCs

It is important to clearly define what is meant by NM-EBCs and to characterize the companies that fall under this definition. This step is necessary since there is no general definition of NM-EBCs, not even a fixed term for this type of company, available in the literature. NM-EBCs can include a wide range of companies, thus, having different meanings to different people.

Currently, companies doing business through ICT were named ‘pure Internet firms’ (Kotha et al., 2001), ‘digital information good providers’ (Mahnke and Venzin, 2003),

¹Business models describe the key components which explain the ‘logic of doing business for a firm’ (Pateli and Giaglis, 2004, p. 308)

or ‘E-commerce corporations’ (Singh and Kundu, 2002). These terms, however, often lack a definition and do not always include a homogeneous pool of companies. Kotha et al. (2001) do not provide any definition and their firm sample is quite broad containing firms such as eBay, Barnes & Nobles (a traditional book retailer with an Internet sales channel today), eToys (classic online retailer), or Internet-enablers, such as PSINet. Mahnke and Venzin (2003) define their unit of analysis as firms which provide digital information goods and focus on the characterization of these goods. They name Yahoo!, AOL, and eBay as examples of digital information good providers. However, digital information goods providers can also include all other firms selling information goods (e.g. any kind of software), but do not choose to do so over the Internet, such as SAP or Oracle. Finally, Singh and Kundu (2002, p. 680) define ‘E-commerce corporations’ as “organizations that from inception are engaged in electronic commerce, and derive a significant competitive advantage from the use of network resources resident in virtual networks of commercial collaborative alliances”. Though specific, this definition also refers to traditional companies which use the Internet as an additional sales channel. Singh and Kundu (2002) point out that apart from firms, which many people would intuitively refer to as Internet companies (e.g. Yahoo! or eBay), firms like Land’s End (traditional clothing retailer with Internet sales) also fall under their definition.

The definition of NM-EBCs in this research concentrates on two core components: computer-based IS and the Internet. Computer-based IS are used to store and process the relevant data for value creation and lead to the automation of these processes. The features of the Internet allow to gather data input and deliver the value to users. As a consequence, companies which use the Internet only as an additional sales channel or which offer Internet-related hardware and software but hardly engage in e-business themselves (e-business enablers) are not the focus of this research.

To further limit the focus for reasons of homogeneity in characteristics it would be helpful to categorize the remaining potential business models and to focus on one category. Since the definition of NM-EBCs in this research emphasises how the Internet enables the creation and delivery of novel value, the business models will be arranged according to the extent to which their value proposition depends on the exploitation of the key features of the Internet, such as ubiquity, universal standards shared by all nations around the world, interactivity and connectivity (Laudon and Traver, 2007).

The study uses the concept of business models to examine what has changed due to the Internet and other ICT since it has a wider scope than an industry (Bettis,

1998). This again allows to show that strategic decisions taken by NM-EBCs are not influenced by their belonging to a certain industry but are rather guided by their dependence on computer-based IS and the Internet. In addition, the business model describes what a business is, i.e. which components (such as the value proposition) it consists of. By analyzing these components it is easier to identify what has changed compared to traditional companies.

Figure 1.1 shows the different value propositions business models offer. The lower left corner shows the basic value proposition which can be realized with the Internet. Business models, such as simple online retailers, offer customers products usually at a lower price than offline retailers since their virtual store is less capital-intensive which allows them to pass this cost advantage on to their customers. In addition, customers can shop more conveniently and can select from a greater variety of products as a virtual store places practically no limits on product display.

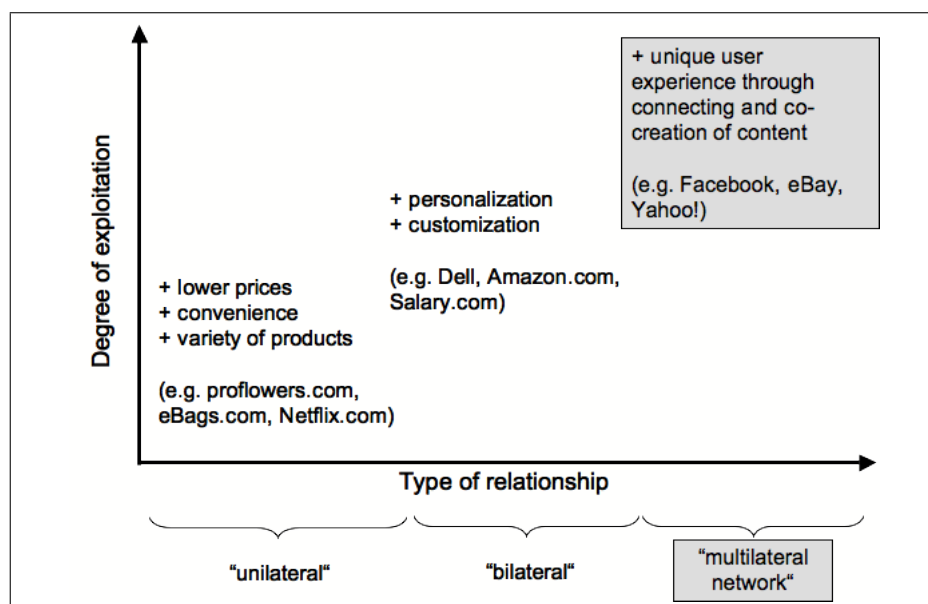


Figure 1.1. Different value propositions resulting from different degrees of exploitation of the key features of the Internet

Companies such as Dell, Amazon or Software-as-a-Service (SaaS)² providers are examples of the second group which consists of business models that promise person-

²SaaS means that software is no longer purchased and installed on the users computers but are stored on the servers of the providers. Customers access and use the software remotely over the Internet. They no longer need computer capacity to install and run software and they do not have to take care of maintenance or do not need other technical knowledge since the provider takes care of all this.

alization and customization on top of the value proposition discussed above. Personalization describes presenting content to individual users based on knowledge of who they are. Amazon, for instance, gives individualized recommendations to customers, who are looking for products, based on their navigation history and their similarities to other customers. Applications of SaaS providers may automatically present users with information that is relevant to that department of which the users are members. Whereas personalization refers to the manipulation by the provider, customization describes how customers themselves can choose the product or information as they like. With Dell, customers have the possibility to create their own individual computers. SaaS providers offer on demand access to software which allows customers to use software as needed. In addition, customers can customize various components of the used applications, like the user interface, workflows or the underlying data model.

The value proposition of the third category of business models (upper right corner) goes beyond the value proposition offered by the previous two categories. The companies in the third category have shifted away from being only product or service focused to offering a platform and applications for users to connect and interact. Users with similar or matching interests come together to communicate with each other, to share experiences, or to complete business transactions. By doing so users provide and create their own content thereby improving its relevance and value. Whereas the former business models centre around unilateral or bilateral relationships between the provider and the customer only, the focus for NM-EBCs is now on a multilateral network. This network is usually open allowing new participants to join which renders it dynamic and flexible. This again ensures a rich user experience since new participants themselves and the interaction with them make new contributions. NM-EBCs are now not only responsible for gathering and channelling the different input provided by users but also for organizing and managing the cross-user relationships. The value creation and delivery is entirely digital. This category includes businesses such as community models (e.g. Facebook, Ciao.com), matching platforms or transaction brokers (e.g. eBay, Monster, Kelkoo) and portals (e.g. Yahoo!). Since this value proposition or value shift is only made possible by new information and communication technology this research will focus on this category and the future use of the term NM-EBC will from now on refer to this concept.

For NM-EBCs, the creation and delivery of the value proposition are characterized by automated processes carried out by computer-based IS and agent technologies, i.e. programs that can carry out specific tasks at a computer or in a network autonomously and automatically. No human interaction is therefore required which

makes NM-EBCs less-labour intensive business. Human labour is relevant mostly for developing the underlying IS. The customer interface as well is almost fully substituted by IS allowing to mediate nearly all aspects of person-to-person interactions. This requires high technology development costs whereas marginal costs are low, making NM-EBCs susceptible to economies of scale. IS offers the opportunity to easily and quickly reproduce and transform digital processes and offerings. In addition, they are indestructible meaning that no matter how often they are accessed and how many users access them, their value does not deteriorate (Rayna, 2008; Choi et al., 1997).

The creation of value relies on the contribution of a network of private users and the participation of corporate users (Dubosson-Torbay et al., 2002; Amit and Zott, 2001). NM-EBCs offer enhanced value to their users by integrating complementary services, applications or information from other users which revolve around their core offerings. These complementaries are regarded essential in satisfying the need for integrated consumption and providing more choices for users in the digital age (Choi and Whinston, 2000). Only the sum of all these offerings provides the user with a complete and unique user experience.

Due to the Internet and other ICT it has never been easier to integrate contributions of network participants into the own portfolio and synchronize them. This network participation requires the existence of network effects. Network effects describe how the utility that an individual derives from a product is positively affected by the number of other agents involved (Katz and Shapiro, 1985). Hence, the more agents a company can attract the more valuable its offerings become to the agents. Since their offerings become more attractive with an increasing number of agents, firms with a larger user base tend to gain new users at a faster rate.

Network effects can be same side effects meaning that the utility of an individual depends on the number of agents of the same group which is the case for community models. Indirect network effects or cross-side effects arise if one group of economic agents benefits from positive feedback effects with another group of agents (Katz and Shapiro, 1985). For example, Monster.com has two groups of agents, the job seekers and those that offer jobs. Monster.com is interesting for job seekers only if there is a high number of job offers. And firms will only post job offers on Monster.com if they know that there are many job seekers. Network effects are important for users since the more users participate the higher the value for them. They are equally relevant for the corporate users since a higher number of firms guarantees a higher value for private users which again results in higher returns. Increasing returns, therefore,

create a mutual dependence that creates incentives for participation and strengthens the collaboration.

1.1.2. NM-EBCs in the context of existing theories of internationalization

The new opportunities offered by the Internet have led to a growing number of studies which investigate how the Internet influences international market growth strategies of existing traditional firms (e.g. Mathews and Healy, 2007; Arenius et al., 2006; Berry and Brock, 2004; Ekeledo and Sivakumar, 2004; Petersen and Welch, 2003; Petersen et al., 2002; Dunning, 2001). It is assumed that the Internet facilitates internationalization, for instance through better and easy acquisition of information about foreign markets (Mathews and Healy, 2007) or through decreasing costs associated with spatial distance, e.g. remote customer service or less travel costs (Arenius et al., 2006).

Since the Internet has considerable influence on the internationalization activities of traditional firms this effect must be all the more profound for NM-EBCs, which operate entirely in virtual markets where business transactions are completed and value is completely delivered via open and standardized electronic networks, not limited to specific geographic regions. As a consequence, interacting in virtual markets gives NM-EBCs the possibility to reach a global community and makes their offerings automatically accessible from anywhere in the world. Geographical boundaries and distance only play a minor role for serving foreign markets.

However, immediate access to international markets still does not translate into an international market presence. NM-EBCs still need to actively manage their internationalization since instantaneous access to international markets does not mean that their offerings are automatically known to and used by potential users. In addition, they immediately face competition by indigenous or foreign firms in each market. Speed may, thus, play a crucial role in the highly dynamic environment of virtual markets and NM-EBCs are likely to internationalize at a fast pace. NM-EBCs such as Monster.com or portals like Yahoo! or AltaVista began their internationalization efforts soon after their foundation and often targeted several markets at a time.

A number of theories have been developed to explain how firms grow internationally. Resource-based view (RBV) suggests that the portfolio of distinctive resources (such as capital, brand name, and know-how) a firm controls forms the basis for achieving competitive advantage (Mahoney and Pandian, 1992; Barney, 1991; Wernerfelt, 1984; Penrose, 1959). In addition, it is not the mere possession of valuable resources that affects a firm's success but rather its ability to make proper use of

them (Brouthers et al., 2008; Luo, 2002; Madhok, 1997). Firms seeking international expansion should select a strategy which best exploits the firms' resources and capabilities.

One of the resources, which play a crucial role for international growth, is experiential knowledge. According to Internationalization Process Theory (Johanson and Vahlne, 1977) firms develop their international activities over time and in an incremental fashion, based on the gradual acquisition of knowledge about foreign markets. Research in this area provides mixed results. While some studies find evidence consistent with the assumptions of Internationalization Process Theory (e.g. Barkema et al., 1996; Davidson, 1980; Johanson and Wiedersheim-Paul, 1975), others find no support for this theory (e.g. Benito and Gripsrud, 1992; Sullivan and Bauernschmidt, 1990; Turnbull, 1987). Especially firms that internationalize from inception or shortly after their foundation (born globals) do not follow incremental internationalization (McNaughton, 2003; McDougall et al., 1994).

Other theories used to understand international expansion include Transaction Cost Analysis (TCA) and the Eclectic Paradigm (EP). TCA (Williamson, 1985, 1975) argues that transaction costs occur because of market imperfections and that in the presence of high transaction costs firms will opt for a hierarchical organization of their international activities (Brouthers et al., 2003; Buckley and Casson, 1991; Hennart, 1982; Rugman, 1981). EP builds on the idea of transaction costs and proposes that firms choose to engage in foreign direct investment (FDI) based on an additional analysis of ownership advantages and the attractiveness of foreign locations (Dunning, 2001, 1988, 1980).

These theories were all developed to explain the internationalization of traditional firms manufacturing physical products or offering services. The question arises whether these theoretical foundations can be adopted to explain the international growth of NM-EBCs as a new type of firm. To answer this question the assumptions of these theories need to be compared to the situation as it applies today to NM-EBCs. Table 1.1 summarizes the key differences.

The fundamental difference that shapes the lens through which we look at internationalization lies in the unit of analysis. The theories discussed above consider the firm with well-defined boundaries or the transaction as the unit of analysis. More specifically, the primary focus is on the resources inherent in a firm as well as on the characteristics of transactions which create costs. However, the unit of analysis for examining strategic options for NM-EBCs has changed from this isolated and restricted focus to a broader and more dynamic alternative. NM-EBCs no longer

act alone in the market but their existence depends on the participation of various actors. Through the Internet and other ICT, NM-EBCs connect various participants (users and other firms) who interact with each other and who are responsible for the production and shaping of value-generating content. NM-EBCs rather provide the platform, channel and organize the input as well as manage the cross-relationships of the various participants.

The value proposition of Monster.com, for instance, depends on the input of job offers, job seekers, additional data input from job seekers to allow, for example, for an individual career benchmarking, or on third parties to provide job seekers and employers with supplementary advice, such as articles or market analysis data (Monster.com also provides value-added information itself). Therefore, the unit of analysis extends beyond the single firm and includes the network or community of NM-EBCs and its characteristics.

The unit of analysis of the traditional theories has two implications which no longer apply to NM-EBCs. First, the unit of analysis determines the source for international growth which has changed for NM-EBCs compared to firms targeted by the traditional theories. With the focus on transactions internationalization is guided by the minimization of transaction costs, i.e. the most efficient strategic option will be implemented. This again implies that various options are mutually exclusive since only one strategy is able to solve the minimization problem. With the focus on the firm as a bundle of unique resources and capabilities the firm will choose that option which best exploits the existing resources and preserves their value or which best enhances the resources and capabilities. While the firm-centric view aims at growing the portfolio of resources and capabilities lying within the firm, *the source for international growth for NM-EBCs lies in the development and management of their portfolio of value-generating network participants lying outside of the firm*. The value of their offerings and hence the opportunity for making money depends on the size and the activity or involvement of the network.

Second, the unit of analysis of traditional theories concentrates on dyadic relationships with entities having well-defined and fixed roles. The unit of analysis of the firm places an emphasis on one entity possessing a certain resource compared to another entity which does not have this resource. This view is binary in nature and clearly defines the entities' roles ("resource-having" versus "not-resource-having"). The transaction describes an agreement between two entities to exchange one asset for another of equivalent value. Again the roles of actors in a transaction are well-defined (giver/seller versus receiver/buyer) as well as the direction and the subject

of transaction.

However, NM-EBCs' relationships are no longer bilateral but multilateral since various actors participate in the network of NM-EBCs and interact with each other. Furthermore, the boundaries of the roles of each participating actor are blurred. It is no longer the firm which is the sole provider of products or services. Nor is the role of the other (corporate and private) participants restricted to being only customers since they all contribute to the value creation while at the same time profiting from this generated value.

The example of Monster.com shows that job seekers use the platform to look for a job. On the other hand they enter their profile into the database of Monster.com to allow employers to contact them (thus providing content for Monster.com to offer to employers) or to enable Monster.com to develop market analysis which is again provided to job seekers and other participants. In addition, job seekers can interact with each other to exchange information and advice.

Table 1.1. Comparison of the 'view of the world' described by traditional theories compared to the situation of NM-EBCs

	NM-EBCs	TCA	RBV
		EP	
Unit of analysis	Network/community, including the firm	Transaction	Firm
Primary focus	Characteristics of the network/community	Transaction characteristics and resulting costs	Firm resources and capabilities
Source of international growth	Development and management of network/community	Minimization of transaction costs	Exploiting and development of resources and capabilities
Nature of relationship to other entities	Multilateral	Bilateral/dyadic	Bilateral/dyadic

1.1.3. Impact of the Internet on the internationalization of firms

Despite the increasing importance of NM-EBCs and the drawbacks of existing theories of internationalization academic research on their international growth is currently sparse. To date, only a few studies directly deal with the international expansion of firms operating in the Internet environment.

Theoretical contributions include the works by Mahnke and Venzin (2003) and Singh and Kundu (2002). Mahnke and Venzin (2003) focus on the characteristics of digital information goods and hence distinguish their unit of analysis from other firms by this dimension alone. Based on the characteristics of digital information goods identified by Shapiro and Varian (1999), Mahnke and Venzin (2003) suggest various propositions, which account for these characteristics, to explain the choice of entry modes, foreign market selection, and speed of internationalization. They suggest that due to the experience character of digital information goods, companies will seek to control advertising and branding strategies and will therefore choose entry modes which allow them to do so. Furthermore, the choice of entry modes will also be influenced by economies of scale and network effects. In addition, firms will select markets which have high Internet penetration and advanced telecommunication infrastructure. Due to the possibility of rapid product adaptation to better serve customers digital information good providers will internationalize faster than physical good providers.

To illustrate the plausibility of their propositions Mahnke and Venzin (2003) describe the internationalization process of eBay as an example for digital information good providers and contrast eBay's behaviour with three internationalization theories³. According to Mahnke and Venzin (2003) Internalization Theory/TCA, Internationalization Process Theory, and the 'New International Venture' literature only partially explain eBay's international expansion. Based on their observation they argue that only by incorporating characteristics of digital information goods can a more complete internationalization picture be drawn.

Singh and Kundu (2002) on the other hand focus more on characteristics of the Internet and how they may affect firms operating in the virtual marketplace. They examine whether the theories of multinational enterprise and international production can explain the growth of e-commerce corporations. They review various internationalization theories and conclude that Eclectic Paradigm serves best for the explanation of internationalization behaviour. Singh and Kundu (2002) argue that ownership, location-based and internalization advantages are still relevant for e-commerce corporations to grow but need to be reconsidered in the light of the unique features of the Internet. Ownership advantages now refer to aspects, such as web traffic, website usage, user data, marketing and technology capability or entrepreneurial talent

³Mahnke and Venzin (2003) do not provide any information on the source of data. However, their description of eBay's internationalization hints at data collection based on secondary sources (e.g. media or firm homepage).

which the authors regard to be essential in the virtual marketplace. Location-based advantages include a country's technology infrastructure and intellectual property right protection, or the location of the website in the Internet (i.e. how many links refer to the website). Internalization advantages stem from vertical integration (authors name portals as an example) or horizontal integration (authors name Amazon's acquisition of Toys R Us as an example).

Furthermore, to better explain the growth of e-commerce corporations Singh and Kundu (2002) suggest extending the Eclectic Paradigm by adding network advantages specific to the Internet, such as how various firm websites are linked to each other or the exploitation of positive network effects.

Empirical studies exploring the internationalization of NM-EBCs either focus on the speed of internationalization (Luo et al., 2005), the test of internationalization theories (Forsgren and Hagström, 2007; Kim, 2003), or examine which factors influence the propensity for foreign expansion (Rothaermel et al., 2006; Kotha et al., 2001). Luo et al. (2005) examine how micro-level and macro-level factors influence the speed of foreign expansion of e-commerce corporations. They found that international experience of management, innovation and marketing capability, technology infrastructure, and a foreign country's legal protection of intellectual property positively affect the speed of internationalization. These findings are similar to the factors proposed by Singh and Kundu (2002) to explain the growth of e-commerce corporations.

Forsgren and Hagström (2007) examine to which extent the Uppsala model still applies to the internationalization process of Internet-related firms. Their findings are based on eight short case studies on online retailers and web-design consultancies. They find that these firms did not follow an incremental internationalization process and that their internationalization behaviour was not reactive and adaptive as predicted by the Uppsala model, but rather explicit and active.

Kim (2003) examines whether the foreign market entry of US Internet portals (Yahoo!, AOL, Lycos, AltaVista) follows the predictions of Internationalization Process Theory, that is whether the concept of psychic distance affects the foreign market selection. Using two proxies for psychic distance, cultural distance index and socio-cultural distance index, Kim (2003) finds that the latter better explains the sequence of market entry for Yahoo!, AOL, and Lycos. The sequence of market entry of AltaVista can be explained by neither of these indices.

It is not fully clear whether these findings really corroborate the applicability of Internationalization Process Theory. The firms internationalized at a high rate of

speed. Sometimes they entered several markets at the same time and sometimes only a few months lie between the entry of different markets. This questions whether gaining experience or learning reduced the perceived psychic distance and was therefore the primary driver for this market entry pattern. If this is the case then learning must take less time in the virtual space. It would be then interesting to investigate how and why this can be achieved and what kind of knowledge and experience needs to be acquired and can be acquired at this quick pace. Unfortunately, Kim (2003) does not further discuss this issue.

Kotha et al. (2001) investigate, based on RBV, whether firm-specific advantages positively affect the propensity of US Internet firms to internationalize. Similar to the argumentation of Singh and Kundu (2002), they found the more intangible assets the firms have (firm reputation, website traffic and technology-related assets) the more likely they enter foreign markets. In addition, their study shows that also the level of innovative activity and partnering with other firms has a significant influence.

Rothaermel et al. (2006) examine how market characteristics, namely country risk and cultural factors based on Hofstede (1984), influence the probability of market entry for US Internet firms. They found that country risk and uncertainty avoidance of the targeted market reduce the propensity for market entry whereas more individualistic and masculine countries make it easier for US Internet firms to internationalize.

Other empirical studies are descriptive in nature and try to depict various dimensions of internationalization, such as motivations for internationalization, foreign market selection, and market entry modes (Borsheim and Solberg, 2004; Loane et al., 2004; Loane and Bell, 2002). The findings of these studies are quite heterogeneous and do not allow for clear conclusions which is due to the lack of defining and characterization of their unit of analysis. Instead they include different types of companies with varying features into their sample.

Rask and Petersen (2004) explore market entry modes only and describe the choice of market entry modes for one case firm (a B2B online marketplace). Similar to Mahnke and Venzin (2003) they focus on the characteristics of digital goods. However, they found that the higher the ex-ante-complexity (how much explanation does a customer need to use the product) and the ex-post-complexity of the product (how much customer support is needed) the more face-to-face contact is needed. This was done either by relying on external partners or by employees who travelled to foreign customers.

Even though NM-EBCs have become important players in today's economy research on the foreign expansion of this new type of company is still scarce. A few

existing research has shed light on some aspects that specifically apply to NM-EBCs, such as characteristics of digital information goods or Internet-related features, and that need to be considered with regard to internationalization. Nonetheless, these studies still remain within the borders of traditional internationalization theories.

In contrast, other research did not make any attempt to account for differences between the ‘new’ and the ‘traditional’ type of firm. However, I have shown that there exist fundamental differences which may lead to a specific internationalization behaviour not applicable to ‘traditional’ companies. In addition, this study has argued why common internationalization theories do not fully capture their specific characteristics and thus cannot sufficiently depict and explain their internationalization behaviour.

1.2. Research objective

Building on the initial research on NM-EBCs the objective of this study is to examine how this type of firm expands abroad or what internationalization strategies they use and how these strategies are related to the performance in international markets.

Research on internationalization as a corporate level strategy deals with questions of how, where and when to expand outside the home market whereas very often strong emphasis is put on the aspect of ‘how’. This concerns research on foreign market entry modes which are regarded as enormously significant since choosing the correct market entry mode determines the success of a company’s international operation (Brouthers and Hennart, 2007; Werner, 2002; Weisfelder, 2001; Andersen, 1997; Morgan and Katsikeas, 1997). Albeit focusing on the aspect of ‘how’ this study will not deal with foreign entry modes because the concept of internationalization has changed in the context of NM-EBCs.

A foreign entry mode is considered to be an ‘institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources’ (Root, 1987, p. 5). This implies that a firm is internationalized as soon as it has chosen and implemented a foreign entry mode. In contrast, NM-EBCs do not need to think about an international entry mode to transfer their products and/or services across national borders when deciding to internationalize because their offerings are automatically accessible from anywhere in the world since they operate entirely in virtual markets. They have, thus, instantly entered foreign markets from inception.

Furthermore, NM-EBCs usually do not offer complete, self-contained products

or/and services offering a stand-alone benefit that can and need to be transferred across borders to make them available in another country and, thus, to internationalize. NM-EBCs rather offer a virtual platform that creates a derivative benefit by channelling and managing the input and interaction of various actors. What creates value for users is neither lodged in single products or services but in the entire business model. Hence, in the case of NM-EBCs it is not a single good which needs to be transferred to a foreign market but their ‘way of doing business’. Transferring a whole business model is not a question of choosing the right entry mode but is a question of replication in a foreign market. Furthermore, replicating their business models in other markets means developing a local network of different users which can only be achieved if NM-EBCs succeed in getting them to participate, that is to adopt. *Therefore, the question of how to internationalize has moved away from choosing the right entry mode to choosing the right actions to influence and manage adoption.* That is not to say that ‘institutional arrangements’ no longer play an important role for NM-EBCs. NM-EBCs, such as Expedia or eBay, have founded, for example, local subsidiaries in foreign markets to make entry and to obtain human skills, management, and the like. However, the motivation for the implementation of such ‘institutional arrangements’ has changed from a means to gain access to foreign markets to a means of organizing their business operations abroad.

To summarize, this research aims at (1) explaining how NM-EBCs expand abroad by uncovering and explaining the strategies NM-EBCs implement to manage adoption in foreign markets (= internationalization strategies) and (2) examining how the implemented strategies are related to the performance in foreign markets. For this purpose, this study will develop and test hypotheses with regard to the selection of such strategies based on appropriate theories. The theories used are Diffusion of Innovations Theory and Network Theory.

The most important theoretical lens to examine the process of adoption is Diffusion of Innovations Theory (DIT) (Rogers, 2003). This theory explains how, why and at what rate innovations (new ideas or technology) make their way through a society or a group of people. DIT has been extensively used in the neighbouring disciplines of marketing (Rogers, 2003; Mahajan et al., 1990), dealing with the launch of new products, and information technology (IT) to investigate the adoption of IT-based innovations within organizations (Halawi and McCarthy, 2006). To date DIT has not yet been applied to determine how firms internationalize. DIT describes the process of diffusion and explains which factors (such as characteristics of the innovation, communication channels, or promotional activities of change agents) influence the speed

with which innovations are adopted. These insights can help identify which strategic options NM-EBCs have for foreign expansion.

In addition, to enhance the understanding of the internationalization strategies implemented by NM-EBCs DIT needs to be complemented by Network Theory (NT). Originated in the social sciences, NT describes the characteristics of networks which influence the action of network participants. Since NM-EBCs manage multilateral networks of users and other firms contributing to the value proposition of their business model, NT helps to understand which characteristics of networks are relevant for internationalizing NM-EBCs and which of these features represent opportunities or challenges for internationalization. DIT interacts with NT with regard to two dimensions: the social interaction patterns or social structure and the economic structure of networks.

The social structure dimension of NT, that is how the individual is tied into a larger network of social connections, determines how an individual thinks and behaves. This dimension of NT has been adopted in international business as an alternative to the existing internationalization theories, especially for the internationalization of small firms (e.g. Coviello and Martin, 1999). NT regards firms as embedded entities in a network which provides both benefits and constraints the firms need to exploit and manage (Forsgren and Johanson, 1992). According to this theory their network environment determines their internationalization strategies (Johanson and Mattsson, 1988). DIT does not explicitly include NT but understands that interpersonal communication channels, that is the network of a potential adopter, influence the probability for an innovation to be adopted (Rogers, 2003). NT extends and specifies this idea by providing a description and an explanation to how the structure of a social system looks like.

The economic structure of networks describes the phenomenon of strong positive network effects in certain markets and how the existence of these effects influences the outcomes of these markets. This research is closely linked to DIT since it investigates the probability for the individual adoption of goods displaying network effects (network effect goods) which again influences the diffusion of these goods on a macroeconomic level (Weitzel et al., 2006; Katz and Shapiro, 1994). Network effects play an important role in the diffusion process because they can lead to difficulties in adoption. Strong network effects can translate into highly competitive markets allowing only a few firms to survive in the market (Besen and Farrell, 1994). As a consequence, identifying and choosing the appropriate internationalization strategies require NM-EBCs to take into consideration the characteristics of markets for net-

work effects goods and to adequately assess the strength of network effects.

As a consequence this study's research questions can be identified as following:

1. What strategies do NM-EBCs choose to manage target market adoption (=internationalization)?
2. Can Diffusion of Innovations Theory and Network Theory serve as powerful theories to explain the choice of target market adoption strategies?
3. How are these strategies related to the performance in the target markets?
4. Can Diffusion of Innovations Theory and Network Theory serve as powerful theories to predict target market adoption outcome?

1.3. Overview of the chapters

This study is structured as follows: Chapter 2 lays the theoretical background for explaining the internationalization of NM-EBCs. First, I introduce Diffusion of Innovations Theory as described by Rogers (2003) which is the best known and most popular diffusion model today. The focus here is on the determinants of the diffusion rate: Rogers (2003) identified six significant variables influencing the speed with which an innovation disseminates in a given social group. Furthermore, I discuss whether and how the diffusion of innovations has been the focus of research on internationalization. Second, I describe Network Theory from a social and an economic perspective which helps to further understand the diffusion of innovations. The first perspective understands the network as multiple social connections between actors and explains how *social actors* behave, that is it characterizes the relational and structural interaction patterns of people. The social perspective of Network Theory has been applied to the internationalization of firms recently which I discuss in section 2.2.2. Finally, I describe the economics of networks which, in contrast to the social perspective of NT, explains how *economic actors* behave. Here, interdependencies between actors does not result from the social ties they have to each other but rather from them using the same system. In contrast, to the social perspective of NT, the economic perspective of Network Theory has not been applied to the context of internationalization yet.

Chapter 3 applies DIT and NT to explain the internationalization behaviour of NM-EBCs and its relationship with target market adoption outcome. Both theories can help understand how and why certain innovations diffuse and get adopted. The internationalization of NM-EBCs can be regarded from a diffusion perspective: They

will only be able to expand internationally if they succeed to make their business models get adopted by the foreign target market. Therefore, section 3.1 gives an overview of how the factors derived from DIT and NT may influence the adoption of the business models of NM-EBCs in the foreign target markets and, hence, the foreign expansion behaviour of these firms. Section 3.2 formulates seven hypotheses about how NM-EBCs can manage the adoption of their business models in foreign target markets actively based on insights about the effects of DIT and NT factors on adoption.

Chapter 4 explains the methodological approach to test and enhance the hypotheses developed in the previous chapter. The chapter starts with a short discussion about the differences between quantitative and qualitative research approaches. Due to lack of extensive research on the international expansion of NM-EBCs or similar type of firms, this study employs an explanatory case research methodology in order to (1) collect rich data on how NM-EBCs expand their business models to foreign markets and (2) test the applicability of my theoretical framework. The rest of the chapter is dedicated to the design of my research (the logical structure), to how and what data was collected and analyzed. The data stems from interviews with leading managers of nine German NM-EBCs.

Chapter 5 presents the results from the case studies which is divided into a within-case data analysis and a cross-case data analysis. The within-case data analysis presents a description of the results for each of the nine cases; each description containing information on the company's general and internationalization background as well as detailed results on the use of specific strategies as suggested by my hypotheses and on how these strategies were tied to the adoption outcome in the target markets. The cross-case data analysis evaluates the applicability and validity of the hypotheses. Results are presented for each hypothesis individually. The chapter shows that the data fails to provide sufficient information to allow support of the hypotheses or to allow for clear conclusions for the hypotheses. However, the results also indicate that there were some factors which were not included in the hypotheses but which had a significant influence on target market adoption.

Chapter 6 summarizes the main findings of the study and presents an adapted theoretical framework. Moreover, the chapter discusses limitations of this study and gives an outlook on further research.

2. Diffusion of Innovations Theory and Network Theory as a theoretical foundation

2.1. Diffusion of Innovations Theory

The diffusion of innovations has been studied for several decades and can be traced back to the work of Schumpeter (1934) who sees the process of technological change and innovation as the basis for economic development and new value creation. The Schumpeterian view divides the technological progress into three stages of which the last stage describes the diffusion of new products and processes.

One of the best known and most popular diffusion model is described by Rogers (2003). He synthesizes research from a vast body of diffusion studies as well as expands, enhances, and refines the findings to produce a theory for the adoption of innovations. Although originally based on the study of agricultural innovations research on diffusion now spans across multiple disciplines, such as anthropology, education, or marketing (Rogers, 2003).

The next section presents the model of diffusion and describes the model's core elements. It further puts a focus on the key variables which determine whether and how fast an innovation is adopted. They give insights into how the diffusion process can be managed actively. Previous research has found that diffusion is not necessarily a passive process but is very well subject to managerial influences, such as setting the right marketing-mix strategy (Kuester et al., 2000; Jones and Ritz, 1991; Horsky and Simon, 1983), or management support and openness towards innovations within organizations (Premkumar and Potter, 1995; Prescott and Conger, 1995; Fichman, 1992).

In the subsequent section, I will move from diffusion in a general context to whether and how diffusion has been incorporated into internationalization research. These findings may provide further insights for explaining the internationalization of NM-EBCs.

2.1.1. The Diffusion Model

According to Rogers (2003, p. 5), 'diffusion is the process in which an innovation is communicated through certain channels over time among the members of a social

system'.¹

Diffusion is, therefore, a special type of communication process in which participants convey an innovation to their fellows who process the information given to them in order to decide whether to adopt this innovation, that is to make use of an innovation, or not. Hence, diffusion involves an innovation-decision process by which potential adopters pass from (1) first knowledge of an innovation through (2) persuasion, where a favorable or unfavorable attitude toward an innovation is formed, through (3) decision, (4) implementation (= adoption) to (5) confirmation of the decision to adopt. Furthermore, as Rogers (2003) puts it, diffusion consists of four main elements which are identifiable in every diffusion research study: an innovation, channels of communication, time, and a social system.

An innovation is 'the doing of new things or the doing of things that are already being done in a new way' (Schumpeter, 1947, p. 151). Rogers (2003) specifies an innovation as an idea, practice, or object which is *perceived* new by potential adopters. Thus, innovations do not need to be objectively new. It is rather important that the individual considers the idea to be new. At the same time newness creates uncertainty about the consequences of adoption since the potential adopter is not sure whether the innovation represents a superior alternative to the current condition that is supposed to be replaced.

Rogers (2003) identifies attributes of innovations which are considered to be most important when judging an innovation and when making the decision to adopt or reject an innovation. These attributes are:

- Perceived relative advantage of an innovation compared to the current practice. Relative advantages can be economic factors, such as price, or gaining social status.
- Compatibility of an innovation with existing values, experiences, and needs of potential adopters
- Complexity of an innovation
- Triability of an innovation
- Observability of an innovation, i.e. are the results of adoption visible to others?

¹Sometimes a distinction is made between diffusion and dissemination. Whereas the latter refers to a more active concept implying a more aggressive flow of information from the source as well as targeting and tailoring the information to the audience, the former is a passive concept that describes diffusion as a largely unplanned and uncontrolled process (Lomas, 1993). However, Rogers (2003) makes no such differentiation and suggests to understand both terms to be interchangeable.

Research in IS/IT and marketing found that DIT provides the majority of an innovation's attributes relevant to the prediction of adoption. While in IS/IT attributes, such as ease of use (complexity), functionality and efficiency (relative advantage) are most important (Mustonen-Ollila and Lyytinen, 2003; Chin and Gopal, 1995; Prescott and Conger, 1995; Kwon and Zmud, 1987), a product's price (relative advantage) plays the major role in marketing (Chandrasekaran and Tellis, 2006; Sudhir, 2001; Fader and Hardie, 1996).

The second element are the channels of communications which represent the means by which information gets from one person to another. Rogers (2003) distinguishes between mass media channels and interpersonal channels. The former include radio, TV, newspapers, etc. and guarantee a fast flow of information to a wide audience. In contrast, the latter is a face-to-face communication between two or more people. Individuals come into touch with innovations usually through interacting with individuals who are similar in certain attributes, such as education, socioeconomic status, and the like. This similarity of individuals with respect to certain attributes is called homophily in Social Network Theory which will be discussed in more detail in section 2.2.1.

In addition, communication channels can also be categorized according to whether they are cosmopolite or localite. Cosmopolite channels provide access to sources outside the own social system whereas localite channels provide information from the inside of the social system.

The importance of communication channels in the diffusion process in practice is reflected in the widely used Bass model in marketing (Bass, 1969), an analytical model which describes and forecasts the number of adopters at a time (Mahajan et al., 1990). Its predictions are based on the assumption that potential adopters are influenced by mass media and word-of-mouth communication (interpersonal communication channel) only.

More specifically, the communication channels play different roles at different stages of the innovation-decision process. Based on the review of various research studies on diffusion, Rogers (2003) comes to the conclusion that mass media channels are relatively more important in the knowledge stage, whereas interpersonal channels are relatively more important in the persuasion stage since they are more effective in overcoming resistance towards an innovation due to uncertainty. However, this clear assignment of communication channels to different stages is not always fixed and it can happen that mass media is not always necessary to inform an audience about an innovation. It can rather spread entirely based on interpersonal channels, which

was demonstrated by the dissemination of the software EndNote in the US (Rosen, 2000). Similarly, cosmopolite channels are relatively more superior in the knowledge state, and localite channels are relatively more superior in the persuasion stage.

The third element identified by Rogers (2003) is time. The importance of time in diffusion is threefold: First, time describes how long it takes for an individual to pass from the stage of first knowledge of an innovation through its adoption (or rejection) (innovation-decision-process). Second, time is involved when determining the innovativeness of potential adopters. Some individuals adopt earlier than other members of the system. Based on the different amount of time that it takes for individuals to adopt different types of adopters can be identified: innovators, early adopters, early majority, late majority, and laggards. Third, time plays a role in determining the rate of diffusion which refers to the quantity of time to go from a given level to another, higher level of adoption (Kuester et al., 2000). It, therefore, measures how long it takes for an innovation to make its way through a social system.

The social system is the fourth element. A social system is a system generated by the cooperative interaction between two or more actors (individuals, groups, or organizations) to contribute to the realization of certain collective goals (Parsons and Shils, 1951). There may be physical or environmental boundaries, but the fundamental sociological point of reference is that the relations between the actors are defined and mediated in terms of a system of culturally structured and shared symbols. As a social system can be defined as a system of interactions between actors, the structure of the relations between the actors represents essentially the structure of the social system (Parsons, 1967). This social structure, therefore, represents rules and resources which govern how members of a social system interact with each other (Giddens, 1986). For Rogers (2003), the social system sets the boundaries within which an innovation diffuses and its social structure has a major influence on whether and how an innovation makes its way through a social system. For a more detailed discussion of the social structure, I refer to the social network theory section 2.2.1.

To be able to study the diffusion of innovations, it is important to know what factors influence the decision of a social system to adopt an innovation and the speed with which an innovation is adopted. Rogers (2003) identified six key variables which determine the adoption within a social system and, in particular, how fast an innovation makes its way through a social system (rate of diffusion). Figure 2.1 depicts that the rate of diffusion is influenced by (1) the perceived attributes of an innovation, (2) the type of innovation-decision, (3) the use of communication channels,

(4) the nature of the social system within which an innovation diffuses, (5) the use of opinion leaders, and (6) change agents' efforts.

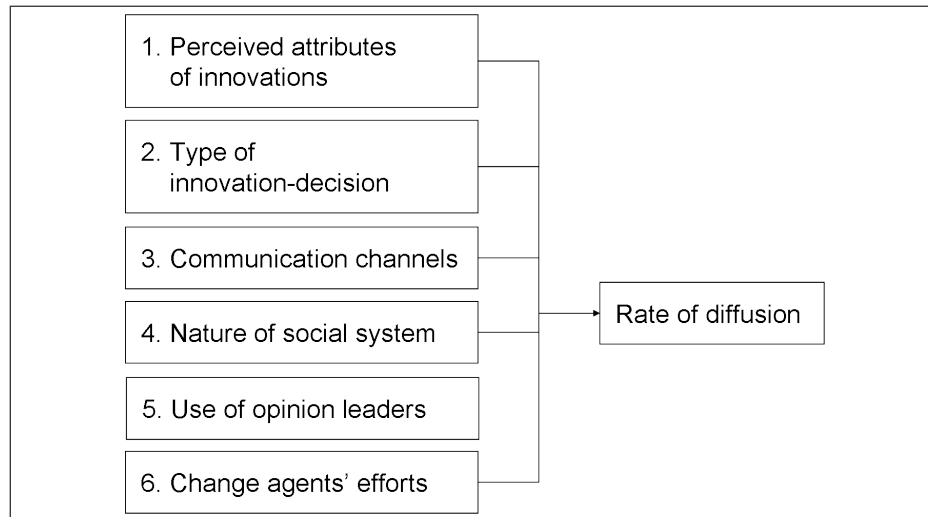


Figure 2.1. Variables determining the rate of diffusion of an innovation (based on Rogers (2003), p. 222)

The perceived attributes of an innovation, the communication channels, and the social system were described previously in this section. The latter will be discussed more in depth in section 2.2.1.

The second variable, which influences the rate of diffusion, refers to the type of innovation-decisions. Rogers (2003) distinguishes between optional innovation-decisions, collective innovation-decisions, and authority innovation-decisions. The first refers to an adoption choice that is made by an individual independent of the decisions of other members of the system. The second describes the decision which is made by consensus among the members of the system. Finally, the third involves only a few individuals in the system who possess enough power or status to enforce a diffusion within the system. While the individual has a say in the collective decision process the individual has no influence in the last type of innovation decision. Basically, the fastest rate of diffusion of innovations stems from authority decisions. And, optional decisions can be made faster than collective ones.

Previous research was also concerned with the influence opinion leaders exert on the success or failure of diffusion processes (e.g. Gatignon and Robertson, 1985). Opinion leaders are individuals who lead in influencing others' opinions, attitudes, or overt behavior (Rogers, 2003). They guide opinion and its changes rather than lead directly in action, sometimes unwittingly and unbeknownly within the smallest group of friends, family, and neighbors (Katz et al., 2006).

Opinion leadership is a concept that arose out of the theory of ‘two-step flow of communication’ by Katz and Lazarsfeld (1955), which assumes the flow of ideas from mass media to opinion leaders and from there to the rest of a social system. However, this model proved to ignore two aspects: First, opinion leaders are not the only individuals to use mass media and second, the communication flow is more complicated than can be described in two steps (O’Keefe, 1981; Rogers, 1973).

The existence of opinion leadership is based on the idea that other people seek and follow the advice of opinion leaders. Hence, the opinion seeking is a co-phenomenon of opinion leadership with the latter not being able to exist without opinion seekers (Flynn et al., 1996). Individuals are opinion leaders and people turn to them because they own specific characteristics different from the wider population which makes them more open to new ideas and gives them a certain degree of influence. It has been suggested that these characteristics may be high exposure to external communication channels, strong social participation, high socioeconomic status, and great innovativeness (Rogers, 2003). A high level of innovativeness, however, may be counterproductive since it might create a wide gap between opinion leaders and the wider members of a social system. With the problem of heterophily (dissimilarity in certain attributes; see section 2.2.1) opinion leaders may not be able to exert any impact on other individuals at all. Nonetheless, scholars have argued that there are no generalized opinion leadership traits and that they may vary by product and situation (Riecken and Yavas, 1986; Langeard et al., 1977; Myers and Robertson, 1972; King and Summers, 1970). Katz and Lazarsfeld (1955) also stated that other people turn to opinion leaders because they are guided by the desire to be a member of a group. By looking to opinion leaders for their values and beliefs, group integration becomes easier.

The last variable that influences the diffusion speed is the extent of change agents’ promotion efforts. The concept of a ‘change agent’ can be traced back to Lewin (1951) who was concerned with social change and the change process. Rogers (2003, p. 27) defines a change agent as ‘an individual who influences clients’ innovation-decisions in a direction deemed desirable by a change agency’. The change agents’ main role is to facilitate the flow of innovations from a change agency, which wants to introduce an innovation, to an audience of clients or potential adopters. They, therefore, provide a communication link between these two parties. Their activities includes developing a need for change in a social system, establishing an information exchange relationship, and translating the induced intention to adopt an innovation into action.

Change agents usually possess a high degree of expertise regarding the innovation that is to be diffused. At the same time their superior know-how can create a heterophily gap between them and the clients. To overcome this problem they often use opinion leaders and sometimes employ change aides who are less than fully professional change agents and are more homophilous with the average potential adopter.

Previous research could show the positive effect of change agent efforts (the studies talk about champion support) on the diffusion process (Hoffer and Alexander, 1992; Russo and Kumar, 1992; Wynekoop et al., 1992).

2.1.2. Diffusion in an international context

A special application of DIT refers to the diffusion of innovations over *space* rather than over *time*. Spatial diffusion has had a long tradition of research in the fields of geography and agricultural history (Chandrasekaran and Tellis, 2006). Nevertheless, some studies in marketing research have addressed the question of how innovations spread across countries. Basically, two major factors affect spatial diffusion which are the cross-national learning effect or experience effect and country-specific characteristics (Dekimpe et al., 2000b; Kumar et al., 1998).

The cross-national learning effect is an adaptation of the idea of *social learning* (Bandura, 1977) to the context of diffusion across countries. Social learning describes that one individual can overcome substantial uncertainty towards a new product, situation, or the like, by learning from another through observing. Potential adopters face uncertainty towards innovations since they sometimes have a hard time judging the usefulness of an innovation due to its newness and therefore lack of information about an innovation.

In the context of international diffusion potential adopters of one country can learn from the experiences of adopters in another country. The market, in which the innovation has been introduced first, serves as a lead market (usually the domestic market of the supplier of an innovation). The markets, to which the innovation is supposed to diffuse later, are therefore lag markets that have the chance to observe the innovation's success in the lead market. Bronnenberg and Mela (2004), for example, have examined the introduction of brands in the frozen pizza category in the US and have found that suppliers tended to enter those regional markets first in which existing retail chains have adopted the products elsewhere in the US hoping to benefit from the learning effect between the various regional markets and therefore from faster diffusion.

They have demonstrated that the experience effect reduces the risk of adoption for the lag market and decreases the lead time for the innovation's supplier which is the time interval between the introduction of a new product into the lead market and the introduction into the lag market (Kalish et al., 1995). Studies have shown that the diffusion rate is likely to accelerate if the new product is introduced late to give potential consumers enough time to assess the innovation (Dekimpe et al., 2000a; Ganesh and Kumar, 1996; Takada and Jain, 1991). This time effect, lead effect, or demonstration effect largely depends on the nature of communications between two countries. The 'interplay' or the ability of change agents or adopters of an innovation in the lead country to communicate with individuals of the lag country or foreign country provides an additional external source of information to the second country (Putsis et al., 1997; Takada and Jain, 1991).

Important country-related factors that influence the lead effect across countries are suggested to be cultural and economic similarity (Ganesh et al., 1997) as well as spatial proximity (Bronnenberg and Mela, 2004). However, the actual effect of the latter is still not clear since Ganesh et al. (1997) have found no support for the hypothesis that the smaller the geographic distance the stronger the lead effect.

Cultural factors cannot only influence the speed of diffusion through their effect on cross-cultural learning but also through their impact on the innovativeness of potential adopters in a market. However, their actual effect is still left unclear. While Takada and Jain (1991) have found that culture is important for the diffusion speed based on the concept of high or low context culture by Hall (1976), the results of the study by Stremersch and Tellis (2004), who use the cultural dimensions developed by Hofstede (1984), have found no such effect.

Other country-specific characteristics who work through the concept of innovativeness are a population's mobility and cosmopolitanism or cumulative international experience that describes the extend to which individuals are oriented beyond their immediate social system (Sarvary et al., 2000; Mahajan and Muller, 1994; Gatignon et al., 1989). The rate of diffusion can also be related to a country's standard of living and stage of economic development, since wealth can enable potential adopters in a country to take higher risks (Dekimpe et al., 2000a; Sarvary et al., 2000; Helsen et al., 1993).

2.2. Network Theory

Network Theory (NT) is a broader term that represents theoretical developments in a wide range of various disciplines. Here, I will turn attention to NT from both an economic and social perspective since I believe that the combination of both have a significant effect on a firm's competitive strategy. I will refer to them as 'economic network theory' and 'social network theory'. NT regards network participants or actors as decision-making entities, such as individuals, groups, or organizations. Economic NT makes the assumption that the actors' decision to become part of a network as well as their activities within a network are based on economic goals and, more specifically, on maximizing their own economic benefits. In contrast, social NT is basically a 'theory of social structures' (DeGenne and Forse, 1994, p. 12) focusing on how actors are connected (Eisenberg and Houser, 2007; Katz et al., 2004). In contrast to economic NT, social NT understands action of actors to be socially situated which 'cannot be explained by reference to individual motives alone' (Granovetter, 1992, p. 25) (see also Granovetter (1985)). The idea is that human behaviour can be most fully accounted for by an understanding of the structure of social relations within which each actor is situated (Mizruchi, 2005; Mitchell, 1969).

In the subsequent sections, I will provide a thorough overview of both the social and the economic perspective and will also review existing literature on how Social NT has been applied to the internationalization of firms. In contrast, Economic NT has not been applied to the international business field yet.

2.2.1. Social Network Theory

The fundamental components of a social network are nodes and connections (Davern, 1997). In the context of social sciences, nodes are actors, or more precisely, a position occupied by an actor (Chriss, 2007). Connections are, in a metaphorical sense, social ties or bonds that often involve some form of interaction (such as communication or friendship) between the nodes. These interactions are typically repeated over the time and can involve more than one transaction (Brass, 1992). Networks are, therefore, a series of direct and indirect ties from one actor to a collection of others (Davern, 1997).

Since social NT has its roots in various areas of sociology there is no single statement. Yet, there are certain concepts that most network scholars would likely understand as the most important ones. These concepts can be divided into two categories, each trying to answer one specific question. The first category makes predictions

about how actors can access diverse knowledge and other resources through their social ties (Kilduff and Tsai, 2003). It includes concepts such as social capital, structural holes, the strength of (weak) ties and homophily and heterophily.

The second category makes predictions about how actors in networks influence each others' attitudes and behaviours and includes the concepts of structural cohesion and structural equivalence (Kilduff and Tsai, 2003).

Social capital

Social capital has been a popular concept in a wide range of social science disciplines which results in the lack of a clear, commonly agreed upon definition. There are numerous definitions found in the literature which reflect the different theoretical perspectives. Based on a review on the heterogeneous understanding of social capital, Adler and Kwon (2002) found that the definitions vary according to whether they focus on the substance (i.e. foundation or core of social capital), source (i.e. how is social capital created), or effects of social capital. They argue, however, that the primary distinction lies in the external or internal perspective of the social capital definitions. The external view refers to the relations an actor maintains with other actors, that is how individuals obtain resources by virtue of their social relationships. In contrast, the internal view captures social capital at a group level, that is internal ties within collectivities. More specifically, it is about 'the capacity of a plurality of persons to enjoy the benefits of collective action by virtue of their own social participation' (Prendergast, 2005, p. 715). Figure 2.2 offers an overview of existing definitions of social capital and shows which definitions adopt the internal or external perspective or both perspectives.

Despite the existence of various definitions most of them have in common that social capital belongs to those resources which are not in the individual's personal possession (such as material things or individual capabilities) but which lie within a social network and which are accessed through social ties. Social capital describes the value of a social network to an individual who is part of this network or, more specifically, it describes the benefits an individual derives from knowing certain other people. For example, a person looking for a job may ask friends about possible openings with their employers or may ask a friend to put in a good word. Hence, an individual's social networks or social relations enable certain actions which generate a positive return for this individual. Outcomes of these actions are enhanced because of the easier flow of information, exertion of influence on other actors, provision of

External versus Internal	Authors	Definitions of Social Capital
External	Baker	"a resource that actors derive from specific social structures and then use to pursue their interests; it is created by changes in the relationship among actors" (1990: 619).
	Belliveau, O'Reilly, & Wade	"an individual's personal network and elite institutional affiliations" (1996: 1572).
	Bourdieu	"the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition" (1985: 248). "made up of social obligations ('connections'), which is convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility" (1985: 243).
	Bourdieu & Wacquant	"the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (1992: 119).
	Boxman, De Graaf, & Flap	"the number of people who can be expected to provide support and the resources those people have at their disposal" (1991: 52).
	Burt	"friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital" (1992: 9). "the brokerage opportunities in a network" (1997b: 355).
	Knoke	"the process by which social actors create and mobilize their network connections within and between organizations to gain access to other social actors' resources" (1999: 18).
	Portes	"the ability of actors to secure benefits by virtue of membership in social networks or other social structures" (1998: 6).
Internal	Brehm & Rahn	"the web of cooperative relationships between citizens that facilitate resolution of collective action problems" (1997: 999).
	Coleman	"Social capital is defined by its function. It is not a single entity, but a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure" (1990: 302).
	Fukuyama	"the ability of people to work together for common purposes in groups and organizations" (1995: 10). "Social capital can be defined simply as the existence of a certain set of informal values or norms shared among members of a group that permit cooperation among them" (1997).
	Inglehart	"a culture of trust and tolerance, in which extensive networks of voluntary associations emerge" (1997: 188).
	Portes & Sensenbrenner	"those expectations for action within a collectivity that affect the economic goals and goal-seeking behavior of its members, even if these expectations are not oriented toward the economic sphere" (1993: 1323).
	Putnam	"features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit" (1995: 67).
	Thomas	"those voluntary means and processes developed within civil society which promote development for the collective whole" (1996: 11).
Both	Loury	"naturally occurring social relationships among persons which promote or assist the acquisition of skills and traits valued in the marketplace . . . an asset which may be as significant as financial bequests in accounting for the maintenance of inequality in our society" (1992: 100).
	Nahapiet & Ghoshal	"the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network" (1998: 243).
	Pennar	"the web of social relationships that influences individual behavior and thereby affects economic growth" (1997: 154).
	Schiff	"the set of elements of the social structure that affects relations among people and are inputs or arguments of the production and/or utility function" (1992: 160).
	Woolcock	"the information, trust, and norms of reciprocity inhering in one's social networks" (1998: 153).

Figure 2.2. Definitions of social capital (Adler and Kwon, 2002, p. 20)

social credibility, and reinforcement of identity and recognition (Lin, 2002). Furthermore, action is motivated by the desire to protect as well as preserve existing resources and/or to obtain additional resources (Lin, 2002).

In this study, I will adopt the external perspective of social capital. The internal view stresses linkages among individuals or groups within a collectivity and the characteristics giving the collectivity cohesiveness which facilitates the pursuit of one common goal. Hence, following the argument put forward by Lin (2002), social capital in this context is used mainly for maintaining resources, therefore denying the importance of weak ties and structural holes (see the following subsections). In contrast, the external perspective focuses on searching and gaining resources not presently possessed. The latter better fits the purpose of this study since it examines how NM-EBCs can capitalize on social structure factors to expand to foreign markets, that is to go from one level of business activity to another.

A crucial aspect of the social capital concept is the question of how actors can actually access and use social capital for their purposes. Here, other important concepts of social network theory come into play which will be discussed in more detail later in the following subsections.

Weak ties to other actors (i.e. ties which are less frequent and less intense) can help provide individuals with different and new information which they will not be able to find within their own social circle (Granovetter, 1973). Lin (2008) extends this idea to social capital to further determine the quality of social capital. He argues that the richness of social capital depends on so-called layers of relations: The innermost layer consists of intimate and confiding relations whereas the intermediary layer includes ties that generally share resources. However, not all members have direct interaction with one another or maintain equally strong relations with each other. Finally, the outer layer describes shared membership and identity with members not necessarily having to interact with each other (e.g. in a church or a club) (Lin, 2008). It is the outer layer that is associated with more dissimilar resources and hence with higher benefits for the actor. The idea of relation layers and the benefits of weak ties are based on the concepts of homophily and heterophily. Both concepts describe and explain interaction patterns, that is who interacts with whom and why.

The possibility to access and mobilize social capital described above refers to whom actors have relationships with and which of these ties they activate. Another opportunity arises from an actor's location in the network. Burt (1992) analyzes opportunities in terms of structural holes which describe the lack of linkages between clusters of contacts or actors. Furthermore, he suggests that actors occupying positions at

structural holes and having connections to other clusters (i.e. bridges) are able to control the flow of resources. Hence, he understands networks themselves to be a form of social capital which explains how actors do better, because they are better connected with other actors (Burt, 2005, 1992).

Homophily and Heterophily

The concept of ‘homophily’ was first introduced by Lazarsfeld and Merton (1954), whereas most of the early work on the concept of ‘heterophily’ was done by Rogers (1962). Homophily refers to the degree to which pairs of individuals who interact are similar with respect to certain attributes’ (Rogers and Bhowmik, 1970, p. 526), like education, age, or beliefs. In contrast, heterophily describes to which extent two individuals are different with regard to these attributes. These two concepts have also been termed ‘similarity and dissimilarity’ or ‘social closeness and social distance’ in the past (Barnlund and Harland, 1963).

Hence, homophily describes the principle that two similar people will more likely get into contact than dissimilar people which results in the localization of resources, such as information, manifested in social networks. This again implies that distance in terms of social characteristics translates into network distance, that is the number of relationships through which a piece of information must travel to link two actors (McPherson et al., 2001). This relationship between the similarity of nodes in a network and the likelihood of a tie between them was one of the first aspects observed by early structural analysts².

As already mentioned in chapter 2.1 on the diffusion of innovations, homophily has been extensively examined in a variety of communication situations. Rogers and Bhowmik (1970) conclude that communication patterns frequently tend to be homophilous since communication turns out to be more effective if taken place between two similar actors. Communication is then effective ‘when the transfer of an idea from a source to a receiver results in change in knowledge, attitude, or overt behavior on the part of the receiver’ (Rogers and Bhowmik, 1970, p. 529). Higher effectiveness stems from less effort otherwise required when interacting with actors quite different from oneself. More effort in communication can cause more message distortion, delayed transmission, and the like (Rogers, 2003).

Furthermore, homophily and effectiveness have an interdependent relationship: Those who are homophilous interact more with each other because their commu-

²For a historical overview see Freeman (1996).

nication is more effective. Higher degree of interaction creates greater consensus and similarity between the actors. Consequently, homophily is both the choice of individuals to interact with each other and the result of previous interaction (Rogers and Bhowmik, 1970).

Strength of weak ties

The ties between actors can be measured according to their strength which Granovetter (1973, p. 1361) defines as a ‘combination of amount of time, the emotional intensity, the intimacy, and the reciprocal services which characterize the tie’. Network bonds can, therefore, be arranged along a continuum between its ends ‘weak’ and ‘strong’.

Returning to the discussion about the richness of social capital, Lin’s (2008) idea about the layers of relations corresponds to the strength of ties. The inner layer is characterized by strong ties, the intermediate layer represents a mixture between strong and weak ties, and finally, the outer layer describes weak ties only. Homophily now suggests that close friends (inner layer) are mostly in touch with each other. Hence, the stronger the tie the greater the degree of overlap of friendship circles which creates a densely knit clump of social structure - an interlocking personal network (Rogers, 2003; Granovetter, 1983). In this layer, actors interact more frequently and intensely with each other resulting in similar social capital. Actors close to each other seldom know much that the single actor did not also know (Rogers, 2003; Granovetter, 1983). Hence, resources in the inner layer lack richness that require actors to reach out of this inner circle to increase the probability of finding ties with other and new resources (Lin, 2008).

Distant acquaintances, that is weak ties, are much more likely to possess resources which the focal actor does not already know about as they tend to move in different social networks. Weak ties are often heterophilous. Consequently, weak ties can serve as ‘bridges’ connecting a small group of actors close to each other with a more distant group of actors. In other words, small and closed social groups fragment society and the integration of these groups depends on weak ties. It is essential to note that all bridges are weak ties, but not all weak ties are bridges (Granovetter, 1973). With regard to diffusion, weak ties are most suitable to reach a larger number of people and to traverse greater social distance. Moving through strong ties will more likely limit diffusion within a few groups (Rogers, 2003).

The idea of the strength of weak ties became manifested through a study Gra-

novetter conducted among professional, technical, and managerial job changers. The results revealed that the respondents heard about job opportunities rather through loose contacts than through members of their closest network (Granovetter, 1970). Subsequent empirical research on the strength of weak ties, such as the study by Friedkin (1980), has shown that the argument has been useful in clarifying various phenomena, such as effects of social relations on individuals or the diffusion of innovations³. However, that is not to say that strong ties are irrelevant. They fulfill a different purpose than weak ties resulting in a ‘division of labour’ between strong and weak ties (Granovetter, 1983). The former can help accelerate the dissemination of information due to higher credibility, trust, and greater interpersonal influence, however, mostly restricted to a close and small network. In addition, social capital based on strong ties is more easily available. In contrast, the latter may help cross various networks allowing for higher reach and provides actors with access to resources beyond those available in an actor’s own social network.

Structural holes

According to Granovetter (1973) the strength of weak ties lies in its ability to bridge and to connect two or more distant social groups. Burt (1992) specified what actually needs to be bridged. Actors tend to focus their activities inside their direct social network and hence create a densely knit clump of social structure or cluster. As a consequence, they create structural holes in the resources flow between these social clusters. Structural holes are empty spaces or gaps in social structure across which there are no current connections between actors (Kilduff and Tsai, 2003).

Burt’s concept of structural holes is consistent with Granovetter’s idea of weak ties and extends the latter in that Burt (1992) emphasizes only weak ties, which are also bridges across structural holes, are of special value. It is the structural hole which is the cause to weak ties spanning the hole and which, therefore, generates advantages for actors occupying such bridging positions. Actors whose networks span structural holes have, thus, contacts in multiple different groups which implies that weak ties are heterophilous (Burt, 2005). Whether a bond is strong or weak per se produces no benefits (Burt, 1992).

Moreover, part of the idea of structural holes is, furthermore, the assumption that actors recognize and appreciate such advantages and seek out opportunities to realize them (Burt, 2004). Structural holes are beneficial for actors occupying bridging

³For a review see Granovetter (1983).

positions in two major ways: First, these actors may have access to resources which are not accessible to other actors in the network. This opportunity creates a competitive advantage over others. Second, this competitive advantage is not only based on the fact that actors at bridging positions have access to these resources but they can also access them much earlier and faster than others (Burt, 1992). Consequently, actors with many bridging weak ties have the possibility to extend their social capital. Existing studies have shown that people gain significant advantages if they can effectively bridge structural holes (e.g. Mizruchi and Sterns, 2001; Burt et al., 2000; Podolny and Baron, 1997).

As already hinted at, the network position of actors plays a crucial role for enlarging social capital. Within this context, network centrality may be important. It describes the extent to which an actor is centrally located within a network (Chriss, 2007). Network centrality does not only offer the possibility to increase social capital, but also offers greater control of resources (Chriss, 2007). Thanks to their favourable network position those actors can increase others' dependence on them lending them a certain degree of power and influence (Ibarra, 1993).

Structural cohesion and structural equivalence

Structural cohesion and structural equivalence present rival explanations of how actors in networks influence each others' attitudes and behaviours and how this can lead to social homogeneity, that is to which extent individuals tend to be alike (with respect to behaviour, outer appearance, thinking, etc.) Hence, both concepts are related to the concept of homophily which does not only describe the tendency of one actor to interact with another actor who is similar, but also understands homophily as a final state or result of previous interaction.

According to structural cohesion social homogeneity is fostered by face-to-face interaction and short communication channels (Friedkin, 1984). It is, therefore, based on social proximity which describes the extent to which one could be exposed to social information in a given social system (Rice and Aydin, 1991). Actors need to be proximate to the attitudes, information, or behavior of others to be exposed to social information. In addition, they must value the source of social information in some way for it to have an effect on actors (Dean and Brass, 1985; Salancik and Pfeffer, 1978).

The assumption of structural cohesion is that if actors are confronted with an innovation and are uncertain about it they tend to turn to trustworthy people to discuss

the innovation. As a result, a consensual understanding of the new phenomenon is created and its adoption quickly follows the adoption of those, who they had turned to for advice, because they have come to share the same evaluation of adoption's costs and benefits (Burt, 1987). This line of thought lies behind the use of opinion leaders and the two-step flow of mass-media in the diffusion process (see chapter 2.1). Due to 'social pressure' by one or more actors upon another, which may influence the latter's attitude and behaviour, human behaviour can be understood by examining a person's social network, that is with whom a person comes into contact (Mizruchi, 1993). In other words, networks provide the mechanisms by which individuals are proximate to, or are exposed to, others' information, influence, and behavior (Rice and Aydin, 1991).

Social homogeneity can result not only from direct pressure among actors in a network but also from actors performing according to the socially defined dictates of their social roles (Burt, 1982). Two actors may be aware of each others' attitudes and behaviour because they either play similar roles in the same network or they play similar roles in different networks (Kilduff and Tsai, 2003). Therefore, actors are defined as structurally equivalent if they are related in the same ways to other actors. However, they need not have direct contact to be structurally equivalent. The assumption is that homophilous actors will interact with other actors in similar ways (Friedkin, 1984).

Figure 2.3 exemplifies the two cases of structural equivalence. With regard to Company A both sales manager A1 and sales manager A2 are structurally equivalent since they occupy similar positions and thus have the same work relation to the head of sales. Hence, they play similar roles in the same network. Furthermore, sales manager A1 or sales manager A2 are structurally equivalent to sales manager B1 from Company B as they occupy similar positions (roles) in different networks. Consequently, structural equivalence occurs due to similar relations to other actors and not due to relations with each other.

Since structural equivalence refers to positions in networks that have the same structural characteristics structurally equivalent actors are substitutional with respect to their relational ties. This leads to competition between two or more structurally equivalent actors which is suggested to be the primary force initiating the diffusion process (Burt, 1982). They compete with one another for the favour with actors in other positions. Hence, they use each other as a frame of reference for assessing new phenomena, ideas, or the like. This triggers the effect that if one actor adopts the other will quickly follow to avoid embarrassment of being the last to adopt (Burt,

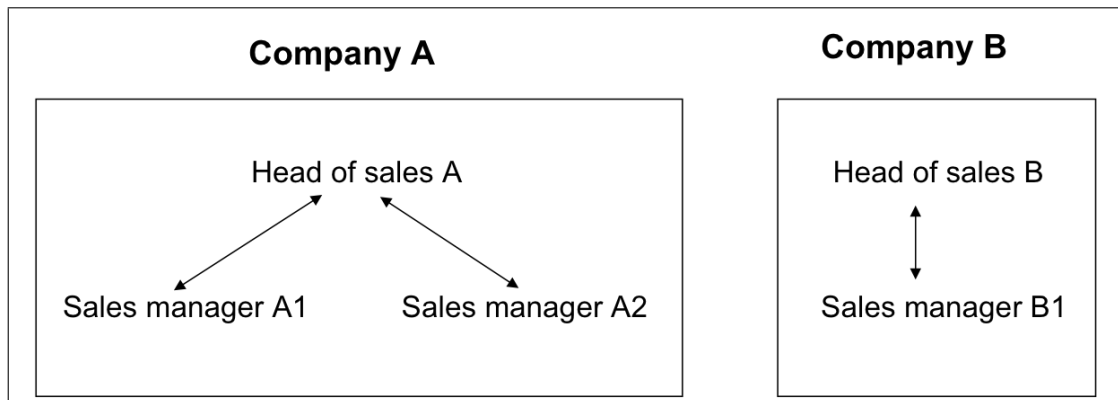


Figure 2.3. Example for structural equivalence

1982).

Both concepts have the same effect - social homogenization - but based on different processes or causes. Therefore, it can be easy to confuse both effects and the decision to emphasize one concept rather than the other should depend on what makes most sense in a given context. Friedkin (1984) concludes based on his study that both concepts are entirely consistent in explaining social homogeneity because if one cannot explain social homogeneity the other can.

2.2.2. Social Network Theory in an international context

In recent international business literature, especially in connection with the phenomenon of born globals (Knight and Cavusgil, 2004; Moen and Servais, 2002; Oviatt and McDougall, 1994), social networks are regarded as the basis or, more specifically, the means by which firms internationalize. Social network theorists recognize that the social structure, within which firms are embedded, affects competition by creating entrepreneurial opportunities for some firms and not for others (Ellis, 2000).

This network perspective to internationalization is founded on the ideas formulated by Johanson and Mattsson (1988). The fundamental assumption of their approach is that industrial markets are nothing but networks of relationships firms have with their customers, distributors, and competitors. These relationships exist because firms are dependent on each other since each of them possesses unique resources. By gaining access to them through interaction between the firms in the network each firm can produce and sell its products or services. These networks are both stable and dynamic: new relationships can be made and added to the existing ones and old relationships can be disrupted as well.

Within a network each firm occupies a certain position (resulting from earlier ac-

tivities in the network) which defines its development possibilities and therefore its strategic decisions (Coviello and Munro, 1997). Hence, firms internationalize with the help of present relationships which can serve as bridges to foreign markets (Coviello and Munro, 1997; Sharma and Johanson, 1987). Internationalization involves establishing and developing positions in relation to counterparts in foreign markets which can occur in different ways (Johanson and Mattsson, 1988): They can form relationships with counterparts in countries that are new to the firm (international extension), increase commitment in foreign markets already entered (penetration), or integrate their positions in networks in various countries (international integration).

The internationalization process is, thus, influenced by both the characteristics of the individual firm and of the market or network within which the firm is positioned. Johanson and Mattsson (1988) argue that, in particular the degree of internationalisation of both the individual firm, that is whether the firm has important relationships with other firms abroad, and the market, that is whether other firms in the market have important international relationships, determine the internationalization situation of the firm. Based on this logic, Johanson and Mattsson (1988) identify four different situations which are depicted in figure 2.4.

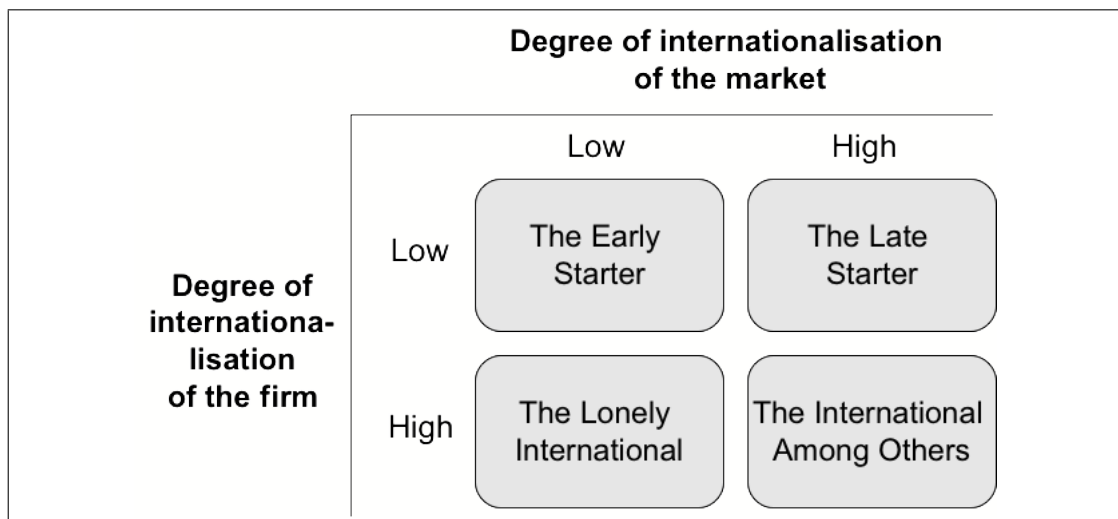


Figure 2.4. Situations of internationalization according to the network approach (based on Johanson and Mattsson (1988), p. 298)

Studies have shown that social ties play an important role for international growth (e.g. Harris and Wheeler, 2005; Ellis and Pecotich, 2001; Ellis, 2000). Network relationships mostly have a positive effect on internationalization since they can serve as initial triggers to foreign market selection and foreign market entry (Coviello and Munro, 1995). By linking themselves to an extensive and established international

network firms learn about new market opportunities for selling their products and services. Ellis (2000), for example, has found in his study that network relationships play a direct role in identifying exchange partners in foreign markets. In his study, internationalization resulted from capitalizing on existing formal or informal connections with other firms or people rather than from a proactive and rational scanning process. Foreign market entry can, therefore, often be understood as a reactive process in the network approach (Sharma and Blomstermo, 2003; Bell, 1995; Coviello and Munro, 1995).

Furthermore, networks can offer firms, in particular smaller firms unfamiliar with foreign markets, numerous possibilities to benefit and learn from the knowledge and experience of their network partners to overcome or, at least, reduce the liability of foreignness and to facilitate successful cross-border business activities (Hadley and Wilson, 2003). In addition, many firms, which lack the required resources, also outsource many market development activities, such as marketing or distribution capabilities, to network partners (Coviello and Munro, 1995).

Despite the positive network impacts on foreign market entry network contacts can also place constraints on the firms' market activities due to strong dependence on network partners and loss of autonomy (Chetty and Holm, 2000; Coviello and Munro, 1995). Network partners may have enough control over the firm to continue to influence its internationalization process. Coviello and Munro (1997) have found that firms seeking more autonomy from network partners tend to diversify from core product areas, proactively pursue new markets, and/or establish own sales and marketing offices.

2.2.3. Economic Network Theory

Economic NT is founded on the existence of network effects which are also called network externalities, or demand-side economies of scale (Shapiro and Varian, 1999). They all describe essentially the same idea: the utility that a given network actor or user of a good derives from this good depends upon the number of other users who are in the same network (Katz and Shapiro, 1985). The value of membership to one user is positively influenced when another one joins and thereby enlarges the network (Katz and Shapiro, 1994). Liebowitz and Margolis (1994, p. 135) define network effects as 'the circumstance in which the net value of an action (consuming a good, subscribing to telephone service) is affected by the number of agents taking equivalent actions'. Hence, unlike stand-alone goods, that provide a stand-alone value by themselves, network effect goods (additionally) derive their value from the action of

network actors.

Katz and Shapiro (1985) distinguish between direct network effects and indirect network effects. The former is a horizontal effect that refers to a direct effect of the number of users in one and the same network on the quality of the good which is, for example, the case for e-mail accounts. If only one or a few users subscribe to an e-mail account the benefit of it for each user is low since only a few people can communicate via e-mail. But if more and more people use e-mail communication the higher the value of an e-mail account.

Indirect network effects arise for a good when its value depends on the quality and quantity of compatible goods (Katz and Shapiro, 1986). This is best illustrated by the hardware-software paradigm (Gandal et al., 2000). The usage of computers is only valuable if there are various software programs available that can be run on the computer. There may also be indirect network effects resulting from interdependencies of different groups of actors. With regard to two-sided platforms they are also called cross-side network effects (Eisenmann et al., 2006). This means that one group of economic actors benefits from the participation of another group of actors, which is the case for platforms such as Monster.com.

Even though network effects have been around for a long time they are deemed characteristic for IT products and services (Arthur, 1996; Farrell and Saloner, 1985; Katz and Shapiro, 1985). In addition, network effects lie behind Metcalfe's law (Shapiro and Varian, 1999) (see figure 2.5): If there are n people in a network and if the value of the network to each of these people is proportional to the number of other users, then the total value of the network is $n * (n - 1) = n^2 - n$.

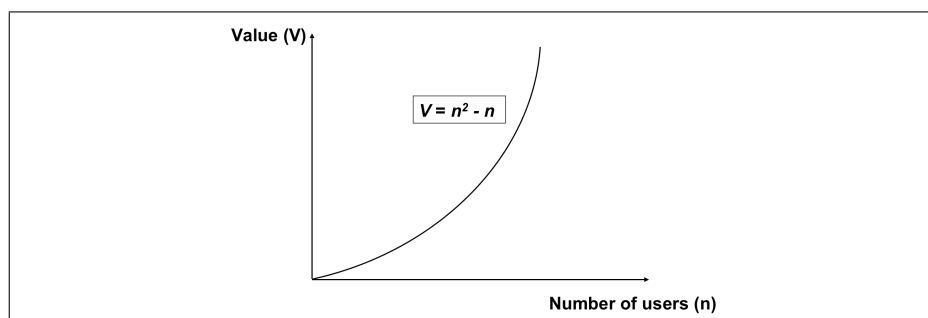


Figure 2.5. Metcalfe's Law

Network effects are relevant because they influence the diffusion of products and services. Diffusion dynamics for network goods are quite distinct from those of conventional ones (e.g. Beck et al., 2008; Choi et al., 2008; Beck, 2006; Weitzel et al.,

2003; Schoder, 2000; Saloner and Shepard, 1995) because they incur various peculiarities during the diffusion process, which are described in the following.

Critical mass and start-up problem

Goods with network effects are often characterized by the existence of a critical mass point referring to a minimum level of installed user base below which a good cannot be established on the market (Shapiro and Varian, 1999; Economides and Himmelberg, 1995). Critical mass depicts the ‘chicken and egg’ problem: users are not interested in a certain good if the installed user base is too small which is too small because people are reluctant to use the good (Economides and Himmelberg, 1995).

The requirement for a critical mass leads to the start-up problem or, more colloquially labeled, the penguin problem of such goods (Farrell and Saloner, 1987). Metaphorically speaking, hungry penguins gather at an ice hole reluctant to dive into the water for food since a killer whale might be lurking. Consequently, no penguin wants to risk to dive first. Adopting first can be risky since they might end up in network with too little network potential. Users are afraid that no-one will adopt even though they are convinced that the good is worth to adopt (Farrell and Saloner, 1986). Hence, diffusion of such goods depends on the potential adopters’ expectations about the decision of other users and thus about the ultimate size of the network rather than based on current sales (Besen and Farrell, 1994; Katz and Shapiro, 1985). If they believe that the network size will increase actors will more likely be ready to join. Otherwise they would give up benefits that they could have enjoyed on a larger existing network by deciding for goods with no installed user base (Katz and Shapiro, 1992). Risk of adoption results, therefore, from imperfect information and uncertainty about the preferences of other users. Drawing on DIT opinion leaders can provide a market signal and help overcome this start-up problem.

Positive feedback effect

Closely related to the critical mass requirement and start-up problem is the positive feedback effect (Arthur, 1990). It describes the tendency for that which is ahead to get further ahead. They are therefore also referred to as increasing returns (Arthur, 1996). If a product or a company gets ahead by chance or clever strategy, increasing returns magnify this advantage. Compared to diminishing returns in the traditional

part of the economy increasing returns do not run into natural limits with growing numbers of output (Shapiro and Varian, 1999). With regard to network effects or network goods, the more people use the product the more benefits are generated for the existing members of the network. In addition, it also makes the network even more attractive for potential users who have not joined yet. Thus, diffusion rate for such network goods is stimulated superproportionally with each new user after reaching the critical mass (Beck, 2006).

However, positive feedback can also work in an opposite, negative direction for goods, innovations, or companies since it also describes the tendency for that which loses advantage to lose further advantage. If a product, or a company fails to build up a critical mass, increasing returns will make sure that the successful competitor becomes even stronger. It will, hence, become even harder for the laggard to catch up. The stronger competitor has succeeded in capturing a good share of the market with customers being accustomed to use its products and services. Hence, the stronger competitor has succeeded in locking in the market.

Switching costs and lock-in effect

There are situations where people become more and more reluctant to change from one good or innovation to another one even if the other good is superior to the old one. When confronting with such a decision problem people consider investments they have made to use one good and that would be lost if they changed to another good. In this case, investments will have turned into costs which are referred to as switching costs (Katz and Shapiro, 1992; Klemperer, 1987a,b). Based on Porter (1980), who suggested that switching costs are one-time costs, Burnham et al. (2003, p. 110) define them as ‘the one-time costs that customers associate with the process of switching from one provider to another’.

If the costs of switching from one good to another are substantial, then users face lock-in (Shapiro and Varian, 1999). Lock-in effects can arise due to different sources which are not all caused by the existence of network effects. Shapiro and Varian (1999) have identified different types of lock-in effects and associated switching costs:

- **Contractual commitments:** Long-term contracts often prevent contract partners from ending the business relationship and entering a contract with another party unless penalty payment is paid.
- **Durable purchases:** First, such purchases involve high setup costs so that

replacement is too expensive (Klemperer, 1995). Second, the most common and important patterns of lock-in is that customers need to buy following products that work with the durable equipment to make full use of it (e.g. operating systems and application software).

- **Brand-specific training:** This involves learning investment to use a good and which cannot be transferred to another one (Klemperer, 1995).
- **Information and databases:** Switching to another data standard requires to transform existing data in order to transfer it into another system. This takes a lot of time and data may be lost or altered.
- **Transaction costs:** This includes learning about alternatives which is especially crucial in the case of specialized suppliers. It may be hard to find another supplier that can provide an equally sophisticated equipment.
- **Loyalty programs:** Examples are the airlines' frequent flier programs. Switching to another good will result in losing the cumulative benefits of the old loyalty program. Like contractual commitments, loyalty programs are called artificial lock-in effects since they result from management strategies.

Evidently, lock-in effects also exist in other industries and cannot only be attributed to network goods. Nevertheless, in the presence of network effects the probability for lock-in effects is extremely high since switching is more difficult compared to switching from one car brand to another due to brand loyalty (Varian et al., 2004). The type of lock-in, that has its roots in network effects, are durable purchases. Lock-in is especially apparent in the case of compatible products and services. Having bought several application software that only runs on one particular operating system people will be reluctant to switch to another operating system.

Furthermore, not all network effects inevitably lead to a lock-in. Job platforms, for example, exhibit strong indirect network effects: the value for one group (job posters or job seekers) depends on the number and participation of the other group. Assuming that this platform only offers a matching service and that job vacancies or CVs can be easily uploaded, switching costs, in this case, are relatively low.

3. Explaining the internationalization of NM-EBCs

3.1. Overview of the conceptual framework

Figure 3.1 offers a framework for understanding what factors influence foreign target market adoption which NM-EBCs need to manage to achieve international expansion. Target market adoption refers the degree to which the business model of NM-EBCs becomes adopted and established in the foreign target market. More precisely, it describes the number of users an NM-EBC succeeds to generate in a foreign market. This is crucial since the business model of an NM-EBC can only be replicated in a foreign market only if the company is able to attract enough users that engage in activities on the company's platform helping to create and increase the value of the firm's business model.

Furthermore, this framework shows that target market adoption (internationalization) depends on three groups of factors: Social network factors, diffusion factors as well as target market network size whose effect on target market adoption is based on demand-side economies of scale. Target market network size refers to the number of users in the target market.

Social network factors mainly concern cross-country diffusion and adoption because they explain how NM-EBCs can manage diffusion and adoption from outside the target markets. In contrast, diffusion factors and target market network size rather play an important role in the context of within-country diffusion and adoption. Diffusion factors explain how NM-EBCs can manipulate diffusion and adoption directly in the target market. With respect to target market network size, the economic perspective predicts that users will base their decision to join a network on its size in the country, which they are located in, rather than on the number of users in other countries.

Moreover, the framework postulates that the size of an NM-EBC's global network of current users, which refers to its networks in the domestic market and in foreign markets (including target markets), has an (indirect) effect on target market adoption through its influence on social network factors.

The knowledge about the various relationships of these factors reveals opportunities about how NM-EBCs can manage adoption in target markets. The identification and derivation of possible internationalization strategies based on this knowledge will be presented in chapter 3.2.

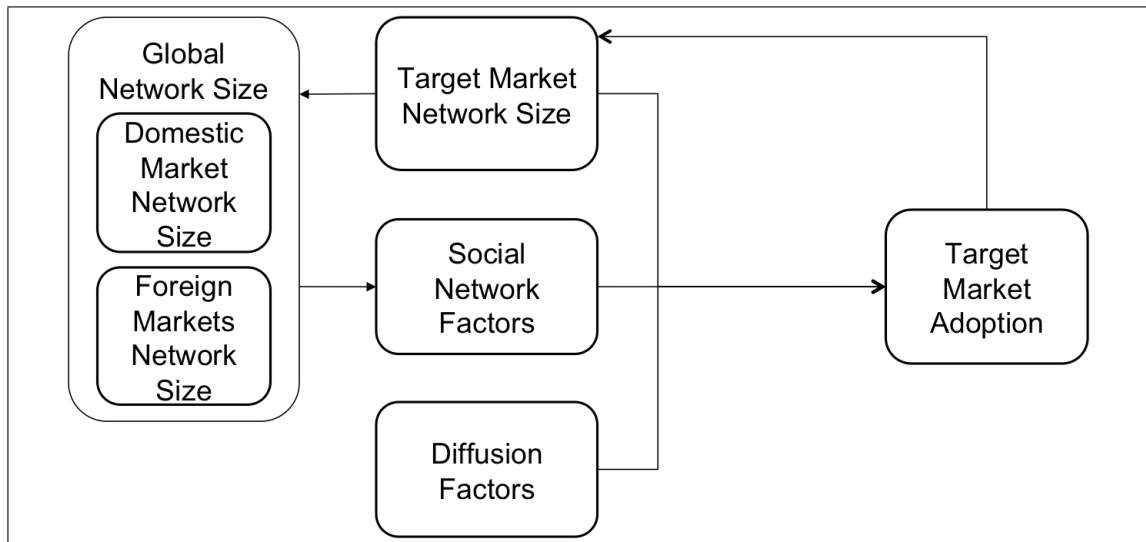


Figure 3.1. Framework for explaining the internationalization of NM-EBCs through target market adoption

Global network size and social network factors

The framework posits that the size of an NM-EBC's network of domestic and foreign users has an effect on social network factors. From a social capital perspective (see chapter 2.2.1), resources are embedded in social networks which individuals can access through the relationships with other people. Access and exploitation of social capital help impact action outcomes not only by virtue of information flow but by exerting influence on important actors through social ties as well (Lin, 2001).

The extent to which social capital can be accessed and used is determined by the structure of a given network. In particular, weak ties bridging structural holes between two or more different networks have proven to be valuable for accessing new resources not available in the immediate social network. Building on literature about social network theory as applied in the international business context, I suggest that bridging ties are essential for cross-country diffusion and hence international expansion.

The size of the current network in different markets, in which NM-EBCs operate, is important in that it both determines the volume of social capital and increases the chance of heterogeneity of resources. The assumption is that the larger the network the higher the amount of versatile relationships of existing users to other actors

outside of this network and thus the more likely will there be valuable bridging ties for NM-EBCs to exploit.

Furthermore, as proposed by the framework the focus is only on the network of users (corporate and private users) as a source for international growth and will not take other social relationships (family, friends, etc.) and business relationships (financial institutions, investors, etc.), which NM-EBCs may have, into consideration. Whereas all sorts of relationships have long been acknowledged as important for foreign expansion, in particular for small and medium-sized enterprises, in the international network literature, I believe that NM-EBCs will primarily capitalize on their current network of users. While both social and business relationships may be important as well the unique business models of NM-EBCs, which depends mainly on users and their interactions, shifts the focus away to the network of users. Social and business relationships can help with adoption but the primary source for making other people or organizations adopt is the influential power of existing users. And only target market adoption alone leads to international expansion.

Finally, understanding the mechanisms (structural cohesion and structural equivalence), by which actors in a social system influence each other and which, thus, lead to the adoption of an innovation, can be necessary for NM-EBCs to comprehend which strategies to implement.

Diffusion factors

The second set of factors having an impact on target market adoption are diffusion factors. Rogers (2003) has identified various factors that can help initiate and accelerate adoption (see chapter 2.1). These factors are the perceived attributes of an innovation, the type of innovation-decision, the communication channels through which information about an innovation travels, the nature of the social system, and finally the deployment of opinion leaders and change agents.

I believe that these factors can be influenced and managed by internationalizing NM-EBCs to make target market adoption more likely to happen and to speed up adoption. The most promising and manipulable factors are the type of communication channels as well as the deployment of opinion leaders and change agents.

Perceived attributes of innovations are of minor relevance in the internationalization context. Expanding into foreign countries entails replicating the prevailing business model in the target markets. Hence, major modifications would ultimately alter the entire business model of NM-EBCs. Nonetheless, adaptations of their of-

ferings to market-specific and culture-specific circumstances can be made to increase chances of diffusion. However, these changes do not affect the core of a business model and represent an operational action rather than a strategic option.

The type of innovation-decision is not included in the model as well. According to Rogers (2003) the type of innovation-decision which can accelerate diffusion speed is the decision made by an authority. An authority is an individual or a group of individuals that possesses enough power to enforce the adoption of an innovation within a social system. However, in the situation of NM-EBCs choices to adopt or reject an NM-EBC's offering will be made by each user individually.

Lastly, while Rogers (2003) emphasizes that knowledge about the nature of social system is essential for understanding diffusion he does not develop an explanation himself linking this factor with diffusion but rather refers to concepts of Social NT. Hence, this factor is covered by Social NT and will not be regarded as a manipulable diffusion factor.

Target market network size

The third factor having an impact on target market adoption is the target market network size. The idea behind the proposed influence of the target market size is founded upon Economic NT and the underlying concept of demand-side economies of scale (EoS) (see chapter 2.2.3). More specifically, demand-side EoS can exacerbate diffusion and adoption in target markets. NM-EBCs need to build a certain level of critical mass of adopters to become established in the market since, due to the interactivity between users, the attractiveness for an individual to join an NM-EBC's network depends on the number of participants. Otherwise, they will not be able to leverage demand-side EoS their business models are subject to. In addition, positive feedback effects amplify the relation between the critical mass requirement and diffusion since it magnifies the (dis)advantage of having a large (small) installed user base. In other words, the more users adopt in the target market the larger the network in this market becomes which again makes adoption for those, who have not yet adopted, more attractive.

NM-EBCs can develop an installed user base by convincing (1) users of other competing firms in the target market to (also) participate in their network (that is adopt their offerings), (2) by acquiring competing firms to gain access to a wide user base, or/and (3) by persuading potential users who have not yet adopted any offerings similar to those ones of the NM-EBCs concerned. The first case can pose supplemen-

tary problems of high switching costs and lock-in-effects due to strong demand-side EoS. NM-EBCs will mainly face the first situation when entering target markets since they are mostly served by local competitors with similar business models. Instead of making an effort trying to persuade users of competing firms to adopt their offerings and build an installed user base themselves, NM-EBCs can acquire local competitors and hence, can reach the critical mass point more quickly.

Whichever situation, reaching the critical mass point depends on whether an NM-EBC successfully manages the uncertainty and expectations of potential adopters about the future growth of its network the business model is based upon, that is to suggest that switching or first adoption is attractive and will generate growing benefits in the future.

Finally, target market adoption determines how large the target market network size will become and will indirectly influence the size of an NM-EBC's global network. Therefore, each increase in target market network size will add up to the social capital inherent in the global network of users which can be exploited for (further) foreign expansion.

3.2. Hypotheses

The theoretical framework has reviewed theories that explain which factors affect adoption and how these factors may influence adoption. Based on these insights, I will derive hypotheses about how NM-EBCs can manage adoption and, hence, the internationalization of their business model. Table 3.1 offers an overview of which concepts of Social NT, DIT, and Economic NT serve as a theoretical foundation for the developed hypotheses.

3.2.1. Influence of social network factors on target market adoption

The conceptual framework depicted in figure 3.1 suggests that specific characteristics of a social network have an influence on target market adoption. These characteristics refer to opportunities or resources (social capital) inherent in an NM-EBC's global network of users which they can access and manipulate to actively manage adoption in target markets. More specifically, crucial for the internationalization of NM-EBCs are their indirect ties to potential users in target markets. Indirect ties are referred to as links to two or more actors which are intermediated by third parties to which these actors have common ties (Burt, 1987). In the context of NM-EBCs it means that instead of approaching potential users in target markets themselves NM-EBCs

Table 3.1. Overview of hypotheses and their underlying theoretical concepts

Hypotheses	Theory	Underlying concepts	Type of influencing factor in the conceptual framework
Hypothesis 1	Social NT	network size and social capital	global network size and social network factors
Hypothesis 2	Social NT	weak ties, bridges, structural holes, and structural cohesion	social network factors
Hypothesis 3 Hypothesis 4	DIT	communication channels	diffusion factors
Hypothesis 5	DIT	opinion leaders	diffusion factors
Hypothesis 6	DIT	change agents	diffusion factors
Hypothesis 7	Economic NT	demand-side economies of scale	target market network size

can take advantage of who their current users know, of how they interact with the people they know, and of how they influence each other. As will be discussed later, most important to NM-EBCs will be weak ties bridging structural holes and the mechanism of structural cohesion.

The benefits arising from an NM-EBC's current users' ties to other potential users in target markets are enhanced by the size of its network of users. The more users an NM-EBC can include in its network the higher the volume of indirect ties to other potential users. The importance of network size has also been acknowledged in the internationalization network literature. From a network perspective, international expansion is influenced by social ties a firm has to various actors, such as suppliers or other business partners (Coviello and Munro, 1997, 1995). Through these networks they can gain knowledge about foreign markets and business opportunities as well as other relevant information needed for internationalization but which the firms may not have themselves (e.g. Harris and Wheeler, 2005; Ellis, 2000). Furthermore, there is evidence that firms with large networks are able to internationalize earlier and more successfully than those firms with less extensive networks since the potential access to information and other resources increases with network size (Frederico

et al., 2009; Andersson and Wictor, 2003; Knight and Cavusgil, 1996; Oviatt and McDougall, 1995).

Nevertheless, it has been argued in social network theory literature that network size alone cannot guarantee these benefits. Burt (1992, 1983) considers diversity of contacts in a network to be equally important for richness of resources. A large network will not provide valuable resources if all actors in this network are closely tied to each other. This argument corresponds with Lin's (2008) idea of layers of relationships. It describes that with moving towards more peripheral layers of relationships, where contacts are less frequent and intense, resources become more heterogeneous and dissimilar to the resources in an actor's immediate social circle. According to social capital theory, diverse and new resources are more likely to be beneficial for an actor's purposes (Granovetter, 1973; Lin, 2002). However, in this study, I propose that a large user network increases the chance that one of these users has resources or, more specifically, ties an NM-EBC needs to exploit for internationalization. Furthermore, I suggest that the probability for heterogeneous resources in this network is high since it comprises users across all countries in which an NM-EBC maintains business activities. This geographical dispersion will ensure that users in this network will not be closely tied to each other and that this network offers diverse resources to international oriented NM-EBCs. Hence:

H1: The probability of target market adoption will be positively related to the size of an NM-EBC's global network of users through its influence on social network factors.

Social NT as it applies to the business context understands markets to consist of relationships between firms and other relevant actors (see chapter 2.2.2). Each firm is embedded in a network of relationships and can therefore be characterized in terms of its position it occupies within this network (Forsgren, 2008). Hence, from the network perspective each country represents a market with a potential network of customers, suppliers and other important actors. In markets, in which firms already operate, they have built relationships to various market actors and have successfully established a position within this network whereas they lack this network embeddedness in markets in which they do not have any business operations yet. Therefore, internationalization means gaining access to a similar network of actors abroad and developing a favourable position within this network (Johanson and Mattsson, 1988).

The missing link to a foreign network of actors corresponds to Burt's concept of structural holes which represent gaps between two or more individuals or groups of

individuals where there is no information flow because people tend to focus on activities inside a group (Burt, 2004, 1992). In the context here, structural holes describe the situation where firms are embedded in important business relationships in one market and lack access to networks in another market. According to Granovetter (1973) and Burt (1992) weak ties, which are characterized to be less frequent, less emotionally intense and less intimate, have the ability to connect two or more distant networks and help bridge structural holes between them.

Literature on foreign expansion from a network perspective has adopted this idea and suggests that ties with dissimilar actors are valuable for internationalization-seeking firms (e.g. Prashantham, 2008). They offer novel information about new market opportunities due to fewer common links and thus help to bridge structural holes between markets. Moreover, literature points out that firms deploy home-based social networks as bridging ties to internationalize (e.g. Zhou et al., 2007).

Hence, current literature about internationalization from a network perspective stresses information as an important resource for foreign market expansion. The main reason stems from the uncertainty about foreign markets faced by internationally oriented firms due to the lack of proprietary knowledge and experience (liability of foreignness). This can lead to a higher risk of internationalization failure. To circumvent this risk firms can rely on their network contacts to provide them with information about international business opportunities, advice about how to enter foreign markets and about international business practices as well as experiential learning possibilities as they can capitalize on the experiences of their social ties without having made any themselves yet (e.g. Hadley and Wilson, 2003; Ellis, 2000).

The notion of internationalization through network ties can be applied to the situation of NM-EBCs as well. The most important networks for NM-EBCs evolve around the relationships to their corporate users and/or private users. Value for each network actor can only be generated through their interaction and input. In the center of this network lies the NM-EBC which provides a platform to connect the participants and whose main focus lies in managing this network. NM-EBCs, which intend to internationalize, need to rebuild this basis in foreign markets to be able to replicate their business model. As suggested by existing literature, social ties can help bridge this network gap.

However, there is a slight difference to the idea of bridging ties in the existing internationalization literature. First, literature proposes that internationalizing firms seek information about target markets through existing ties. In contrast, the primary focus for NM-EBCs to use bridging ties in their network is not on gathering informa-

tion but on the diffusion of information about their offerings into target markets. As discussed in chapter 1.2, the main goal of internationalizing NM-EBCs is not to enter target markets but to make them adopt their business model. Since their core offerings are fully digital and are transferred over electronic networks they are instantly accessible from anywhere in the world. Therefore, the main strategic concern of NM-EBCs shifts from how to introduce their offerings into target markets to how to make them become aware of their offerings and how to convince them to adopt. Strategic action and the use of social ties required to enforce adoption is ultimately all about the necessity to supply information. Hence, compared to internationalization from a network perspective as described in existing literature, the information flow through social ties in the context of NM-EBCs runs in the opposite direction (see figure 3.2).

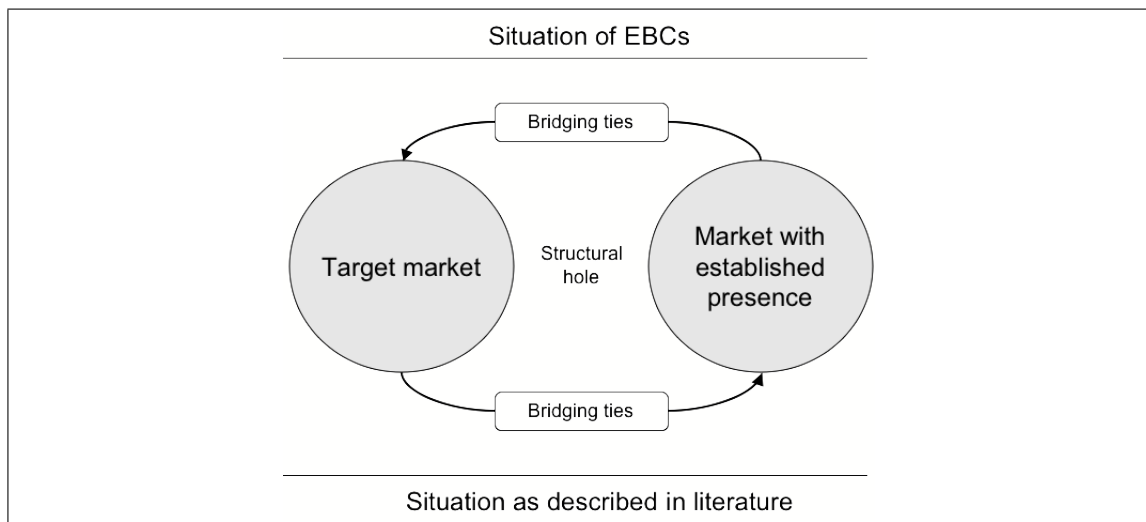


Figure 3.2. Direction of information flow through bridging ties

The second difference represents the cause for the reverse information flow. Whereas both internationalization situations (existing literature versus NM-EBCs) address the issue of uncertainty the perspective from which uncertainty is understood diverges. In the internationalization literature, it is the internationalizing firm which is uncertain about foreign markets and which seeks information advantages provided by social ties to reduce this uncertainty. Barriers to internationalization and probability of failure are lowered. For NM-EBCs, however, the main focus is on the uncertainty of potential adopters in target markets about whether to join the platform provided by NM-EBCs. Uncertainty exists because the usefulness and value provided by NM-EBCs to potential adopters depends on the number of other users who have already joined the network and with whom they can interact. Potential users in target markets lack information to be able to predict the future size of the network. If they

expect that only few people will join the platform they will not adopt since they do not want to take the risk to be stranded at a too small of a network which will not be able to offer enough value to them.

Most beneficial for internationalization is the network of NM-EBCs' existing users in the domestic market and foreign markets since an essential amount of social capital is embedded in this network. The idea is that their users might have ties to other potential users in target markets through which information about the NM-EBCs' offerings can travel. These ties are likely to be weak ties since users will prefer to interact with people within their immediate social circle and most of all with people located geographically near to them. Due to the geographical distance contacts to people in other countries will be less frequent and intimate. Following Granovetter (1973) and Lin (2008), this ensures that people staying in close contact will more or less know about the NM-EBCs' offerings whereas information flowing through weak ties will be new to potential users in target markets. Hence, through their users' weak ties NM-EBCs can reach potential users in target markets and inform them about their offerings. Weak ties will therefore serve as bridging ties over the structural hole between target markets and those markets which have already adopted.

Their users' weak ties do not only help NM-EBCs diffuse information about them to target markets but can also assist in convincing potential users to adopt. Social NT does not only offer explanations to how actors can access social capital - in this case information - inherent in their social networks but also provides explanations to how actors can mutually influence each other in their attitudes and behavior through their relationships to each other.

Social NT offers two contrasting approaches to the mechanism of social influence: structural cohesion and structural equivalence. Whereas both describe how people compare their attitudes and behaviors with those of a reference group of similar others they differ in that how this reference group is determined (Marsden and Friedkin, 1993). The structural cohesion model suggests that pressures towards uniformity result from direct face-to-face interaction or communication transmitted via short channels through intermediaries (Friedkin, 1984). Homogenization with respect to attitudes and behaviors happens since people are frequently confronted with uncertain situations or problems which cannot always be resolved purely by hard facts. As a consequence people tend to turn to other trustworthy people for advice who are situated in their immediate social circle which often leads to the adoption of similar opinions or evaluations (Burt, 1987).

In contrast, the structural equivalence model derives pressures towards uniformity not from direct ties to each other but from competitive forces between two or more structurally equivalent people who may not be linked to each other at all: they either play similar roles in the same network or in different networks (Kilduff and Tsai, 2003). From this perspective, they will use each other as a frame of reference to evaluate upcoming issues (e.g. opinions or products). People will quickly follow the adoption by their structurally equivalent opponents if adoption is deemed necessary for the position they occupy. By doing so they avoid the embarrassment of lagging behind (Burt, 1987).

I believe that the mechanism of structural cohesion better applies to the internationalization context of NM-EBCs than the mechanism of structural equivalence. First, the latter will play a minor role in cross-country diffusion since users prefer to observe and compare themselves with other structurally equivalent users in their own country rather than with users abroad. The reasoning is that rivalry between structurally equivalent people is more intense in the social system in which they are embedded because they could substitute for each other since they occupy similar or same positions in the social structure and are, therefore, evaluated by other members of the social system (Burt, 1987). Furthermore, the evaluation by members of the same social system rather than by members of other social systems is even more plausible since the outcome of actions of structurally equivalent people is more observable on a local scale than on a global scale. As a consequence they compete for legitimation and reputation within the same social system by observing each other closely and imitating each other's opinions and conducts.

Second, I assume that cross-country diffusion will largely depend on weak ties of an NM-EBC's current user network. Hence, users will be in direct contact with other potential users even though the communication may not be frequent and intense. Direct or indirect communication links are the basis for the structural cohesion model which is why this mechanism will make more sense. Structural cohesion was originally associated with strong interpersonal ties. However, weak ties can also play a crucial role in structural cohesion because they allow mutual influence and hence social homogenization not only within social circles, in which all members are closely tied to each other, but also across different social circles (Friedkin, 1993; Granovetter, 1986). Therefore, weak ties permit a level of structural cohesion in larger networks that could not be attained on the basis of strong ties alone (Friedkin, 1980; Blau, 1977). In the context of internationalizing NM-EBCs, weak ties allow for structural cohesion across countries.

In summary, weak ties of existing users may serve as bridging ties over structural holes between target markets and markets in which NM-EBCs already operate business activities. Through these ties NM-EBCs can diffuse information about their offerings to target markets and can convince potential users to adopt. To be able to use their current users' ties, NM-EBCs will approach their users and offer incentives to make them activate these ties.

This is actually the strategy Facebook.com used to internationalize. They relied on real-world connections between their current users and potential users in other countries and Facebook.com made them convince their international acquaintances to join its platform. The same approach was chosen by Xing.com, a Germany-based online business community, which offered incentives, such as additional services free of charge, to its current members to make them lure their international contacts to join its platform. Therefore:

H2: The probability of target market adoption will be positively related to the extent to which NM-EBCs offer incentives to their current users to make them activate their international ties.

3.2.2. Influence of diffusion factors on target market adoption

One of the important elements of diffusion of innovations within a social system is the use of communication channels since diffusion primarily concerns the communication of information about innovations to one or more people (Rogers, 2003). Information can travel by means of interpersonal communication channels or by means of mass media channels. The first usually involves face-to-face interaction while the latter includes mass media, such as radio, TV, or newspapers (Rogers and Shoemaker, 1971).

Following Rogers (2003), these channels have differing capacities for handling particular types of information and thus their importance varies according to the different stages in the decision process of adopters. However, interpersonal channels are often seen to be the key driver of diffusion because it is suggested that the act of actual adoption mainly depends on the experience of peers (Chandrasekaran and Tellis, 2006; Mahajan et al., 1990; Gatignon and Robertson, 1985). Interpersonal channels provide social support and enhanced confidence in the outcomes of the innovation (Katz, 1961, 1957). Generally, interpersonal channels are more likely to meet the particular questions of potential adopters as a result of their immediacy of feedback and the situation specificity of their communication (Schramm, 1973). As a consequence, they can lead to an increased understanding of the innovation and can

thereby reduce uncertainty of adopters.

As discussed previously, uncertainty and resistance of potential adopters in target markets towards an NM-EBC's offerings result from the lack of knowledge about the future size of the network they would join if they adopted. There is the danger of stranding in a network that is too small to leverage demand-side EoS and thus produces little value for the participants. This barrier to adoption can be best handled by interpersonal channels since subjective evaluations conveyed to them from other individuals and also the number of acquainted adopters raise confidence in the future growth of the network.

The idea of interpersonal communication channels is similar to the argument of weak ties put forward in hypothesis 2. However, while hypothesis 2 refers to why and how ties can be used for cross-country diffusion, interpersonal channels (word-of-mouth communication) here emphasize what NM-EBCs can do within target markets to encourage diffusion.

H3: The probability of target market adoption will be positively related to the extent to which NM-EBCs use interpersonal communication channels.

Nevertheless, mass media can be a strong communication channel as well when it comes to creating awareness about an innovation and fostering a general positive attitude towards an innovation. Mass media channels tend to supply information which is more general and unspecific and is more effective in quickly delivering information to a large number of people. Through a multiplicative effect they can quickly raise the overall level of awareness about an innovation in a social system (Fidler and Johnson, 1984). This communication channel may be especially attractive for NM-EBCs which do not have a large network of users to exploit their ties to potential users in target markets for internationalization.

Hence, while interpersonal channels are effective with respect to the final stages of an adoption process, mass media channels may be powerful at the beginning of this process (Rogers, 2003). Therefore, NM-EBCs will also make use of mass media communication channels to support target market adoption.

H4: The probability of target market adoption will be positively related to the extent to which NM-EBCs use mass media communication channels.

Rogers (2003) suggests that there are some individuals in a social system that act as role models for others. These role models act as opinion leaders within their communities and can be important determinants of rapid and sustained change in

attitudes and behavior. As a consequence, opinion leaders can accelerate adoption in a social system.

They exert influence on individuals either through direct interpersonal contact or through observation. Individuals may observe what opinion leaders think or do and imitate them. Hence, the existence of opinion leadership is based on the idea that other people seek and the follow their advice or behavior (Flynn et al., 1996). In addition, opinion leadership is often suggested to be tied to the actual consumption of a product or service for which people are opinion leaders (Shoham and Ruvio, 2008). They have, therefore, more experience with this good. Opinion leaders are further characterized to be more innovative and more often exposed to mass media (Rogers, 2003; Foxall et al., 1998). Furthermore, based on studies which show that innovations can diffuse from organization to organization similar to the diffusion process among individuals, Rogers (2003) concludes that opinion leadership is a concept that applies both to individuals and organizations, such as public institutions or companies.

By targeting local opinion leaders in target markets and by making them adopt first NM-EBCs can proactively encourage adoption among other members of the social system in these markets. NM-EBCs can either identify and approach individuals as opinion leaders or opinion leader organizations. The first may entail addressing famous and highly active bloggers in target markets to make them share their experiences with the NM-EBCs' offerings with others. The latter may include offline or online organizations as opinion leaders.

Offline opinion leader organizations are companies or institutions which do not have an Internet based business model. Portals, for example, with their various services or channels, for which input is mainly provided by other companies, could try to gain important and highly respected local newspapers or news agencies as input providers and potential adopters for their news channels.

On the other hand, well-known portals or other online content providers could serve as online opinion leaders for other NM-EBCs as well. An NM-EBC could convince them to integrate its services into the portal's own offerings thereby reaching the opinion leaders' followers which can be potential users for the NM-EBC.

Expedia and Monster, for example, were once input providers for the travel channel and the job channel of the local websites of the well-known portal MSN. This approach has a positive effect particularly on the adoption-decision of users since they might feel less insecure about the quality of an NM-EBC's offerings and about the future size of the network if trustworthy organizations or firms adopt. Therefore:

H5: The probability of target market adoption will be positively related to the extent to which NM-EBCs target local opinion leaders.

To trigger and accelerate adoption, DIT further suggest to deploy change agents. Change agents are individuals or organizations that influence the innovation-decision of potential adopters in a way considered desirable by the change agency they work for. They can, among others, be consultants, teachers, or salespeople (Rogers, 2003). They are, therefore, employed or contracted by an organization (change agency) that wishes to diffuse an innovation. Change agents are usually well-trained or possess expert knowledge in a particular field which qualifies them to educate members of a social system about an innovation in order to motivate adoption.

Change agents are different from opinion leaders in that they are usually external to the social system in which an innovation is supposed to diffuse. They are usually not the primary target group for an innovation whereas opinion leaders belong to the relevant adopter group. Moreover, while change agents are officially employed or contracted by the change agency, opinion leaders are convinced to adopt an innovation themselves. Lastly, change agents do not have followers who actively turn to them for advice; it is the change agent who seeks out potential adopters, who tries to initiate a desire for change in them, and who shows them alternatives to how change can be achieved. Change agents are hired because they are trained and have extensive knowledge about an innovation. Opinion leaders are important because they possess certain characteristics that make them attractive as role models other people look up to.

Nevertheless, the line between change agents and opinion leaders can be blurred when the latter are enlisted as change agents by firms. Rogers (2003) proposes that the ‘change agent’s success in securing the adoption of innovations by clients is positively related to the extent that he or she works through opinion leaders’ (p. 388). Instead of change agents using opinion leaders a more effective way can be to use the latter as change agents (Lam and Schaubroeck, 2000). They do not only have experience with the innovation but also enjoy high credibility among members of the social system in which the innovation is supposed to diffuse (Lam and Schaubroeck, 2000). Briefly, every opinion leader can be a change agent but not every change agent can be an opinion leader.

The business model of NM-EBCs revolves around a multilateral network which can consist of both private users and corporate users. Although change agents play an important role for both groups of adopting units they may be particularly relevant for making corporate users adopt since they show a higher level of uncertainty

about the NM-EBCs' offerings than private participants. This is a consequence of two issues: First, corporate users are usually the ones who pay for participating in the network since private users are regarded to be more price-sensitive. Charging them for participating in an NM-EBC's network may represent an adoption barrier. To circumvent this risk NM-EBCs usually choose a subsidy strategy where corporate users pay for joining and using the network while private users can participate for free (Eisenmann et al., 2006). For corporate users stranding in a too small of a network would mean not being able to generate as much return on investment (price they pay for participation) as intended and turning these investments into sunk costs.

Second, corporate users are sometimes offered a vast array of different products or services with different pricing policies by NM-EBCs. Monster.com, for example, offers employers multiple possibilities to use their platform and to interact with applicants, ranging from simply creating a job post to linking the employers' information system to the platform of Monster.com. In addition, participating in this network often involves technical knowledge about how to integrate the corporate participants' input into the platform of NM-EBCs. This is, for example, the case for portals consisting of various channels, such as travel or weather forecasts, for which corporate participants provide the necessary content. Hence, corporate users often need to be informed and trained about the diverse possibilities NM-EBCs offer. As suggested by DIT this can be done by change agents.

The concept of change agents is already known in the internationalization literature which considers them to be internationalization triggers that start the foreign expansion process (Hollensen, 2009; Eroglu, 1992; Bilkey, 1978). A change agent can be a member of a company's management, who is interested in internationalizing (internal change agent) and actively pushes foreign expansion, or a person outside of the firm (external change agent), such as industrial associations or other firms (Eroglu, 1992), which refers to a more reactive approach.

In this internationalization context, change agents have a slightly different and fully proactive meaning. They do not trigger the motivation for foreign expansion by convincing the company to do so or by opening up opportunities for internationalization. They rather trigger adoption in target markets, that is make potential users adopt. More specifically, the target in the internationalization literature is the firm itself and change is defined in terms of going from national to international or in terms of adopting the notion of going international. In contrast, the main targets in this context are the foreign (target) markets or, more specifically, the potential adoption units in the target market and change is understood as the final adoption

of the NM-EBC's offerings.

Google, for example, deployed country managers as internal change agents (for e.g. South Africa) and so-called resellers in countries, such as India, Australia, or the UK. These external change agents were indigenous firms that handled the promotion of Google's ads as well as customer support and service. Monster.com also relied on domestic firms as external change agents in such countries as the Scandinavian ones. Since NM-EBCs will face liability of foreignness (i.e. lack of market knowledge, cultural and language barriers) as much as any other firms they will deploy local external change agents in addition to internal change agents. Hence:

H6: The probability of target market adoption will be positively related to the extent to which NM-EBCs use external and internal change agents.

3.2.3. Influence of target market network size on target market adoption

So far social network factors and diffusion factors have been applied to explain how NM-EBCs can convince potential users in the target market to adopt. Another way to achieve target market adoption is to acquire an installed user base by purchasing a local competitor (i.e. NM-EBCs which operate similar business models). The theoretical underpinning stems from economic NT implying that target market network size will have an influence on target market adoption. From an economic network perspective, target market network size plays an important role in that it requires NM-EBCs to reach a minimum amount of adopters or users to become established in the target market. A fast way to achieve critical mass is to acquire local competitors.

The central value proposition of the business models of NM-EBCs is based on the input and interaction of their users. NM-EBCs create value by gathering and channeling their input as well as managing the cross-user relationships. As a consequence, NM-EBCs are subject to demand-side EoS which require a minimum network size to be attractive enough for potential users in the target market to adopt (Shapiro and Varian, 1999). Adopting units will consider to join the network only if there enough other users who they can interact with. Demand-side EoS also suggest substantial advantages (faster adoption) for those with a large installed user base due to positive feedback effects (Arthur, 1996): the larger the network the more attractive it will be for potential users who have not joined yet.

Instead of building such a user base from scratch NM-EBCs can acquire a local competitor in the target market and migrate the acquired user network to their own platforms which allows a much faster adoption rate abroad. Furthermore, with strong

demand-side EoS present in a market the probability is high that only a few firms may survive. Acquiring a local competitor leads to the elimination of a rival in the market, thereby reducing competition for achieving critical mass to exploit demand-side EoS and decreasing the chance of failure for the internationalizing NM-EBC.

However, foreign acquisitions will not always take place due to impeding factors, such as lack of financial resources or adequate acquisition target. Still, acquisitions represent a viable strategic option and will be taken into consideration by NM-EBCs whenever possible.

The American online travel agency Travelocity.com, for example, purchased foreign competitors, such as Lastminute.com in the UK in 2005 or Zuji in China and Singapore in 2006. Monster.com bought foreign providers of similar business models, such as jobsahead.com in India, jobpilot.com in Germany, or searchcompetence.se in Sweden. According to Monster.com acquisitions were made to increase volume (that is the number of users) and foster adoption in foreign markets which are regarded to be the primary drivers of foreign growth¹.

H7: Acquisitions of local competitors will have a positive effect on target market adoption.

¹Statement made by former Monster.com Chief Financial Officer Lanny Baker at the JPMorgan Internet Conference at March 13, 2007. Available at 'Fair Disclosure Wire'.

4. Methodology

A synthesis of prior research about the foreign expansion of NM-EBCs in chapter 1.1.3 suggests that there are still major gaps in our knowledge about how they grow internationally. Furthermore, I have discussed in section 1.1.2 why traditional theories of internationalization lack sufficient explanation power and why Diffusion of Innovations Theory and Network Theory may be more suitable for NM-EBCs. Based on this insight, I have suggested a new theoretical framework which shall be compared and tested against empirical data.

This step requires to clearly define the research methodology for this study. A research methodology determines how a research problem can be solved systematically. It specifies the various steps of research activity along with the logic behind them (Ethridge, 2004; Kothari, 2008). More specifically, it involves becoming aware of existing methods and knowing about their underlying assumptions and finally selecting the appropriate method for the particular research problem. In contrast, research methods describe techniques with which a researcher performs certain research operations such as data collection or statistical techniques for analyzing data (Kothari, 2008).

There are two basic approaches in research methodology which differ in their underlying philosophies: the quantitative and qualitative research methodology. The quantitative approach is based on the belief that all phenomena can be isolated from their social settings and can be reduced to empirical indicators (Sale et al., 2002). The emphasis is on capturing and measuring variables and their relationship to each other (Denzin and Lincoln, 1994). The goal is to generate data in a numerical form which can be subjected to rigorous quantitative analysis tools (Kothari, 2008). In contrast, the qualitative approach is founded on the fact that knowledge about reality can only be obtained through the ‘eyes of someone else’ (Jonker and Pennink, 2010), that is it seeks to understand certain phenomena of interest in its context. The emphasis is on the qualities of entities, that is processes and meanings which are not experimentally manipulated or measured but which are revealed by analyzing words, picture, objects, or the like (Gephart, 2004; Denzin and Lincoln, 2000). Hence, it allows to be more open to various types of real-life information and allows to describe as well as to understand processes happening in organizations compared to a purely quantitative research approach, which is grounded in mathematical and statistical knowledge (Flick et al., 2004).

This study will apply the qualitative research methodology for the following reason: It provides in-depth insights into how NM-EBCs expand to foreign markets which would be difficult to produce with quantitative research. Since we know little about how NM-EBCs internationalize and why they choose certain strategies a qualitative approach enables to create detailed descriptions about actual actions and helps to better understand their internationalization behaviour. Following a quantitative approach would require a fixed framework consisting of constructs defined and measured precisely a priori. However, that approach would fail to capture the full picture of the firms' internationalization behaviour and the context within which the process occurred and may miss specific important issues not considered a priori.

In qualitative research there are several strategies of empirical inquiry among which the most important are action research, ethnography, grounded theory, or case study research (Myers, 2008). In action research researchers immerse into the natural setting of the phenomena under study for an extended period of time, deliberately intervene or interfere with their subject matter and study the effect of their intervention. It aims at finding solutions to current problems while at the same time seeking to expand scientific knowledge (Reason and Bradbury, 2008; Susman and Evered, 1978).

In contrast, while in ethnography researchers also seek to engage themselves closely into their subject matter, they do not intend to interfere with it. They rather observe closely and accompany the people or processes under investigation, record and then write about it in descriptive detail (Atkinson and Hammersley, 1994; Hammersley, 1990). Ethnographic research is most appropriate for studying culture because it entails values and beliefs which are not instantaneously apparent and of which members of a culture are not always aware of. Hence, such studies require a considerable amount of time to observe the behaviour of people and to uncover hidden cultural aspects (Myers, 2008).

With the grounded theory approach, researchers aim at developing theory that is grounded in data systematically gathered and analyzed (Strauss and Corbin, 1994). Theory development is an iterative process in which theory evolves during actual research and through continuous interplay between data analysis and data collection which Glaser and Strauss (1967) refer to as constant comparative analysis: Theory is generated from initial data and may be revised and modified with incoming new data (Strauss and Corbin, 1994).

The case study research strategy 'examines a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a

few entities' (Benbasat et al., 1987, p. 370) to develop in-depth knowledge of a single or multiple instances or events (a case). Case studies usually combine data collection techniques such as interviews, questionnaires, observations, as well as document and text analysis (Yin, 2003; Eisenhardt, 1989a). According to Yin (2003) this method is especially appropriate whenever research deals with 'how' and 'why' questions about a contemporary set of events which cannot be manipulated.

This study follows the case study research since I seek knowledge about a specific phenomenon that is the internationalization behaviour of NM-EBCs. The most appropriate way to gain knowledge about this phenomenon is to seek out single NM-EBCs and consider each of them as cases for which information on their international expansion is collected separately. This will produce rich descriptions for each NM-EBC capturing their idiosyncrasies but will also allow to compare data across cases to be able to draw generalizable conclusions. In addition, case study research is widely used in Information Systems research since it includes areas where the phenomenon is dynamic or not yet matured (Darke et al., 1998; Orlikowski and Baroudi, 1991). This is especially applicable to NM-EBCs which represent a new phenomenon and which act in the highly dynamic Internet market environment.

Moreover, case study research is also deemed useful when there is no established theoretical base that describes and explains the phenomenon (Benbasat et al., 1987) and it can thus help examine the appropriateness and applicability of (new) theories (Markus, 1983). Basically, there are three types of case studies trying to accomplish various research aims: Descriptive, exploratory, and explanatory case studies (Eisenhardt, 1989a). Descriptive case studies focus on presenting objective, factual accounts of a phenomena without any attempt of providing a theoretical interpretation (e.g. Khalfan, 2004). Exploratory case studies aim at gaining a thorough understanding of a particular phenomenon (e.g. Brouthers and Bamossy, 1997), with the goal being to develop hypotheses for further inquiry and to generate new theories (Eisenhardt, 1989a). Explanatory case studies, on the other hand, adopt a positivist perspective and intend to test theory (e.g. Brown, 1999; Sarker and Lee, 2002). The positivist research paradigm is premised on the existence of an objective reality driven by general laws of causality which can be examined through empirical investigation. The researcher is seen to be outside of and independent from the phenomenon under investigation. Furthermore, theories are used to generate hypothesis about causal relationships within the real-life phenomenon (a priori reasoning) which are tested by comparing them with observed data (Guba and Lincoln, 1994; Shanks, 2002; Dubé and Paré, 2003). Even though it is often thought that qualitative research, such as

case study research, cannot follow a positivist research paradigm due to the lack of enough quantifiable data, case study methodology can be a powerful approach for assessing (causal) explanations (Denzin and Lincoln, 1994; Miles and Huberman, 1994).

An explanatory case research methodology was therefore chosen for this study because I do not only intend to collect rich data on how NM-EBCs expand their business models to foreign markets but also to *test* the applicability of the new theoretical framework.

The research procedure will follow the guidelines developed by Yin (2003) and the recommendations for rigor in positivist case research by Dubé and Paré (2003). Furthermore, to guarantee high research quality, Yin (2003) suggests that case studies need to meet the required criteria of construct validity, internal validity, external validity, and reliability. Construct validity deals with the questions whether correct operational measures for the concepts being studied have been established. Internal validity is concerned with the question whether one outcome can be really attributed to the suggested cause. External validity refers to the extent to which the results of a study can be generalized beyond the immediate case study. And finally, reliability requires to minimize errors and biases and is, thus, concerned with the extent to which the research yields the same results on repeated trials. Table 4.1 gives an overview of the four quality criteria and the stages in case study research in which the test for these criteria becomes relevant. I will address how I met various criteria in the corresponding chapters.

Table 4.1. Quality criteria for case study research

Quality criteria	Relevant phase of research
Construct validity	Data collection
Internal validity	Data analysis
External validity	Research design
Reliability	Data collection

Source: Based on the illustration by Yin (2003), p. 34

4.1. Research design

A research design is required before any data collection and data analysis can start. It describes a logical structure of the enquiry and its function is to ensure that the evidence obtained allows to answer the research questions as unambiguously as possible (De Vaus, 2001). Hence, a research design helps to specify what type of evidence is needed to answer the research way in an objective and convincing way. Dubé and Paré (2003) offer a comprehensive list of issues needed to be addressed within different stages of an explanatory case study research which is based on a review of relevant literature on case study research. A research design entails the following components (Dubé and Paré, 2003):

- Research questions
- Theoretical foundation
- Predictions from theory
- A priori specification of constructs
- Unit of analysis
- Single case or multiple case design
- Context of the case study

Research questions describe the issues which the research is designed to address and therefore express the essence of the enquiry (Mason, 2002). The research questions relevant to this study have already been stated explicitly in chapter 1.2. This study's purpose is to find out how EBCs expand their business models to foreign markets and, more specifically, to examine whether EBCs implement the strategic options derived from Diffusion of Innovations Theory and Network Theory and whether these strategies relate to the performance in target markets. Thereby, this study seeks to test the plausibility and applicability of both theories to the internationalizing context of EBCs.

It is essential for an explanatory case design to develop a theoretical foundation, that is to clearly state the theories of interest as well as the various predictions derived from these theories (Lee, 1989). A theoretical basis shows which factors are under investigation. Consequently, it helps the researcher with regard to data collection because it tells the researcher where to look for which type of relevant information. In addition, it guides the researcher through data analysis since it can serve as a

template with which to compare the empirical results of the case study and to draw conclusions about its applicability ('analytic generalization') (Yin, 2003). Based on the research questions, Diffusion of Innovations Theory and Network Theory serve as the relevant theoretical foundation. Furthermore, section 3.2 presents the relevant predictions (hypotheses) derived from both theories which will guide my further empirical research.

Although case study research is less about mathematical and statistical methods, Eisenhardt (1989a) and Dubé and Paré (2003) stress the importance of a priori specification of constructs. Constructs represent a broad mental configuration of a given phenomenon which cannot be either indirectly or directly observed but which may be defined on the basis of observables (Bacharach, 1989). Even though both authors refer a priori constructs specification to case study research aiming at building theory, this specification is all the more important for case studies with the focus on theory testing because it makes the findings of the case studies easier to be compared with the hypotheses. Only if constructs under investigation are defined and measured properly will the researcher know which information to look for and which questions to ask. Furthermore, identifying adequate indicators for the constructs under investigation, especially if they are based on a literature review or prior research, helps reduce 'subjective' judgements or impressions of the researcher, which is often regarded problematic in case study research (Yin, 2003). Most of my constructs under study are straightforward and do not need to rely on several indicators. Exceptions are opinion leaders and target market adoption which will be discussed in the data collection section.

The fifth component of case design is the unit of analysis which refers to the fundamental problem of defining what a case is (Yin, 2003). It is even more important for explanatory case studies since a clear specification of the case confirms that the unit of analysis under study is consistent with the boundaries of the theory being tested (Markus, 1989). There are two variants of case studies: holistic versus embedded case studies (Yin, 2003). Holistic case studies only involve one level of analysis, that is they focus only on the global view of the issue under study (Yin, 2003). In contrast, embedded case studies examine several units within one case and hence within the same context (Fitzgerald and Dopson, 2009). For this study, I have chosen an embedded case study design. The case will be a NM-EBC with two embedded units of analysis: the most successful market and the least successful market in terms of target market adoption (internationalization). One of the research goals is to explore the relationship between the strategies proposed by DIT and NT and target market

adoption outcome. I focus on the most successful market because my hypotheses predicted that target market adoption will most likely occur when certain strategies are implemented. Moreover, in return the same hypotheses also predicted that target market adoption will most likely not occur if NM-EBCs do not choose these strategies. As a consequence, I also checked on the least successful foreign market to compare it with the most successful one.

Another important issue which needs to be addressed in case study research is the decision between a single case or multiple case design. Multiple cases deepen the understanding of a particular phenomenon and help generate more powerful explanations than a single case design. Furthermore, the evidence from multiple cases is often regarded to have more compelling support for the propositions or hypotheses if all selected cases turn out as predicted, hence rendering the overall study more robust (Benbasat et al., 1987; Yin, 2003). Hence, including two or more cases in a study follows replication logic which describes the immediate goal to replicate the finding of one case study by conducting another one (Yin, 2003). Replication logic helps ensure **external validity** which refers to the extent to which the results from one study can be generalized beyond the immediate case study. Since the study's purpose is to test selected theories and to achieve a certain degree of generalizability a multiple-case design was chosen.

I chose the cases according to the following criteria: Since my definition of NM-EBCs includes three business models (see section 1.1.1) I was looking for firms representing the matching platform model, the community model, and the portal model with at least two firms for each business model. By selecting firms from all three business models it would be possible to show that the choice of internationalization strategies is not a function of business model but can rather be traced back to the fact that they belong to one and the same overarching organizational category (i.e. NM-EBC). Furthermore, I decided to select NM-EBCs with their headquarters in Germany. This entails two main advantages: First, strategic decisions are usually made in the headquarters. By focusing on headquarters I can make sure to obtain all the relevant data needed. Second, focusing on Germany helps avoid problems resulting from language and cultural barriers in data collection and helps control difference in national culture which may have an influence on strategy selection and which may distort my research results. Moreover, to gain a sufficient amount of data I needed to select NM-EBCs which have already internationalized at least to three foreign markets. I compiled a list of NM-EBCs, which contained 22 matching platforms, 16 community platforms, and 5 portals, based on various sources:

- stock indices: Dax, MDax, SDax, TechDax
- websites, such as deutsche-startups.de (provides an index of German start-ups in the Internet environment) and folden.de (provides among others directories about firms with various online business models both in Germany and worldwide)
- member directories of technology associations, such as Bitkom (Federal Association for Information Technology, Telecommunications, and New Media), eco (Association for the German Internet economy), and VIR (umbrella association of the online travel industry)

Lastly, Benbasat et al. (1987) and Yin (2003) suggest that case study projects need to offer detailed information about the research context, such as detailed information on the data collection process, to assess the credibility of the research results and to determine their generalizability.

4.2. Data collection

The primary strength and prerequisite of case study data collection is to use various sources which shed a different light on the same phenomenon under investigation (Dubé and Paré, 2003). This process is called triangulation (Denzin, 1978) and pursues the goal to corroborate findings by showing that different sources of information lead to the same conclusion. Triangulation, therefore, helps to achieve **construct validity** which deals with the question whether correct operational measures for the concepts being studied have been established.

Case data was primarily collected through semi-structured interviews with managers of NM-EBCs, external sources, such as press articles, and internal sources, such as press releases and annual reports. I also tried to obtain other internal documents, such as memos. Unfortunately, due to confidentiality the firms did not make them available to outsiders. For the interviews I specifically sought managers who are responsible for the international expansion of their business. Depending on the size of the organization potential interviewees were either the head of the company or the head of the international business development department.

Persuading firms to take part in my study was sometimes difficult since the majority was not willing to disclose detailed information about their internationalization activities. I ended up with a final sample of seven matching platforms and two community platforms. One of the matching platforms did not fully meet the selection criterion of several foreign markets. The firm is active only in one foreign market but

was nevertheless included since the firm was willing to participate and the results may have produced interesting insights. Unfortunately, no portals could be included in my sample. There were only five portals in my selected basic population none of which agreed to participate. Detailed information on the firms and the interview partners will be given in the case study results (chapter 5). Data collection started in July 2010 and stretched over a period of six months.

Even though data collection and data analysis are presented in two separate sections (since they describe two different stages in the research process) a clear distinction between those two stages could not always be made. Insights from early interviews and observations sometimes taught me how to do certain things differently like the way how and when certain questions were asked in later interviews. Moreover, at some time during the analysis process additional questions came up and I realized I needed more information on certain aspects. In those cases I returned to the interviewees and conducted a second interview.

I carried out semi-structured interviews which consist of a list of questions, but are open for the participants to respond as they feel appropriate (Flick, 2009). The case interview protocol is included in the appendix of this thesis. Since each case includes two units of analysis, that is the most and the least successful markets, the interview was structured accordingly. After identifying these two markets I started with questions on one market and then moved to the second market posing the same set of questions. The interview included theory-driven, hypotheses-directed questions with the goal to test the theories under investigation, but included open questions as well to allow participants to comment on issues they considered important. The order of questions was also varied if a particular response led to one of the other questions. This helped gather as many information on the process of internationalization as possible to satisfy the how- and why-questions, but allows at the same time to focus on particular topic areas. After conducting two interviews I made the experience that the interviewees became tired of answering the same set of questions for two markets and tended to be less specific for the second market. To avoid this problem I decided to ask each question for both markets simultaneously.

Two points in the case interview protocol need further explanation: Even though not explicitly included in my hypotheses, I asked the managers whether they also engage in any type of partnerships and what their motives were for partnering with other firms. This question aimed at identifying opinion leaders. Some partnerships with well-known and popular firms may entail traits of opinion leaderships of which the managers may, however, not be aware of.

The second point refers to which indicators to use for target market adoption. In marketing literature, the predominant indicator for adoption of a new product is sales within a certain period of time (e.g. Mahajan and Muller, 1994; Helsen et al., 1993; Takada and Jain, 1991; Chatterjee and Eliashberg, 1990; Mahajan et al., 1990) while in IT literature, adoption is understood as an innovation to be in use (e.g. Thong, 1999; Iacovou et al., 1995; Dewar and Dutton, 1986). However, researchers often do not discriminate between first purchase and repurchases or first and frequent use when describing sales and use respectively (Chandrasekaran and Tellis, 2006). According to Rogers (2003), adoption describes the final stage of the innovation-decision process through which an individual first learns about an innovation to the decision to make full use of an innovation. This implies that an individual becomes aware of an idea for the first time (hence the term ‘innovation’ as something new) and decides to use it for the first time. Consequently, adoption should consist only of first sales or first use.

To determine the adoption of NM-EBCs’ business models in target markets sales is not a sufficient indicator since individuals do not always pay to join a NM-EBCs’ network. For example, joining Facebook or using a portal, such as Yahoo! to retrieve information, is basically free of charge. In the case of two-sided platforms, i.e. NM-EBCs have two distinct group of users, it is usually the corporate user who pays while private users are not charged. Hence, I needed to include another indicator besides sales to reflect the actual degree of adoption. Following the meaning of adoption in IT, another promising indicator is the number of users in target markets. More precisely, this study uses the number of ‘first users’ as an indicator for target market adoption. In e-business or, more specifically, web analytics, a more common term for first user is ‘new visitor’. Web analytics is an evaluative technique in the business world to develop a better understanding of the usage of web sites by applying certain measures of web site activity (web metrics) (Phippen et al., 2004; Burby et al., 2007). A new visitor is one of the common web metrics used by companies and is defined as a unique visitor with a first-ever visit to a site during a reporting period (Web Analytics Association, 2008). A unique visitor is an individual within a designated reporting timeframe, with activity consisting of one or more visits to a site. Each individual is counted only once in the unique visitor measure for the reporting period (Web Analytics Association, 2008). They are usually tracked by user logins or are cookie-based counts (Web Analytics Association, 2008).¹

¹A cookie is a message given to a web browser by a web server whenever a web site is first visited. The browser then stores this message in a text file. The message is then sent back to the server

All interviews were recorded and later transcribed. For five cases, managers were interviewed in person while the other four cases involved phone interviews. No difference between face-to-face interviews and phone interviews could be noticed. They differed neither in quality of the information given nor in duration. The average length of one interview was 50 to 60 minutes.

Besides a case interview protocol I also established a case study database containing all information about the data collection process, the data itself and the case study results. According to Yin (2003) this helps minimize errors and biases and ensures that research yields the same results on repeated trials (**reliability**).

4.3. Data analysis

As Eisenhardt (1989a, p. 539) pointed out, data analysis ‘is both the most difficult and the least codified part of the process.’ To render case study analysis less difficult to start with and to help keep the focus on the actual purposes of the study, Yin (2003) suggests choosing a general analytic strategy which guides a researcher on what should be analyzed and for what reason. The present study’s aim was to gain more insights into how NM-EBCs internationalize and whether their behaviour can be described and explained by Diffusion of Innovation Theory (DIT) and Network Theory (NT). To achieve this goal the study’s design was based on a priori developed hypotheses. These hypotheses will guide the following case study analysis since they help focus attention on evidence related to the hypotheses and to ignore irrelevant data during data analysis.

Before jumping into the core of case study analysis, that is taking a look at certain evidence and drawing conclusions from them, it was helpful to first sort through and organize all the information in the form of transcripts and other documents (Spiggle, 1994). This helps create an overview of what information is there and where to find relevant data. In order to achieve data reduction, I dissected the transcripts and other documents into meaningful chunks of text and attached codes to them as recommended by Miles and Huberman (1994). Here, breaking the text into small pieces was primarily guided by my theoretical framework. Since the hypotheses already guided data collection, in particular the interviews, coding the information was straightforward since most of the information belonged to each of the variables of interest as indicated by the hypotheses. Every piece of text was assigned a sin-

each time the browser requests a page from the server. Thereby, an analytics software tool gets information about who is visiting the site and if they have been there before (Burby et al., 2007).

gle notation which described the general content of the text chunk. (For example if several passages referred to change agents, they received the notation 'CA'.) Then, I further specified the content of these chunks by expanding the attributed code (e.g. the use of external change agents was coded CA/EXT or if passages contained explanations to why change agents were employed or not it was coded CA/EXP). Lastly, I grouped the single codes according to which theory of interest (DIT or NT) they belonged or, if not applicable, to other clusters, such as 'firm information' or 'internationalization process', to permit a better overview of data. Furthermore, the list of codes was checked constantly during the actual activity of coding with regard to the codes' applicability, information specificity, and comprehensiveness.

Case study analysis will be divided into a within-case data analysis and a cross-case data analysis. The within-case data analysis aims at developing an in-depth understanding and description of each case which helps accelerate cross-case comparison (Eisenhardt, 1989a; Paterson, 2010). The analysis of a single case consists of two levels of understanding (Huberman and Miles, 1994): The first level is descriptive. The goal is to obtain a clear description of the phenomenon at hand since it is impossible to explain a phenomenon sufficiently before it is fully understood. The second level explains the phenomenon under study. Here, I will compare the outcomes of each case with the underlying theories to assess whether they coincide.

In contrast to quantitative research, there is no common set of 'hard' methods for data analysis in qualitative research. Miles and Huberman (1994) suggest a number of techniques for analyzing qualitative data (both for description and explanation), which heavily depend on graphic displays. Displays are 'a visual format that presents information systematically, so the user can draw valid conclusions and take needed action' (Miles and Huberman, 1994, p. 91). Displays can be used to compress and order data and allow researchers to avoid working with otherwise extended and unreduced text. Displays can either be matrices, with defined rows and columns, or networks, linking different concepts or variables.

The results for each case are best displayed using conceptually clustered matrices. These are displays which rely on concepts or variables as the organizing principle. More specifically, they bring together items that are related to each other (Miles and Huberman, 1994). According to Miles and Huberman (1994), they are deemed most appropriate if case studies pursue explanatory goals rather than exploratory objectives and if they involve an a priori defined set of key variables which apply to this study. Hence, they allow to compare empirical results with predicted patterns which

is considered to be one of the most desirable techniques for (explanatory) case study analysis.

The second level of analysis refers to cross-case analysis which is a way of aggregating data across cases and the means for making generalizations and to expand external validity. Cross-case analysis involves comparing cases and searching for similarities and differences or patterns. One goal is to examine the relevance or the applicability of findings to similar settings. Another goal is to deepen understanding and explanation of certain phenomena (Glaser and Strauss, 1967). In this study, one objective of cross-case analysis is to evaluate the hypotheses developed in 3.2 with respect to whether they apply to other settings or cases as well, that is whether they make sense beyond the specific case. Hence, cross-case data analysis was used to find support for the applicability and generalizability of DIT and NT. The other objective is to learn about firm behaviour, conditions, or other information not covered by the hypotheses.

Miles and Huberman (1994) propose three strategies for cross-case analysis: case-oriented strategies, variable-oriented strategies, and mixed strategies. The first is what Yin (2003) calls a replication strategy: researchers examine other cases to see whether patterns identified in previous cases can be found here as well and what they look like in these cases. Here, analysis is done primarily sequentially. In contrast, the second strategies look at how two or more variables or aspects are related to each other. Here, the researcher focuses on recurring aspects across cases thereby neglecting specificities of each case. The mixed strategies try to combine the previous two strategies.

This study's cross-case analysis will follow the mixed strategy paradigm because the main research purpose is to find out whether certain strategies based on theoretical knowledge are really related to target market adoption and internationalization. But at the same time, the study seeks to take advantage of each case's idiosyncrasy and to find out about particular conditions which deepen understanding about how DIT and NT can be applied to the internationalization of NM-EBCs.

For the mixed-strategies approach, Huberman and Miles (1994) suggest several techniques or displays. As a first step and preparation for a more detailed analysis, I composed two partially ordered meta-matrices. These are master charts which bring important data from all cases together into one big standard format (Miles and Huberman, 1994). One display will contain all strategies used for both the most successful market and the least successful market over all cases. In addition, the cells will contain indications about how strong these strategies were implemented. The

other partially ordered matrix will display the network size at the time of internationalization for the most successful market and the least successful market over all cases. These meta-matrices give an overview over what information exist and which information belongs to which case. From there, I will move to partitioning the data further using case-ordered displays. They array data case by case but which are ordered according to a specific variable of interest (Miles and Huberman (1994); see also Eisenhardt (1989b)), which are the variables stated in my hypotheses.

5. Case study results

Table 5.1 presents a brief description of each of the nine cases. From a basic population of 22 matching platforms, 16 community platforms, and 5 portals, my sample includes seven matching platforms and two community platforms and no portals. Cases were selected from various manufacturing and services industries such as the aviation or hospitality industry. Furthermore, the cases represent the three relevant business segments ‘C2C’, ‘B2C’, and ‘B2B’. Since all of the cases involved small- to medium-sized companies there was mostly only one person in charge of internationalization and who had sufficient knowledge to be interviewed. One exception was the Globalstay case which offered two interviewees as one person could not cover all questions asked and had to refer to another person. Moreover, Transactionport did not want some of the firm’s information published. For this reason I excluded specific information and replaced them with ‘DELETED’ in this thesis.

For the Lodgenex case the interview partner was the head of international development who has been with the firm for more than two years. The person manages a team of five people who are responsible for the internationalization process, that is market analysis, strategy selection and strategy implementation, as well as redesigning organizational structures and business processes for foreign expansion.

As already mentioned, Globalstay provided two managers for the interview. The first interviewee was one of the firm’s founders and heads the department for corporate communications today. The person is responsible for making business activities of the firm public and hence, possessed a wide knowledge about the company’s historical development including its international activities. However, the interviewee could not always answer questions on the specific markets (most successful and least successful) and thus, referred me to the head of international development. The second interviewee has been with the firm almost since its foundation and manages the firm’s whole internationalization process including the implementation of strategies in the single markets.

The interview partner for the Jobnex case was the head of international business development who joined the firm one year after its foundation. The person is responsible for the firm’s internationalization process and the implementation of its services in other markets.

For the Hubnex case the CEO and co-founder of the firm was available for the interview. The person’s responsibilities include among others the firm’s business

Table 5.1. Overview of selected cases

Firm	Industry	Business model	Business segment	Interviewee	Number of employees	Number of users	Number of foreign markets	Most successful foreign market	Least successful foreign market
Lodgenex	Hospitality	Matching platform	B2C B2B	Head of international development	500	20,000 corporate customers 7.2 m private customers 250,000 suppliers	32 (language)	France	UK
Globalstay	Hospitality	Matching platform	B2C B2B	1. Head of corporate communications and co-founder 2. Head of international development	414	289,000 corporate customers 2.2 m private customers 210,000 suppliers	17 (language)	France	UK
Jobnex	Recruitment	Matching platform	B2C	Head of international development	44	2 m job seekers and 11,000 employers and headhunters	8	France	Austria
Hubnex	Aviation	Matching platform	B2B	CEO	12	6,000 companies	global (150 countries)	North America	Russia
Transactionport	Manufacturing	Matching platform	B2B	CEO	DELETED	DELETED	4 (language)	Austria and Switzerland	DELETED

Overview of selected cases (continued)

Firm	Industry	Business model	Business segment	Interviewee	Number of employees	Number of users	Number of foreign markets	Most successful foreign market	Least successful foreign market
Oldbuddies	Social community	Community platform	C2C	Head of member services and co-founder	100	2 m users	4	Sweden	France
Consumernex	E-Commerce	Community platform	C2C B2C	Head of sales	200	3 m registered users and 45 m visitors	6	Italy	UK
Travelglobal	Travel	Matching platform	B2C	French country manager	77	296,000 users and 10 suppliers	1	France	none
Tradehub	Media and entertainment	Matching platform	B2B	Business Development manager	12	1,100 companies	global	no specific market	no specific market

development. Similarly, the interview partner of the Transactionport case was the CEO and founder of the firm who manages the firm's foreign expansion alone.

For the Oldbuddies case I interviewed the firm's co-founder who is now responsible for the firm's external communication and heads the customers service department.

For the Consumernex case the general manager/CEO was available for the interview at the beginning but was finally prevented to take part in the interview (for personal reasons). The general manager recommended the head of sales for the interview who reports directly to the general manager and who is involved in all relevant business activities and, thus, qualified as an interview partner. The head of sales has been with the company for over two years and manages with a team of thirty people the e-commerce activities for all of the firm's markets.

The interview partner for the Travelglobal case was the (French) country manager for France which is the only foreign market of the firm. The country manager has been with the firm since its expansion to France in 2008 and hence, managed this international process. Furthermore, the interviewee is, today, responsible for further developing the firm's business in the French market.

The last case, Tradehub, involved a business development manager who joined the firm about one year after its foundation. The person's responsibilities in the firm include acquiring and servicing the content suppliers as well as potential buyers, and PR and marketing.

With respect to foreign markets, some firms made a distinction between markets for which they had a localized language version of their websites but no extensive marketing activities and strategic actions and those markets to which the international expansion was enforced actively by the firms with a significant level of resource commitment. Table 5.1 specifies whether the number of foreign markets includes markets from the second category only or from both categories. For the latter, the number of foreign markets refers to the number of language versions.

Furthermore, the Travelglobal case and the Tradehub case represent exceptions in this study: Travelglobal has only one foreign market and Tradehub could not state which of its markets can be regarded as the most successful and the least successful respectively. As a consequence, no clear conclusions can be drawn about whether the findings really support or reject the hypotheses stated in chapter 3.1. However, as internationalization in general (Tradehub) and to France (Travelglobal) was considered to be successful according to the firms the findings may hint at that the strategies proposed in the theoretical framework may help achieve target market adoption. Hence, for further information the findings were included into an extra-section (5.2) within

the case study analysis but will not qualify to be incorporated into the cross-case analysis.

5.1. Within-case analysis

The presentation of the results is divided into two parts with the second part broken down into four subsections each answering one specific question. Each case analysis starts with important information on the firm's background and a brief description of the firm's international activities and expansion process.

The second part begins with targeting the first two research questions. They involve uncovering the strategies firms chose to manage adoption of their business models in foreign markets and, hence, to internationalize and examining whether Diffusion of Innovation Theory and Network Theory describe the strategy selection of the NM-EBCs under study. A table will show which of the strategies derived from both theories were implemented for the most successful and the most difficult market. Furthermore, the matrix displays whether additional strategies not identified a priori were chosen. To check whether the selected strategies actually aimed at target market adoption the matrix shows the benefits expected for each executed strategy.

To be able to fully answer the second research question I also investigated what reasons led the selected firms to not consider certain strategies and whether the reasons were related to the lack of adoption effectiveness or to other aspects which may play an important role in my theoretical framework. For clarity, reasons will be grouped into overarching themes.

The next subsection is primarily concerned with the third research question which deals with the relationship between the chosen strategies and the target market adoption outcomes. This subsection is important if a case displays a nearly or fully identical picture with respect to strategy selection for both the most successful and the least successful market. This outcome will provoke the question why adoption results differed for both markets even though the same strategies were executed. Here, it is important to find out whether there were circumstances which should be incorporated into my theoretical framework.

The last subsection aims at answering the fourth research question dealing with whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome. Here, the case's findings are summarized and, based on the results about which strategies were implemented, I will give a preliminary conclusion on which of the hypotheses suggested by this study's

theoretical framework are supported to see if both theories are viable. Furthermore, the summary will include information about whether the hypotheses need to be specified to fit into the context of the case.

Every case description was sent to the interviewees for them to review, to examine whether all information was reproduced correctly and to add further information whenever necessary.

5.1.1. Lodgenex: A matching platform in the hospitality industry

5.1.1.1. Company background and internationalization background

Lodgenex was founded in 1972 and counts 500 employees today. In 1996 the firm transferred its services completely to the online world by linking its own reservation system to the Internet. Today its core business is that of an online transaction broker offering a matching platform that enables companies in the hospitality industry to make their services available online to both private customers and corporate customers. The majority of those customers are private people (7.2 million) whereas Lodgenex generates more revenues with matching the services of 250,000 suppliers to more than 20,000 corporate customers. The company's revenue stream flows from sales commissions it receives from the services companies, which display their offers on the online platform, after a transaction has been completed successfully. Lodgenex does not charge private or corporate customers for using its platform.

Lodgenex operates on a worldwide basis employing about 40% of its staff abroad and deriving 40% of its total sales from international operations. Its website is translated into 32 languages. Nevertheless, it divides its international activities into two categories. The first one refers to those markets for which there is a localized language version but no extensive marketing activities or strategic actions. The second category includes six markets to which the international expansion is enforced actively by the firm with a significant level of resource commitment to achieve target market adoption. Lodgenex first internationalized actively to China in 2000, followed by the expansion to the UK and France in 2006. In 2007, it concentrated its international expansion on the Polish market and extended its international focus to Italy and Turkey in 2009 and Russia in 2010.

When Lodgenex became interested in pursuing its international expansion more actively and was ready to invest to develop its business abroad it did not follow a purely systematic internationalization process with a well-elaborated strategy plan. This less structured internationalization process primarily resulted from its need to

act fast in foreign markets and to be efficient at the same time. The firm felt it could not afford to invest too much time in planning, discussing and revising strategies before actually expanding to foreign target markets. In addition, as a medium-sized enterprise the firm did not possess enough human resources to craft a thorough internationalization plan and its internationalization was strongly driven by the owner of the firm. External consultants were not hired (to compensate for the limited human resources) due to the lack of trust and confidentiality concerns.

I don't think that we made a strategic market entry as a medium-sized enterprise in the sense of having a worked out plan, having someone who formulated a plan and of having a business consultant. We are a privately held company and it is more like 'OK, we do that now.' I think our internationalization effort was typical for medium-sized enterprises. And we don't have high fixed costs when internationalizing. [...] It's of course a bit easier [for us] than for firms that, let's say, need to build a manufacturing plant for several billions. These firms have to think more thoroughly about - well we do that too - but we hardly have any sunk costs.

Lodgenex more relied on its experiences and knowledge about how to establish its business model which it had acquired from its business operations in other markets. Especially its domestic market, which had proved to be their strongest market and in which they claim to be market leader, served as a template.

Because, actually, we don't have time to think through everything and to make a big plan which will take us a year. That's why we have to follow the trial-and-error approach since the market is in constant movement, competitors react fast, technology is developing rapidly. So, the most important thing for us is to try, learn fast and implement what we have learned. [...] Actually, it is of course...I have to say, OK, what worked out in Germany and why we are so successful in Germany teaches us, so to say, how to proceed in other markets.

5.1.1.2. Results of the Lodgenex case

Implemented strategies

Lodgenex's most successful market and most difficult market are France and the UK respectively. The firm already had had some business activities in France before 2006 when it decided to proactively pursue its expansion into this foreign market. The UK became a major focus in its internationalization activities shortly before the

French market at the beginning of 2006. Unfortunately, the firm did not provide any sales figures or numbers of users in the different market so as to check how successful France and the UK were really compared to each other and to other markets the firm is active in.

Unfortunately, Lodgenex could not provide any details about the number of users prior to expanding to France and the UK. Nevertheless, press articles from the years 2005 and 2006 reveal that Lodgenex could match the services of 186,000 suppliers to 12,000 corporate customers by the end of 2005 and the beginning of 2006. However, information on the total number of private users by that time is not available. But in the light of these numbers on corporate users and the fact that Lodgenex has existed for several decades now with a successful internationalization to China several years earlier (according to the interviewee, the firm's business is doing well there), it can be assumed that their global network of private users must have already grown to a significant size. Hence, these numbers show that Lodgenex could fall back on an extended network of users when expanding to the UK and France.

Table 5.2 displays what strategies Lodgenex chose for France and the UK and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.2 shows that the only strategy not taken into consideration for the French market and the UK market was acquiring local companies. The table also reveals that the image for both the most successful and the most difficult market is almost the same in terms of strategy selection. Apart from partnerships, which were less prominent in the UK, Lodgenex chose the same strategies for both markets. Partnerships became an important issue in the UK not before four to five years after Lodgenex expanded to this market. However, both markets differ with respect to how intensively these strategies were implemented. Furthermore, all of the strategies were implemented mostly in the beginning so as to trigger market adoption as fast as possible while the use of mass media channels and change agent activities remain active until today.

Well, internationalization is actually easy to grasp. With platform business, like we have, it is always important to exceed the point of critical mass, to build the critical mass. And this is always a massive effort. It's all about generating local demand and investing into developing the market.

Table 5.2. Strategies implemented to manage adoption in the most and the least successful target market (Lodgenex)

Strategies	Most successful foreign market (France)	Least successful foreign market (UK)	Expected benefits
Exploiting international ties of current users	strong for corporate users that operate on a global scale. (“because we internationalize very strongly through our corporate users”). however, no incentives whatsoever.	strong for corporate users that operate on a global scale. (“because we internationalize very strongly through our corporate users”). however, no incentives whatsoever.	gain access to the users’ network
Encourage word-of-mouth communication	absent for private users. passively. (“sure, through our corporate users’ network”). no incentives whatsoever	absent for private users. passively. (“sure, through our corporate users’ network”). no incentives whatsoever	
Use of mass media channels	strong. focus on online marketing (search engine marketing and -optimization, affiliate program)	strong. focus on online marketing (search engine marketing and -optimization, affiliate program)	- visibility - easy to implement - cost-effective
Targeting opinion leaders	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. (“best practice”).	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. (“best practice”).	
Use of change agents	French internal change agents (sales agents) only.	British internal change agents (sales agents) only. less intensively in this market.	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	strongly. affiliate partnerships. partners are EBCs well-known in the target market. integrate the services of Lodgenex into their own website. in addition, sometimes joint special promotion.	less affiliate partnerships at the beginning. more partnerships recently. partners are EBCs well-known in the target market. integrate the services of Lodgenex into their own website. in addition, sometimes joint special promotion.	- Profit from partners’ positive image/reputation - Gain access to partners’ network of users
Acquisitions of local companies	none	none	
Other strategies	none	none	

By the time Lodgenex expanded to France and the UK it had already built a large network of users. The firm primarily exploited the international ties, namely the incorporate network (headquarters and subsidiaries) of their existing corporate users. However, the firm did not employ any incentives to encourage their corporate users to mobilize their international ties. Furthermore, internationalization through international ties had a passive and an active dimension. On the one hand, some of its global corporate users with headquarters in Germany expected Lodgenex to also offer its services in France and the UK. On the other hand, Lodgenex considered these global companies as an opportunity for internationalization because first, they have a global network of subsidiaries which are potential users for Lodgenex and they can help the firm gain access to their network. Second, they already have experience with its services and know which benefits they create for corporate users. With this positive experience they will more likely make an effort to introduce the firm's services to their subsidiaries in France and the UK as well.

Yes, of course. The goal is to internationalize with current users - German users which have a global business - and to tell them 'OK, we want to launch this [our service] now and your employees can and should use this [in France]'. - You always have to regard this as a kind of network. - This depends, of course, highly on how autonomously the local organizational units or subsidiaries can decide what to use. [...] The fact that they had their headquarters in Germany indeed helped get our foot in the door in France, in terms of 'yeah, this is established, it works well, we already use it, etc.'

Less prominent in the portfolio of target market adoption strategies was the use of word-of-mouth communication which was not encouraged actively but Lodgenex rather relied on satisfied corporate users recommending its platform to other companies.

As mass media channel the firm relied on the Internet to create awareness for their platform in the target markets. Here, the firm focused on search-engine-marketing and search engine optimization (to get listed as high as possible among search results and to appear among the results for as many relevant keywords as possible as well as affiliate partnerships. Other mass media channels, especially, typical offline channels such as print or TV, produce too much marketing wastage and are therefore regarded to be little efficient. Offline channels are used only in Germany but not for reasons of adoption but more for brand-building purposes. In contrast, online channels, and search-engine-marketing and search-engine-optimization in particular, were deemed much more target specific and their effects on target market adoption could be better traced than in the case of other media channels. Moreover, they are easy to imple-

ment and require less financial resources than offline media channels.

When asked about opinion leaders, the interviewee admitted that, even though they did not pursue this strategy actively, having prominent corporate users is helpful for expanding to the target market and gaining new users there. However, these prominent users need not necessarily be located in the target market but can come from any market. What counts is that they are globally known. Hence, the concept of opinion leadership has shifted away from within-country to cross-country diffusion.

It also helps, of course, to have, let's say, references from global companies in Germany. So that they [potential users] may think 'OK, these are good companies [which already use the platform]. Let's listen to the guys [Lodgenex] and let them convince us.'

Lodgenex employed internal change agents who are located in an office set up in France and the UK to be as close to the markets as possible. Both offices are similar in size with around 20 employees. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. Moreover, change agent activities were constrained to potential corporate users only because they are more profitable for Lodgenex which derives the majority of its revenues from B2B transactions. Concentrating change agent effort on potential private users was not deemed necessary and efficient. The ROI for the last group of users would have been too low.

Apart from the general marketing tool of affiliate partnerships with diverse websites Lodgenex deliberately sought out several other companies, mostly EBCs, which were already well-known in France, as partners with operations in a related business field. While this strategy was prominent for the French market it gained importance in the UK only recently. The partnership mostly entailed integrating the online content and services of Lodgenex into the online content of their partner-EBCs sometimes in combination with a joint special promotion offer such as discounts on the price customers have to pay to their transaction partner. These discounts were negotiated beforehand by Lodgenex with the companies selling their services on its platform. One of their partners is a well-known EBC which offers online software solutions to corporate customers to help them optimize their travel management processes and which has enabled their customers to access the contents of Lodgenex via its own online platform. Moreover, such partnerships are communicated to the public via press articles. Partnerships were primarily pursued to benefit from their partners' reputation in the target market and to gain access to their partners' user base which

represented the perfect target group for Lodgenex. Hence, these partnerships clearly exhibit traits of opinion leadership.

Of course we tried to gain known affiliate partners. They [partnerships] are, so to say, a kind of brand...and potential users see that and think 'well, if they work with them ...'...They have some sort of *representativeness*.

The analysis so far reveals that Lodgenex rather relies on corporate users than private users to expand to the target markets when it comes to exploiting international ties of current users or to gain opinion leaders. Hence, the present results suggest further questions: First, why did Lodgenex focus its efforts on corporate users rather than on their private users? Or more generally, why did Lodgenex not implement the other strategies proposed by my theoretical framework? Second, why was target market adoption better achieved in France than in the UK although the firm chose almost the same strategies?

Reasons for not implementing certain strategies

To answer the first question I went back to my field notes and extracted information on why Lodgenex did not consider certain strategies for internationalization. In addition, I was interested in knowing the nature of the motives to better assess whether they were not chosen because managers did not believe they could achieve market adoption and hence expansion to the target markets or because of other reasons. When scanning and assembling the information two main types of motives showed up: technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable, and economic motives. Furthermore, there are reasons which belong in neither group and are thus referred to as 'other reasons'. Table 5.3 gives an overview of the reasons for not using certain strategies.

Lodgenex did not know what incentives it could offer to private users to encourage them to activate their international ties and to make users in the target market spread the word about the benefits of the platform. Since using the platform is free of charge for private users the firm believed it could not offer any monetary incentives but did not know what other incentives to provide to make use of these strategies. In addition, the interviewee admitted that the firm had not thought properly about it yet and had not tried to find an adequate solution to it yet.

Table 5.3. Reasons for not implementing certain strategies (Lodgenex)

Strategies	Reasons		
	Technical	Economic	Other
Exploiting international ties of private users	Do not know which incentives to offer to private users since the firm's service is free of charge		("actually, we haven't really thought about it [i.e. how to exploit the users' international ties] yet") Firm has not properly thought about it yet.
Encourage word-of-mouth communication	Do not know which incentives to offer to private users since the firm's service is free of charge		
Use of other mass media channels		Majority of mass media channels (especially offline) not efficient enough. Marketing wastage. Offline media channels used only in Germany for brand-building purposes.	
Targeting opinion leaders	n.a.	n.a.	n.a.
Use of external change agents	1. ("That is difficult since it [our business] requires a high degree of customer explanation and training") 2. Remuneration of external change agents difficult to realize.	1. ("That is difficult since it [our business] requires a high degree of customer explanation and training") 2. Remuneration of external change agents difficult to realize.	
Acquisitions of local companies	1. Business culture: risk aversion 2. Organizational reasons: Consider integration of another firm to be difficult. ("We do not want to compromise about our business".) Lack of a systematic M&A process.		

As mentioned before other mass media channels, especially offline channels, were regarded to be inappropriate due to economic reasons. Most mass media channels create high marketing wastage with higher investment and lower effectiveness in return. In addition, Lodgenex stressed that it has a strong focus on efficiency and therefore prefers media channels that allow to track their performance easily.

Lodgenex also anticipated technical as well as economic problems with external change agents since it believes that its business with corporate users entails intensive explanation which would require extensive training for external change agents. This was regarded to be too expensive and time-consuming. Moreover, the question of how to remunerate external change agents was difficult to answer. The firm's business model is founded on repeated bookings of corporate users rather than on mere registration or a one-time transaction. Hence, change agent activities do not only entail approaching new corporate users and convincing them to create an account on the platform but also involve continuous customer support to make them book over Lodgenex's platform on a regular basis. Such continuous activities render it difficult to develop an adequate incentive system that would exactly measure the external change agent's performance to allow for a satisfactory remuneration.

No external sales agents or anything similar. Because we have a business model which is not classic in the sense that, let's say, which allows someone to take over the sales activities. This is quite difficult since it [the business] requires a lot of explanation and requires one to fully grasp it. And we only make money if not...if the companies do not only say 'I sign up for it' but if there are bookings taking place. Hence, a typical post-sale issue. And thus...that's why...and here lie the success factors. What actions are there to take beyond the point of time when the company has created an account? What do I need to do to make companies actually use our platform? We don't have a transaction-based sales model allowing you to say 'OK, I pay a commission fee'. A constant customer support is needed that makes it hard to figure out how to measure external sales agent activities and to compensate them accordingly. In addition, it's not really attractive for external sales agents.

Acquiring local firms was not considered a strategic option because of the company's business culture. Lodgenex sees itself as a company that is more risk-averse and focuses on more immediate return-on-investment.

It's because of our business culture...that we would say 'OK, we're going to spend x millions of Euros and take a loss for the next 5 to 10 years.' That's not what we're like. We have always had a very strong focus on ROI. We take the owner's money, invest it, but there should be light at the end of the tunnel and we should get our money back. And I think, this is a bit different for a company which is listed on the

stock-exchange which will maybe develop a plan and which will say ‘OK, let’s invest several hundred millions’. In such a case values of a medium-sized company are less important. For us such a strategy needs to be compatible with our culture.

In addition, Lodgenex believed an integration of an acquired firm into their own organizational structure to be difficult without having to compromise about their business culture and business model. Furthermore, the interviewee admitted that the firm lacked a systematic and formal M&A process that would have made an acquisition easier to implement. However, the interviewee pointed out that the firm would not exclude this strategy for the future if a chance for an acquisition came up.

In summary, certain strategies were not taken into account not because they were believed to be ineffective with regard to target market adoption and hence international expansion, but rather because in most cases distinct conditions prevailed that made the implementation difficult for these strategies. More specifically, there seem to be factors that favour a specific design of strategies (international ties of corporate users versus that of private users, only online media channels, or internal versus external change agents) or that render certain strategies, such as acquisitions, unattractive. For the present case these factors relate to the existence of appropriate incentives or compensation schemes as well as to the corporate culture and organizational structure.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why France was more successful in terms of target market adoption than the UK even though almost the same strategies were used. Here, Lodgenex brings forward two explanations for this divergence. The first is what the interviewee called a ”cultural issue” which actually described the level of B2B market maturity for online services in the hospitality industry. In the UK, while private users embrace online services more readily and without hesitation the firm encountered a B2B market which was still dominated by traditional offline services providers. Potential corporate users were reluctant to switch to a purely online solution and rather stuck to their offline supplier. In contrast, the French market is considered to be similar to the German market in terms of maturity and level of acceptance of online services in the B2B market. Change agents in the UK market struggled with achieving the transition from an offline service to a purely online service.

As a second reason, the interviewee also indicated that the firm did not support their change agents in the UK enough and did not spend enough time and effort on trying to make adoption work. Furthermore, the firm pointed out that it might not have chosen the right people to work as change agents whose efforts were not successful enough without the strong support by the German headquarters. The interviewee emphasized that success is determined to a large extent by who the change agents are.

But they [change agents] had, I believe, a lot of difficulties to make the transition to such a, let's say, rule-breaking business model in this world work. In which we no longer ask users to pay but in which we ask for sales commissions. We just didn't succeed in making this switch work, also because of the people [change agents] and probably because we didn't support them enough. In terms of, how should we do it right? During the time of our growth we just didn't have the time and the energy to deal with this and to say 'OK, let's sit down and try to bring together our knowledge from other markets with the conditions prevalent in this market. We more or less let them fiddle around by themselves. That just led to limited success. [...] And it also always depends on the people you have. ...very much, of course, on the managing director: how strong is his personality? How much does this person push?

Crucial for internationalization are the managing directors and their ability to communicate with the German headquarters, that is the ability to bridge the information gap between how the markets abroad and the German market work. While the French managing director (MD) succeeded in playing this mediator role in France this was not the case for the British MD in the UK. The French MD, who had also completed a trainee program with a company in Germany, was better able to understand the German corporate business culture and business model of Lodgenex and hence knew how to translate and implement the processes and actions put forward by the headquarters. At the same time the French MD succeeded in communicating information specific for the French market to the headquarters which needed to be taken into consideration. In contrast, the communication flow did not work well for the UK because it lacked the required openness and directness. The interviewee emphasized that internationalization was for them an iterative learning process based on regular feedback from the international markets about which actions worked and which not. This feedback loop only worked insufficiently for the UK market. Furthermore, the MD for the UK came from a traditional offline service provider in the hospitality industry and failed to fully understand the business model of Lodgenex and still adhered too much to the experiences made in the offline world.

Based on this experience, Lodgenex decided to restart the expansion into the UK market by hiring a new managing director and setting up a partly new sales team for this market. The change of direction is also shown in the recently increasing amount of partnerships with other well-known companies in the leisure industry (opinion leadership) linking the firm's platform with its partners' services which until then have not played a significant role in the UK expansion.

Applicability of DIT and NT to explain target market adoption outcome of Lodgenex

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported to see if both theories are viable. Table 5.4 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of the first case.

The size of Lodgenex's network of users was relatively large at the time of international expansion to France and the UK: 186,000 suppliers and 12,000 corporate customers. Unfortunately, information on the total number of private users by that time is not available. It can only be assumed that it could depend on substantial number of users because its business has been constantly growing since its foundation and because it had successfully expanded to Asia beforehand. Hence, the number of users was already large enough to be able to profit from international ties which may support Hypothesis 1. As could be shown, the proposed strategies helped achieve target market adoption in France. The UK market was less successful even though almost the same strategies were chosen. Thus, in direct comparison, some strategies did not seem to be related to target market adoption. Hence, no support for Hypotheses 2 and 4 can be found. There were foremost two circumstances that led to this phenomenon: First, the strategies implemented lacked the intensity and the necessary commitment of the firm including not having selected the right change agents compared to its expansion to France. This supports the hypotheses which state the more effort a firm puts into the implementation of strategies the higher the probability of target market adoption. Second, Lodgenex encountered a B2B market immature with respect to online services. Market conditions, such as market maturity, can be considered a possible moderator in this study's theoretical framework.

Consequently, Hypotheses 5 and 6 can be supported. In contrast, no clear conclusions be drawn about Hypotheses 3 and 7 since the firm did not use the suggested strategies to internationalize.

Table 5.4. Applicability of DIT and NT on target market adoption outcome of Lodgenex

Hypotheses	Supported	Specification
Hypothesis 1	Yes	
Hypothesis 2	No	International ties of corporate users only
Hypothesis 3	No conclusions possible	
Hypothesis 4	No	Online channels only
Hypothesis 5	Yes	Only firms as opinion leaders
Hypothesis 6	Yes	Internal change agents only
Hypothesis 7	No conclusions possible	

5.1.2. Globalstay: A matching platform in the hospitality industry

5.1.2.1. Company background and internationalization background

Globalstay was founded in 2001 and counts 450 employees today. The firm functions as a transaction broker which provides an Internet platform to companies in the hospitality industry to offer their services online to both private customers and corporate customers. Today, more than 210,000 suppliers in the hospitality industry, 4,2 million private and corporate customers (of which 334,000 corporate customers are small and mid-size firms) use this platform to interact and do business with each other. The major booking volume is created by corporate customers with 66% of total booking volume. The company generates revenues primarily by charging suppliers a commission fee whenever a transaction between the supplier and a customer has been completed successfully. Further revenues stem from offering suppliers the possibility of a favourable listing on the website for a flexible fee.

Globalstay operates on a worldwide basis with a strong focus on European markets. In 2009, international operations contributed around 41% to the company's

total sales. Its website is translated into 34 languages. However, it distinguishes between those markets for which there are localized language versions but without extensive marketing activities and strategic actions and those markets which represent core foreign markets. International expansion to the last group of markets was enforced actively by Globalstay with high level of resource investment to encourage target market adoption. The firm targeted the UK first in 2006 before it expanded to France in early 2007 and to Spain by the end of the same year. Internationalization to Italy and China followed at the end of 2008 and mid-2008 respectively.

After having established its business model successfully in the domestic market Globalstay decided to transfer its business model to European markets in 2006. For this purpose the international brand name *bookthis.com* (fictitious) was introduced with which all foreign markets should be targeted while *Globalstay.de* was the brand name for the German market only. In 2008, Globalstay acquired the domain *Globalstay.com* which had belonged to another company in Germany and substituted its former international brand *bookthis.com* by the newly purchased name *Globalstay.com*. The new brand was considered to be more catchy and to have a higher recognition value.

Launching an international website was the first step to foreign expansion and was considered to be achieved easier and faster than having to invest in buildings, machines, or people to be able to internationalize at all in the case of traditional companies.

...and here we have reached the core of this interview and the tenor that I want to tell you straight away: How wonderful it is today to...compared to companies with a traditional business model...or to put it differently...how wonderful and easy it is today for an Internet company to expand with an Internet-based business model or to internationalize. (*interviewee 1*)

Nevertheless, the interviewee emphasized that an international website was merely a first step and much more action needed to be taken to make internationalization work. Expansion to another country can only happen if Globalstay's business model worked in foreign markets. To make its business model work overseas it had to fill its platform with content and hence to build a sufficiently large network of users.

Of course, we face big challenges: internationalization isn't only a question of language - sure, this requires a lot of time and effort. [...] But this is manageable. But apart from this, what I actually want to say, internationalization doesn't always depend on language. You also need first of all the required content for each country. And that's

when everything has to work smoothly in a company - that is, while a new language is becoming ready to go online [...] we have to try to generate content in this country. Otherwise, it won't work and everything will be in vain. (*interviewee 1*)

Moreover, for internationalization Globalstay relied on its experiences and knowledge about how to establish its business model in a market it had acquired from its business operations in its domestic market. Globalstay tried to transfer those strategic actions, which proved to have worked best in the past, to foreign markets.

They're [core foreign markets] characterized by the fact that we tried to copy more or less the whole portfolio of successful strategic actions to these markets. Well, we have learned over the years what is successful for us in Germany...what makes sense. And so we try, of course, to transfer these successful actions to foreign markets - as far as the structures and conditions in these markets allow us to do so. (*interviewee 1*)

5.1.2.2. Results of the Globalstay case

Implemented strategies

Globalstay's most successful market and the most difficult market are France and the UK respectively. Before the firm decided to pursue expansion to the UK proactively in 2006 and France in 2007 it already had had some activities in both countries thanks to the English and French version of its website. Globalstay's platform has more than 15,000 registered suppliers as well as about 200,000 registered corporate and private customers in France. By comparison, the numbers in the UK market make up about 70% of the numbers in the French market: around 10,500 registered suppliers and 140,000 corporate and private customers.

By the time Globalstay expanded actively to the UK the firm counted around 180,000 suppliers, 150,000 corporate customers and around 1 million private customers. Three months later the firm continued internationalization to France with the global number of users not having changed significantly.

Table 5.5 displays what strategies Globalstay chose for France and the UK and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.5. Strategies implemented to manage adoption in the most and the least successful target market (Globalstay)

Strategies	Most successful foreign market (France)	Least successful foreign market (UK)	Expected benefits
Exploiting international ties of current users	passively at the beginning. More actively later. big global corporate users. No incentives whatsoever.	passively at the beginning. More actively later. big global corporate users. No incentives whatsoever.	
Encourage word-of-mouth communication	absent for private users <u>absent.</u>	absent for private users <u>absent.</u>	
Use of mass media channels	strong. focus on online marketing (Google, search engine marketing, search-engine optimization, and affiliate program) (“we are pure onliners”)	strong. focus on online marketing (Google, search engine marketing, search-engine optimization, and affiliate program) (“we are pure onliners”)	<ul style="list-style-type: none"> - create awareness - easy to implement - outcome is measurable - less expensive
Targeting opinion leaders	either less explicitly for a certain target market. nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. (“role model”).	either less explicitly for a certain target market. nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. (“role model”).	
Use of change agents	some external change agents at the beginning. later French internal change agents (sales agents) only	some external change agents at the beginning. later British internal change agents (sales agents) only	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	some. mostly pan-European partnerships. partners are well-known in Europe. integrate the services of Globalstay into their own website.	some. mostly pan-European partnerships. partners are well-known in Europe. integrate the services of Globalstay into their own website.	<ul style="list-style-type: none"> - Profit from partners’ positive image/reputation - Gain access to partners’ network of users
Acquisitions of local companies	<u>none</u>	<u>none</u>	
Other strategies	<u>none</u>	<u>none</u>	

Table 5.5 shows that Globalstay neither encouraged word-of-mouth communication nor acquired any local firms in France and the UK. The table further reveals that the image for both the most successful and the most difficult market is the same in terms of strategy selection: Globalstay chose the same strategies for both markets. Internationalization through international ties of current users had a more passive dimension in the beginning of internationalization but developed an active dimension later. Only the international ties, namely the incorporate network (headquarters and subsidiaries) of their corporate users played a role for international expansion. Some of Globalstay's global corporate users, who had already used its platform in Germany, asked the firm to offer its services in France and the UK as well. In addition, Globalstay regarded this as an opportunity to tap the whole market and establish its business model there market-wide.

Well, let's say...at the beginning the important driver to go abroad was the corporate user. Because we are very, very much focused on international contracts with German companies...basically. That's how it got started. They started to say 'OK, we use your platform here in Germany, but we also have subsidiaries there and there, and why don't you expand to these markets as well?' So, we had a good reason to internationalize to these markets...to satisfy their demand. That was the first motivation. But at the same time it was clear...that we also said 'well since we are there we should try to exploit the whole market'. (*interviewee 2*)

When asked about the active dimension of the international network of its current users interviewee 1 responded that Globalstay did not really considered this. However, further explanations made it clear that the interviewee had in mind the international ties of private users only (refer to table 5.6 for further information). Interviewee 2 pointed out that Globalstay very well targeted foreign-based subsidiaries or parent enterprises of German companies already having used its platform as further potential users in France and the UK. Moreover, the company's press releases and interviews with managers in press articles explicitly stated this as an important approach to gain new users in those target markets. However, the firm did not employ any incentives to encourage their corporate users to mobilize their international ties.

The firm also used strongly mass media channels to create awareness about its platform and attract potential users to it in France and the UK. As mass media channel the firm relied exclusively on the Internet, especially Google marketing or search-engine-marketing or search engine optimization. The company spends a large part of its marketing budget on these online channels. Furthermore, it implemented

an affiliate partnership program allowing various websites to link their sites to Globalstay.com. Other mass media channels, especially typical offline channels such as print or TV, were not taken into consideration since their effects on target market adoption can be less well traced than in the case of online media channels. Moreover, online media channels are easy to implement and require less financial resources than offline media channels.

Furthermore, when asked about opinion leaders, the interviewee admitted that, even though they did not pursue this strategy actively, having prominent corporate users is helpful for expanding to the target market and gaining new users there. However, it was not necessarily the companies which served as opinion leaders but also leading managers within these companies with certain influential power and who eventually are members of important associations in the hospitality industry. However, these prominent users need not necessarily be located in the target market but can come from any market. What counts is that they are globally known. Hence, the concept of opinion leadership has shifted away from within-country to cross-country diffusion.

We have a relatively large business with big corporate users. And there we have certain opinion leaders, like you just said, particularly huge or prominent, who...in the industry...have a prominent name, like Mr G. from [company x]. Sure, we also benefit from his influence and ask him for testimonials which we can print in flyers or other things. Yeah, sure. [...] Or in France we could win [corporation y] as a corporate user. And such a huge corporation serves, of course, as a role model for others. (*interviewee 1*)

Globalstay employed internal change agents who are located in offices set up in France and the UK to be as close to the markets as possible. Internal change agents are locals with a working background in sales and experience in the hospitality industry or a related industry. They were hired by Globalstay and trained on the services of the firm. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. At the beginning, Globalstay hired some external change agents but soon decided to focus on internal change agents only. Moreover, change agent activities were constrained to potential corporate users only. At the beginning, change agents approached all types of possible corporate users but the firm soon found out that it was efficient for larger medium-sized and big corporate users only, because they are more profitable for Globalstay and are more difficult to convince to use its platform. Hence, intensive change agent activity was necessary. Small or smaller

medium-sized companies could mainly be targeted via online mass media channels. Similarly, concentrating change agent effort on private users was not deemed necessary and efficient.

[...] small and smaller medium-sized companies don't require personal sales people. That's just mass. They just make a few bookings and are targeted through newsletter marketing or, better, online marketing. To approach and convince them by going to trade fairs or through other activities involving sales people - we tried that - and we soon realized it just didn't work or wasn't efficient. [...] Really large companies...for them you need people locally. They're so hard to convince and the acquisition time can span a year to three years...and after so much time you still can't be sure they'll use your platform. They're incredibly complex, unbelievably hard to acquire and the outcome is uncertain. But as soon as they become a corporate user the booking volume is immense! (*interviewee 2*)

Apart from the general marketing tool of affiliate partnerships with diverse websites Globalstay deliberately sought out a few other companies, mostly EBCs, which were already well-known, as partners with operations in a related business field. Moreover, these partners were not only well-known in the target markets but were global players themselves, or more specifically, operated Europe-wide. These partnerships were, therefore, not constricted to France or the UK but were pan-European agreements. They mostly entailed integrating the online content and services of Globalstay into the online content of their partner-EBCs for all country versions of their website. One of their partners is a well-known EBC which offers an online travel service which integrated Globalstay's complete offerings into all its European websites. Moreover, such partnerships are communicated to the public via press articles and press releases. With the help of their partners' reputation in France and the UK (and in other countries) Globalstay could access an additional pool of users, become known among potential users, and could also reduce the uncertainty towards its platform among their partners' users. Hence, these partnerships clearly exhibit traits of opinion leadership.

The analysis so far reveals that Globalstay rather relies on corporate users than private users to expand to the target markets when it comes to exploiting international ties of current users or to gain opinion leaders. Hence, the present results suggest further questions: First, why did Globalstay focus its efforts on corporate users rather than on their private users? Or more generally, why did Globalstay not implement the other strategies proposed by my theoretical framework? Second, why

was target market adoption better achieved in France than in the UK although the firm chose the same strategies?

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Globalstay did not consider certain strategies for internationalization three main types of motives showed up: First, technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. Second, the interviewee often stressed the importance of their own business culture. Therefore, instead of subsuming them under technical motives I present them separately. The third type are economic motives. Furthermore, there are reasons which belong in neither group and are thus referred to as ‘other reasons’. Table 5.6 gives an overview of the reasons for not using certain strategies.

When asked about why Globalstay did not exploit international ties of existing private users interviewee 1 did not know immediately what reasons to put forward. The interviewee did not know for sure whether the firm has ever discussed this strategy and whether it dismissed this idea due to certain reasons. While trying to answer the question the interviewee came up with an ad-hoc consideration connected to a lack of technological infrastructure for implementation. More specifically, the interviewee reasoned that in order to implement such a strategy the firm needs a software system that can trace exactly which user recommended whom to use the platform. Otherwise, offering and allocating the right amount of incentives to the right users would not be possible.

I can't really say why. Let me think about it...whether it would be a good idea to do this. You need to make it [recommendation system] observable. [...] You always have to keep in mind that such an activity with such an extent needs to be perfectly observable. That is, when I approach, let's say, 1000 users or 10000 users and ask them to recommend Globalstay to their friends or family in France I need to make sure that I have the technological infrastructure and an output system that allows to satisfy the user. Since I can't promise A something 'you'll get this or that' if I won't be able to keep the promise. And if you ask me now what the reason for not having done this [the strategy] is, then that's my reasoning...or my answer. [...] But I'll definitely research this later. I consider this to be interesting and relevant so that I am making a note right now to rethink this. (*interviewee 1*)

Table 5.6. Reasons for not implementing certain strategies (Globalstay)

Strategies	Reasons			Other
	Technical	Business culture	Economic	
Exploiting international ties of private users	Lack of technological infrastructure to trace activation of international ties			Not sure whether firm has ever taken this into consideration properly
Encourage word-of-mouth communication	Lack of technological infrastructure to who recommended who			Not sure whether firm has ever taken this into consideration properly
Use of other mass media channels		("We are pure onliners")	Majority of mass media channels (especially offline) not efficient enough. Marketing wastage and easy roll-out to other countries more efficient. Outcome needs to be nearly perfectly measured.	
Targeting private opinion leaders	Difficulty in identifying private opinion leaders			
Use of external change agents	1. Targeting corporate users is no bulk work for which external change agents could be contracted 2. High degree of customer explanation and training		Lack of efficiency	Lack of trust and sufficient work motivation
Acquisitions of local companies	Achieve user switching from previous services to new services	Rely on organic growth	Achieve user switching from previous services to new services	

Similarly, when asked about the reasons for not having encouraged word-of-mouth communication within the target markets the interviewee responded that the same reasons would apply here.

As mentioned before other offline mass media channels were regarded to be inappropriate because of the company's business culture and due to economic reasons. The interviewee emphasized that Globalstay does business completely online with all of their employees coming from the 'online world' and has therefore a pure online mentality that shows in the choice of mass media channels. Coupled with this were economic reasons. Most mass media channels create high marketing wastage with higher investment and lower effectiveness in return. In addition, the way how online channels are used can be rolled out to other markets much easier and faster which makes these channels cost-efficient. Online channels further allow to better measure the effectiveness and efficiency of certain actions.

It, of course, only makes sense if we succeed in transferring these actions more or less 1:1 to at least four, or even better fifteen to twenty countries. And that works much better with online channels such as Google, search engine optimization, and the affiliate program. [...] We have one credo that says 'an action, no matter how, needs to be measurable'. The outcome must be measurable. So print, and radio, and TV can be eliminated...can be eliminated at this point. (*interviewee 1*)

Technical reasons were also responsible for not using private users as opinion leaders. The interviewee put forward that it was not clear how this strategy could be implemented in the private user segment since the firm did not really know how to identify the right people to approach. Selecting the adequate people among many in this anonymous market was considered to be a difficult obstacle to overcome.

Globalstay also anticipated technical as well as economic problems with external change agents. First, change agents are only used to approach large companies of which there are only few in one target market. Hence, there is no need for additional external change agents which help reduce the work load. Second, based on past experiences on the use of external change agents for some corporate users Globalstay decided to employ internal change agents only. The firm felt that its business with corporate users entailed intensive explanation and it realized that external sales people would never be able to fully understand its business. In addition, it would require extensive training which would be too expensive and time-consuming. As a further reason, interviewee 2 admitted deciding for or against external change agents was always a question of trust. Change agent activities meant working with sensible user

data which the firm preferred to keep within the firm. Moreover, the firm made the experience that external change agents never had the same high level of motivation and loyalty as internal change agents.

The decision against an acquisition of a local firm in France or the UK was primarily attributed to the company's business culture or business philosophy which puts a strong focus on organic growth and looks at acquisitions more sceptically.

And this is a que...a question of [business] philosophy. Here we have a similar issue as with the question 'print versus online' [refers to mass media channels]. There are companies which organize huge print campaigns or even use TV as a media channel. This is something we definitely don't do. We're pure onliners. [And] that's the same for acquisitions: We rather rely on our own strength than on anything else. That's what we do. Sure, we get [acquisition] offers constantly and sure, we examine them. And if there's a real steal one day then we'll think about it. But our philosophy is actually a different one. (*interviewee 1*)

In addition, Globalstay regards an integration of an acquired firm, and more specifically, of the purchased user base into its own technological platform to be difficult and time intensive. Some users may be reluctant to adopt the new platform due to brand loyalty or because they may find it hard to get used to another platform and its services. It would then be hard or even impossible to transfer them to another platform resulting in losing the newly purchased users. From an economic perspective, given this tedious process and uncertain outcome, approaching potential users and trying to convince them to switch to another platform is seen to be more efficient.

In summary, certain strategies were mostly dismissed not because they were believed to be ineffective with regard to target market adoption and hence international expansion, but rather because in most cases distinct conditions prevailed that made the implementation difficult for these strategies. More specifically, there seem to be factors that favour a specific design of strategies (international ties of corporate users versus that of private users, online media channels only, or internal versus external change agents) or that render certain strategies, such as acquisitions, unattractive.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why France was more successful in terms of target market adoption than the UK even though the same strategies were used. Here, Globalstay brings forward the given market condition in the UK as an explanation for this divergence. One market condition referred to the level of B2B market maturity for online services in the hospitality industry. In the

UK, compared to private users, corporate users were still reluctant to embrace online services and rather stick to their offline supplier which dominated the B2B market in the hospitality industry. In comparison, the French market represented a much more mature market with respect to the acceptance of online services in the B2B market. Its market conditions are similar to the conditions prevailing in the German market which made adoption efforts easier and more successful in France than in the UK.

What did we do in the UK and what did we do different in France? (*ponders*) No, basically, we didn't do anything different. I think, we tried to transfer all the successful strategies - as described - that is the strategies that we've learned to have worked out well in Germany to other countries - to transfer them to the UK. You have to understand that they differ...the structure in France is different from the one in the UK with respect to - like I said before - in the UK there are these agencies [offline suppliers] that dominate the market. That was the biggest difference to France. There the structure is similar to the one in Germany. (*interviewee 1*)

Well, France, for example, is the best developed B2B market - similar to Germany. Germany is extremely well, extremely mature when it comes to the B2B market. The Germans are globally seen the most highly developed. And the French come relatively close to that and that's why it works so well there. (*interviewee 2*)

Another market condition that made it difficult for Globalstay to break into the UK market was related to the time of internationalization. By the time the firm internationalized to the UK the market was already occupied by a large number of competitors making it hard to convince users to switch to Globalstay's platform. Competition was even fiercer in the already small B2B market for online services in the hospitality industry.

The UK market is a really horrible market...it is totally oversaturated. Well, you have to imagine that they [potential users] are already...it is totally oversaturated. They haven't waited for us to come. [...] And to persuade them [corporate users] to switch, to try something new, they don't want that. It is saturated. [...] We did everything - all of it [strategic actions] - it's useless. We have seen it doesn't work out not because we invested too little and our German competitors [which try to establish their business in the UK as well] invested so much more so that they are more successful than we are. (*interviewee 2*)

Based on this experience with the UK market Globalstay is thinking about shifting its focus more on the private user segment.

Applicability of DIT and NT on target market adoption outcome of Globalstay

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported to see if both theories are viable. Table 5.7 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of the second case.

The size of Globalstay's network of users was already quite large at the time of international expansion to France and the UK: 180,000 suppliers, 150,000 corporate customers, and 1 million private customers compared to 210,000 suppliers, 289,000 corporate customers, and 2.2 million private customers today. Although the international ties of its network triggered the expansion to France and the UK and therefore created a more reactive situation for Globalstay it later saw an opportunity in the network of their numerous corporate users to further its establishment in the market. Hence, Hypotheses 1 applies to the case of Globalstay. As could be shown, the proposed strategies helped achieve target market adoption in France while the UK market turned out less successful. Thus, in direct comparison, some strategies did not seem to be related to target market adoption. Hence, no support for Hypotheses 2, 4, 5, and 6 can be found. There were foremost two circumstances that led to this phenomenon: First, Globalstay encountered a B2B market immature with respect to online services. Second, the market was already served by several competitors making it difficult for Globalstay to be able to grab a big chunk of the market. From this case we could, therefore, learn that market conditions, such as market maturity and market saturation, can be considered a possible moderator in this study's theoretical framework. Furthermore, no clear conclusions can be drawn for hypotheses 3 and 7 since the firm did not use the suggested strategies to internationalize.

5.1.3. Jobnex: A matching platform in the recruitment industry

5.1.3.1. Company background and internationalization background

Jobnex was founded in 2005 and is funded by a major German venture capitalist. It counts 44 employees which are all located at the German headquarters. The firm

Table 5.7. Applicability of DIT and NT on target market adoption outcome of Globalstay

Hypotheses	Supported	Specification
Hypothesis 1	Yes	
Hypothesis 2	No	International ties of corporate users only
Hypothesis 3	No conclusions possible	
Hypothesis 4	No	Online channels only
Hypothesis 5	No	Only firms as opinion leaders
Hypothesis 6	No	Internal change agents only
Hypothesis 7	No conclusions possible	

functions as a transaction broker offering a platform for employers and headhunters to post open positions as well as for private users to find a new job with another company. Moreover, Jobnex has specialized in providing a job board exclusively for management-level positions in all kinds of industries. Today its network of users comprises more than 2 million registered job seekers, around 7,000 headhunters and 4,000 companies advertising more than 70,000 job vacancies in Germany and the rest of Europe. Jobnex generates revenues by charging both their corporate users and their private users for providing premium services. While the basic services are free of charge additional services, such as unlimited access to all job postings for job seekers or more sophisticated search options, require the users to pay.

When Jobnex realized that it was doing very well in Germany it intended to expand its services to other European countries. Over the last years it has introduced its services into eight European markets by developing localized websites with local domains for each country. Today, while 75% of all members are located outside of Germany international sales make up a smaller share of global sales. The German market still generates one-third of global revenues. Internationalization started with the expansion to the UK in late 2007. The UK was considered to be particularly interesting due to its market size and more frequent job changes. In addition, Jobnex launched a Pan-European dot-com version of its German website to target the remaining European countries in Europe. Their assumption was that English was a universal language especially common among managers or executives and that a dot-com website would reach the relevant target group Europe-wide. With resource-

efficiency as a major goal when internationalizing the firm further expected to obtain economies of scale easily by internationalizing with only one technological platform.

We launched the UK version and had the wonderful idea of launching a dot-com-product simultaneously with a jobnex.co.uk and a jobnex.com. And what we did with [jobnex.]com was to simply target whole Europe. This platform just exists and we made a very important decision relatively early, namely to internationalize with one platform. It makes internationalization easier, it makes it faster when working with one platform - it generates economies of scale. [...] And then we just decided to do marketing. And that means that we did a lot of online marketing, well, Google marketing in the beginning. And we did SEM in English - for whole Europe - and tried to sell the message 'great jobs, great headhunters, great network, and find the best, blablabla'.

You know, when we expand internationally we want this to happen as resource-efficiently as possible. We constantly look out for economies of scale. How efficient is that [what we do]? What can we do to reap the maximum from the resources? What's the best ROI?

What was intended to be a Pan-European platform for making its services internationally available turned out to be a market analysis tool for Jobnex. By observing which countries the website visitors and users came from, the firm could create a picture about which markets in Europe showed high demand and the need for such a service as Jobnex offered. With this data they selected the most attractive foreign markets for which they developed a localized version of the platform to better fulfill the users' needs.

And what we had created with this dot-com version was an indirect market research platform. That wasn't what we had in mind. But what happened was something surprising. We realized 'oh my god, there are lots of French, and Italians, and Spanish, and Dutch, that now visit our platform.' Not necessarily the Danish, Swedish, or the Finnish. These are the markets which we had thought would be served perfectly by an English version. Wasn't the case. And based on this we changed our internationalization strategy a bit and then started to further internationalize - based on what we have learned about where our service was very well received. We said 'OK, there is demand, apparently no strong competition, a target group would be served [by Jobnex] which doesn't feel to be served sufficiently in the market'.

Hence, the expansion to the UK and the launch of the dot-com version was rapidly followed by focusing international activities on the French market in early 2008. That same year Jobnex decided to further expand to Switzerland, Austria, Belgium,

and Italy. A year later, the firm expanded to Spain and to the Netherlands. Even though internationalization through launching localized websites appeared to be rapid and easy the interviewee clarified that this was only the beginning of international expansion and that further effort and action was needed to make internationalization work. For their business model to work in foreign markets Jobnex was required to fill its platform with content and hence to build a sufficiently large network of users.

But as you can see, we covered an extremely large number of countries within a short period of time because growth...well, launching [local websites] is the easy part. But it's the substance and all the stuff behind the website - job listings and the profile of job seekers as well as their interaction - that's what makes internationalization difficult and that's what's the major part of international expansion.

5.1.3.2. Results of the Jobnex case

Implemented strategies

Jobnex claims their most successful foreign market to be France while the least successful one is Austria. Jobnex internationalized to France in early 2008 and to Austria in mid-2008. Estimations by the Google AdPlanner tool reveal that Jobnex.fr counts around 290,000 unique visitors today. According to company information, the French market is ten times bigger than the Austrian market in terms of number of users and represents the second biggest market after Germany for Jobnex. Though the Austrian market is smaller than the French market per se, it still lacks the performance of similarly small markets in which Jobnex is active in.

Press articles, internal press releases, and company presentations from the years 2007 and 2008 indicate that Jobnex's network of users was significantly smaller in size when expanding to France than by the time the firm internationalized to Austria. These sources disclose that its network grew considerably larger from over 4,100 companies and headhunters, and 100,000 registered private users by the end of 2007 to 5,500 companies and headhunters, and 250,000 registered private users by mid-2008.

Table 5.8 displays what strategies Jobnex chose for France and Austria and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.8. Strategies implemented to manage adoption in the most and the least successful target market (Jobnex)

Strategies	Most successful foreign market (France)	Least successful foreign market (Austria)	Expected benefits
Exploiting international ties of current users	partly for corporate users that operate on a global scale. No incentives whatsoever. absent for private users	partly for corporate users that operate on a global scale. No incentives whatsoever. absent for private users	gain access to the users' network
Encourage word-of-mouth communication	strong. attractive products as incentives. ("Tell-a-friend programs are very important") strong. Focus on online marketing. (Google, SEO, and affiliate partnerships)	strong. attractive products as incentives. ("Tell-a-friend programs are very important") strong. Focus on online marketing. (Google and search engine optimization)	- raise awareness level - make others use its services
Use of mass media channels	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. ("signalling function").	neither specifically for a certain target market nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin. ("signalling function").	- create awareness - easy to implement - less expensive
Targeting opinion leaders	French internal change agents (sales agents) only some, but some time after expanding to France. ("high-level-brand-partnerships")	German and Austrian internal change agents (sales agents) none	Approach potential users and convince them to use the platform help establish the platform in the market
Use of change agents	none	none	
Forming partnerships with other local companies	none	none	
Acquisitions of local companies	none	none	
Other strategies	none	none	

Table 5.8 reveals that the image for both the most successful and the most difficult differs a bit in terms of strategy selection and intensity: Jobnex exploited more mass media channels for the French market than for the Austrian market. Moreover, the intensity of change agents activities is higher and more focused in France while change agent activities for Austria are a „co-product“ of change agent activities in Germany. Lastly, partnerships did not play a role for the Austrian market.

Jobnex regarded exploiting international ties of their current users as a possible internationalization strategy for both France and Austria. However, the firm did not employ any incentives to encourage their corporate users to mobilize their international ties. These international ties were exclusively the incorporate network (headquarters and subsidiaries) of employers and headhunters using the firm’s platform. However, Jobnex soon realized that capitalizing on international ties only led to limited success and was therefore reconsidered to be only a partly adequate expansion strategy. The reason why this method did not always work was rooted in the organizational structure of their corporate users. The firm made the experience that the decision whether to use such a platform for HR purposes was fairly decentralized. With the HR departments of foreign subsidiaries working quite autonomously and the headquarters not being able to force a management practice upon them Jobnex did not succeed in getting a foot in the door or it took too much time and energy to negotiate with the subsidiaries through the headquarters.

With headhunters and companies...yes and no. Well, this is something we...in most cases we made the experience that they work fairly independently from each other. Even if we said to, I don’t know, let’s say Kienbaum, called them up and asked ‘Do you operate in London? Could you recommend us? Since you are a satisfied user...’ the response is very often ‘No, we have nothing to do with them. I could give you a name at most.’ This happens a lot when internationalizing. There’s only little connection between the different countries. [...] There are no central departments that decide for all countries. It’s pretty complicated.

Capitalizing on international ties was a bit easier in France thanks to small ‘umbrella structures’ of some companies mostly concerning the Benelux-countries. This pool of countries was managed centrally by the headquarters making it possible for Jobnex to internationalize to France by approaching the headquarters and asking them to introduce its platform to the French subsidiary as well.

Yes, absolutely [to the question whether the problem with decentralized organizations also applied to the expansion to France]. Well, maybe, what we noticed in France was that from time to time it worked...sometimes there are ‘umbrella structures’ or

a Benelux structure. But that was all. Yeah, Benelux sometimes existed. There are some companies that say ‘we manage and control this from here [headquarters]’. That sometimes works pretty well. But that’s it. Apart from this you see little connections between various countries.

Furthermore, Jobnex relied heavily on within-country word-of-mouth communication of both corporate and private users in France and Austria. It considered this to be a major method as well as almost the best investment to raise the awareness level of the target group and to trigger adoption in a target market. To encourage word-of-mouth communication the firm established a special program, called ‘tell-a-friend’, that offered incentives such as vouchers, career-associated products like books or journal subscriptions to users that recommended Jobnex to other potential users.

As mass media channel Jobnex relied on the Internet, especially Google marketing and search-engine-optimization, in France and Austria to create awareness for their platform in the target markets. In addition, the firm implemented an affiliate partnership program in France allowing various websites to link their sites to Jobnex. Such a program was not set up in Austria due to efficiency reason, Jobnex rather relied on spillover-effects from such marketing activities in the German market to Austria. Other mass media channels, especially typical offline channels such as print or TV, produce too much marketing wastage and are therefore regarded to be little efficient. However, offline channels were later used in France such as print but only for brand-building purposes. Online channels, and search-engine-marketing in particular, in contrast, were deemed much more target specific and their effects on target market adoption could be better traced than in the case of other media channels. Moreover, they are easy to implement and require less financial resources than offline media channels.

When asked about opinion leaders, the interviewee admitted that, even though they did not pursue this strategy actively, having prominent corporate users is helpful for expanding to the target market and gaining new users there. However, these prominent users need not necessarily be located in the target market but can come from any market. What counts is that they are globally known. Hence, the concept of opinion leadership has shifted away from within-country to cross-country diffusion.

Well, not actively in France or Austria. But, yeah, it [opinion leadership] is something that works cross-market. If you have well-known companies as customers it creates a kind of signalling function helping to convince other potential companies to use our platform, to participate. That works quite well in the B2B segment [corporate users].

You know, there are some customers - companies or headhunters - which are globally well-known and are recognized in every country.

Jobnex employed a few French sales agents and a French speaking country manager for France as internal change agents who are all located at the headquarters in Germany. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. Moreover, change agent activities were focused on corporate users only because they are harder to convince to use Jobnex's platform. They are more uncertain about the platform's benefits and require more information and consulting to finally agree to adopt the platform. Furthermore, to convince corporate users Jobnex considers it important to establish itself as an HR expert for executive jobs and therefore, regularly sends employees to important trade fairs and other HR events. In contrast, private users are much easier to convince and are primarily acquired through online marketing activities. For the Austrian market, Jobnex relies on a team consisting primarily of German sales agents and of only two Austrian sales agents. Due to the lower market potential and profitability of Austria Jobnex depended on spillover effects of change agent activities in the German market to the Austrian market. This was regarded to be the most efficient way to handle sales agent activities for the Austrian market.

In France, while partnerships did not play a role in the beginning of international expansion they have started to gain more and more importance. Jobnex has started to build partnerships with other EBCs or companies with an extensive website and online services which the interviewee called 'high-level-brand-partnerships'. This indicates that by integrating its services into the online content of their partners Jobnex can improve the awareness of its platform among potential users and can help establish its platform in the market in the long run. These partners need to be well-known in the target market and should have built a large network of users themselves. It becomes obvious that these partnerships fulfilled the function of opinion leaders. Furthermore, their partners' target group should be similar to that of Jobnex. The firm did not pursue this strategic action right from the start of international expansion since it takes a while until the right partners are identified and until the process of partnership formation is completed.

And mostly they're longsome and complicated deals. That's why you have to be a bit more patient and also ready to wait for the right moment until you do something like this. [...] Forming a cooperation or a partnership always takes a while. Especially with

newspapers or magazines – they’ve got a completely different philosophy. The online business is often the smaller part of their business. That’s when it takes incredibly long. You need a lot of patience and perseverance.

Partnerships were not formed in Austria since it was not considered to be efficient. Jobnex rather relied on spillover-effects of partnerships formed in Germany to Austria. Lastly, the firm did not acquire any local companies in France and Austria.

The analysis so far reveals that Jobnex relied strongly on word-of-mouth communication, online media channels, and internal change agents and less intensively on international ties of current corporate users, opinion leaders, and partnerships. Other strategic options did not play a role. Hence, the present results suggest further questions: First, why did Jobnex not implement the other strategies proposed by my theoretical framework? Second, why was target market adoption better achieved in France than in Austria? Jobnex pursued a slightly different approach in France than in Austria. Could the divergence in adoption outcome be attributed to this?

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Jobnex did not consider certain strategies for internationalization three main types of motives showed up: First, there were technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. The second type are economic motives. Furthermore, there are reasons which belong to neither group and are thus referred to as ‘other reasons’. Table 5.9 gives an overview of the reasons for not using certain strategies.

The main reason why Jobnex did not exploit international ties of existing private users was the lack of cross-market connections between them. The interviewee reasoned that taking advantage of international ties would not have worked because there is little connection between members in one market and potential users in other markets. The job platform operates in a market which is more local for private users mostly due to language barriers.

No, because from the candidates’ point of view or from the consumers’ point of view this [international ties] doesn’t really exist. It just doesn’t work cross-market. That’s what you can observe...Jobnex is no Facebook – it is no social network. It doesn’t really work. You don’t really recommend such a service to someone abroad. You know, we’re a job platform – and it works more locally.

Table 5.9. Reasons for not implementing certain strategies (Jobnex)

Strategies	Reasons		
	Technical	Economic	Other
Exploiting international ties of current private users			No cross-market connection between private users. (“it doesn’t work cross-market“)
Use of other mass media channels		marketing wastage. outcome hard to measure. media disruption.	
Targeting opinion leaders	Difficulty in identifying private opinion leaders	not efficient for gaining private users	
Use of external change agents			keep knowledge within the firm
Acquisitions of local companies	Lack of adequate acquisition targets		

As mentioned before, other offline mass media channels were regarded to be inappropriate because of economic reasons. The interviewee emphasized that most offline mass media channels create high marketing wastage with higher investment and lower effectiveness in return. In addition, online channels further allow to better measure the effectiveness and efficiency of certain actions. In addition, there would be a media disruption which would lead to lower conversion rates since the time and motivation from seeing an ad somewhere offline to actually having a look at Jobnex online and subscribe to its services is too high and low respectively.

Technical reasons were also responsible for not using private users as opinion leaders. The interviewee put forward that it was not clear how this strategy could be implemented in the private user segment since the firm did not really know how to identify the right people to approach. Selecting the adequate people among many in this anonymous market was considered to be a difficult obstacle to overcome. Furthermore, the time and effort for identifying and approaching opinion leaders would have been too high compared to the effect on target market adoption.

Jobnex did not hire external change agents since it did not want to depend on outside knowledge which would not always be available but rather intended to develop knowledge and experience in-house and to keep it within the firm which the interviewee stressed to be important for Jobnex.

Buying local firms in France and in Austria was not seen as a strategic option because there were no adequate acquisition targets which ran a similar business model.

Acquiring companies with a deviant business model would have required to change and adapt it to the business model of Jobnex in order to integrate the purchased firms and their services into Jobnex and its offerings. This would have been neither effective nor efficient.

You know, there were just no competitors we could have purchased. There were none with a similar business model and product. And you have to keep in mind that Jobnex is unique in the way how it generates revenues. Usually you would charge companies for the use of the platform while consumers could use it for free. But with our business model it's different. We charge consumers, companies, and headhunters and this is something not many [firms] do. You just need companies that have the same business model. Otherwise it wouldn't make any sense. It would just be too difficult.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why France was more successful in terms of target market adoption than Austria. Here, Jobnex brings forward two major explanations for this divergence. The first reason is what the interviewee referred to as a cultural problem. In Austria, Jobnex observed that private users are more reluctant to pay for online services such as executive career services and hence prefer job platforms which do not charge any fees. The second reason refers to the size of the market for executive jobs. Compared to France or Germany, there are only a few executive jobs available in Austria which again renders it less attractive both for domestic managers and for foreign managers. Austria did not offer the necessary size to 'fill' a complete own version of Jobnex' platform.

For us...well...the executive market is considerably smaller. [...] People who leave Austria...or...Vienna, they don't necessarily stay in Austria but go to Berlin or Munich. So, Austria as a stand-alone market is not that attractive and also not that attractive for people outside of Austria. Switzerland, for example, attracts so many more people who go into this market although it's a small country as well. Or France or Germany are big stand-alone markets as well. I don't want to compare Austria with these two markets but I think it just doesn't offer the same potential or attractiveness.

Jobnex admitted that, in retrospective, it should not have launched a local version of its services but should have rather addressed Austria with its German or dot-com version and relied on spill-over effects from strategic actions carried out in Germany to Austria. Jobnex launched an Austrian version to see whether its platform would also work in a smaller market and what outcomes such a market would create compared

to bigger markets because it initially believed that Austria would be a sufficiently attractive market. This decision was based on its experience with the dot-com version through which Jobnex learned that a fairly high number of Austrians used their platform. However, the interviewee admitted that the less successful outcome in Austria did not bother Jobnex much since internationalization to Austria did not involve such high investments as it would have entailed with an international expansion that would have required the opening up of offices or manufacturing plants.

Was it necessary or wasn't it necessary? Maybe, in retrospective, we should have – and this without ignoring the needs of Austrians – targeted them through the .de-platform or the .com-platform. Did it justify their own local version? Not necessarily. [...] It was an experiment to see if it would work there [Austria] as well. And, I think, looking back, we could have said that because of the same language in Germany and Austria we could have simply profited from the spillover effect from Germany to Austria. So, this localized version wasn't really necessary.

Thus, the divergence in adoption outcomes was not a result of a slightly different strategic approach but the lack of affiliate partnerships, 'high-level-brand partnerships', and the more localized change agent activities was more a result of the lack of market attractiveness. Since Jobnex soon realized that the Austrian market potential was too low it decided against expanding its strategic actions in this market and against considering it as a full market of its own. It rather relied on spillover-effects from Germany which was considered to be more efficient given the low market potential.

Applicability of DIT and NT on target market adoption outcome of Jobnex

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported to see if both theories are viable. Table 5.10 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of the third case.

The size of Jobnex's network of users was relatively large at the time of international expansion to France and Austria: 4,100 companies and headhunters and 100,000 private users by the end of 2007 and 5,500 companies and headhunters and 250,000 private users by mid-2008 compared to 11,000 companies and headhunters

Table 5.10. Applicability of DIT and NT on target market adoption outcome of Jobnex

Hypotheses	Supported	Specification
Hypothesis 1	partly	
Hypothesis 2	No	corporate users only
Hypothesis 3	No	
Hypothesis 4	Yes	Online channels only
Hypothesis 5	Yes	
Hypothesis 6	Yes	internal change agents only
Hypothesis 7	no conclusions possible	

as well as 2 million registered private users today. In particular the number of corporate users was already large enough to be able to profit from international ties. However, Jobnex only partly tried to make use of these ties because it experienced problems with executing this strategy. Hence, Hypothesis 1 can only be partly supported. Furthermore, when implementing this strategy the outcome did not turn out satisfactory enough. Thus, Hypothesis 2 cannot be supported. Hypothesis 3 cannot be supported either. Word-of-mouth communication helped achieve target market adoption in France while the Austrian market turned out less successful. In direct comparison, this strategy does not seem to be related to target market adoption outcome.

In contrast, hypotheses 4 to 6 can be supported by this case. No conclusions, however, can be drawn for hypothesis 7 since Jobnex did not consider acquisitions to internationalize. From this case, we can learn that the acquisition strategy is attractive for internationalizing firms only if there are adequate acquisition targets in the target markets or more specifically, only if there are companies with similar business models. In addition, we could observe that the different adoption outcomes in France and Austria was also due to the divergent market attractiveness and market potential which can be added as moderators.

5.1.4. Hubnex: A matching and community platform in the aviation industry

5.1.4.1. Company background and internationalization background

Hubnex was founded in 2007 and counts 12 employees today. The firm functions as a transaction broker in the B2B market and provides an Internet platform to companies in the aviation industry to sell and buy products and services but also to connect to possible business partners, exchange contacts, and to stay in touch. Today, more than 6,000 companies from 150 different countries with more than 17 million listings use Hubnex's services. While some basic functions are free of charge, such as searching for products and services or uploading products and services to sell, members need to pay to make use of all functions, such as getting detailed information on vendors/buyers or sending/receiving an unlimited amount of buying/selling requests. Membership fees are Hubnex sole revenue source.

Hubnex operates a platform in an industry in which a lot of products are available only on a limited basis with some products being so special that they are produced only by a few manufactures worldwide. Some products are therefore not available within the domestic country but need to be shipped from abroad. Thus, Hubnex needed to offer its platform on a global basis right from the beginning to make its business model work and to offer its users a unique value proposition. This explains that their members today come from 150 various countries with their revenues being generated mainly by foreign members. Nevertheless, the business of Hubnex is focused on the biggest markets North America and Europe while markets such as South America or the Asia-Pacific region play a minor role but recently, begin to gain more and more importance for the firm: Hubnex has started to grow its presence in the Asian market at the beginning of 2010. Due to their strong focus on North America and Europe, Hubnex launched its Internet platform both in English and German (for all countries) in 2007.

Yes, actually, our platform works really well only on an international basis. Well, our huge challenge was to see to it that it [the platform] also grew internationally. Simply because of our customers' requirements – that they want and need contact persons from anywhere in the world and that products are offered on a global scale. That's why we concentrated our efforts pretty much from the beginning on the biggest market North America, went there on a regular basis, and certainly put more effort into this market – besides the European market, of course – for the first one or two years. And

it's only recently that we have started to go to the Asian market and to intensify our efforts there.

5.1.4.2. Results of the Hubnex case

Implemented strategies

Hubnex's most successful market and the most difficult market are North America and Russia respectively. Before the firm decided to pursue expansion to North America proactively in 2007 it already had built a relatively large base of 1,000 users. The expansion to Russia occurred in mid-2010 with approximately the same number of users as today (6,000 companies).

Table 5.11 displays what strategies Hubnex chose for North America and Russia and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.11 reveals differences in strategy selection for the most successful and the most difficult market: internationalization activities in North America were significantly higher than in Russia. The only adoption strategies, which were implemented in Russia, were the use of mass media channels and change agents.

Internationalization to North America through international ties of current users was an important strategy for Hubnex. International ties were either the incorporate network (headquarters and subsidiaries) or ties to suppliers the users worked with. However, the firm did not employ any incentives to encourage their corporate users to mobilize their international ties. In addition, the firm did not only approach their existing users but also tried to gain access to new users by asking for contacts, which might be interested in the firm's platform as well, during sales talks with interested parties. However, no incentives were given to users for activating their ties. This approach was considered important because the 'hit rate' was higher or the outcome was more successful than solely relying on contacting potential users randomly and anonymously. Indeed, Hubnex could not only gain new users in the North American market through these ties but could also win important and large companies as users. While the firm pursued this strategy intensively at the beginning it became less prominent in the course of time. At the beginning it was particularly important to attract as many users as possible to the platform to make it work at all. However,

with the number of users increasing and with other business projects becoming more and more urgent and important, Hubnex decided to lower the level of this activity.

Table 5.11. Strategies implemented to manage adoption in the most and the least successful target market (Hubnex)

Strategies	Most successful foreign market (North America)	Least successful foreign market (Russia)	Expected benefits
Exploiting international ties of current users	intensively at the beginning. (“We definitely did that! Yes.”) No incentives whatsoever.	<u>not actively.</u>	- gain access to user’s network - higher hit rate
Encourage word-of-mouth communication	intensively at the beginning.	<u>not actively.</u>	- gain access to user’s network - higher hit rate
Use of mass media channels	very strong. focus on online marketing (Google, search engine optimization, and social media channels) and press	very strong. focus on online marketing (Google, search engine optimization, and social media channels) and press	- create awareness - higher conversion rate
Targeting opinion leaders	<u>not really.</u> Implemented once.	<u>absent.</u>	
Use of change agents	A few German but English speaking internal change agents (sales agents)	1 German but Russian speaking internal change agents (sales agent)	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	<u>some.</u> technology partnerships and competitors as partners.	<u>absent.</u>	- technological co-developments - information exchange
Acquisitions of local companies	<u>none</u>	<u>none</u>	
Other strategies	<u>none</u>	<u>none</u>	

We definitely did that! Yes. This helped us win further companies in the US. That went quite well because people would say ‘Gosh, that’s a nice thing that something like this exists in Europe’ – we’re the only European platform here – and people or customers want to sell their products in Europe as well. That’s why there was sufficient motivation to help us with contacts. [...] This worked quite well because we could also win larger customers. And there were some German customers that worked with Americans. And they recommended us to them. And particularly in the beginning it helped us raise the importance of our platform because we had big and reliable suppliers on our platform. [...] Well, we still do that but not as intensively as in the beginning. It’s a bit because of other projects in our daily business and also

because of the number of contacts or users we could gain. It has grown so much that we are currently no longer required to pursue it more actively. But, sure, it will always remain an interesting thing to do. We still do it a bit but no longer that intensively.

Hubnex did not pursue this strategy actively in Russia but put an emphasis on other activities of which some were initiated on a global scale by the time of expansion to Russia. However, the interviewee added that trying to make users activate their international ties to Russia is something they considered whenever an opportunity to do so arose out of a situation.

Similarly Hubnex encouraged word-of-mouth communication in North America primarily in the beginning to gain new users and to ensure a higher ‘hit rate’. Here again, the firm did not offer any incentives but rather relied on the willingness of their users to recommend its platform to others. The word-of-mouth strategy was not pursued actively in Russia due to the same reasons described above.

As mass media channel the firm relied on the Internet, especially Google marketing, search-engine-optimization, and social media as well as on the press to create awareness for their platform in both target markets. This channel was deemed particularly important since a lot of users – mostly potential buyers – search for products or services directly through search engines. More specifically, they often enter specific part numbers into search engines. Furthermore, Hubnex uses different social media to diffuse information about their services and make users aware of its platform. Such social media are either local social media services or global social media services such as LinkedIn, Facebook or Twitter. Other mass media channels, especially, typical offline channels such as print or TV, produce too much marketing wastage and are therefore regarded to be less efficient. Moreover, they are easy to implement and require less financial resources than offline media channels.

Opinion leaders were not really targeted in North America and in Russia. Nevertheless, in North America, Hubnex implemented the idea of opinion leadership once. Hubnex works with a North American organization which has an opinion leadership status in the e-business field within the aviation industry. This organization carries out various studies regularly to which Hubnex agreed to participate. Through this activity Hubnex could make companies in the aviation industry or potential users aware of its platform. However, this opportunity was not seized in the beginning of expansion but came up in mid-2010. Apart from this organization no other opinion leaders were approached. Here, the opinion leader is not understood as an influential person or organization which uses Hubnex’s platform itself and which makes others follow its lead and adopt the platform. Opinion leadership here is not tied to the

actual consumption of a product or service – it is only the role model characteristic that counted.

Hubnex employed sales agents as change agents who were all located at the headquarters in Germany. For the Russian market the firm additionally relied on one change agent who was fluent in Russian. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. Furthermore, Hubnex regularly sends employees or change agents to important trade fairs and other events relevant in the aviation industry. Moreover, the firm also profited from its membership in a North American aviation association by participating in various events organized by this association. Most of these events were not local or organized specifically for the North American or Russian market but were events important on a world-wide scale. Hence, Hubnex did not attend these big events to target potential users in one particular market but users from anywhere in the world. As mentioned before, to make its business model work Hubnex depends on various users, especially suppliers, coming from different parts of the world.

We were very active in trade fairs or other networking events everywhere in the world. We attended some trade fairs in the US specialized on business aviation. There's a trade fair that is the largest one in the world and that takes place in October every year. And we were in Singapore, on large trade fairs on aviation and tried to gain new customers – from anywhere, from England, Spain, Italy – from anywhere. There we were mostly just visitors – sometimes exhibitors – but mostly visitors. But, you know, it paid off...going there with a good preparation, that is you plan your route through the trade fair, you search for relevant companies you want to talk to, and the most important thing is to collect business cards and stay in touch even after the trade fair. And this was a...with all trade fairs we attended...this was a really good way to get access to the relevant people and companies. You talk to them in person, they are informed about you and your platform. And that's how we could obtain really good and first-class companies.

While partnerships did not play a role in Russia, Hubnex formed some partnerships with North American companies. Some of them are technology partnerships which entailed technological co-developments. Others are partnerships with competitors with which Hubnex exchanges information and knowledge about market conditions and market developments. Partnerships were not formed at the beginning of expansion but became important more recently since the identification of relevant partners and the process of forming a partnership took some time. Furthermore, the interviewee admitted that forming and managing partnerships was basically a tedious and

difficult task since they required constant information exchange which turned out to be resource-intensive. Geographic distance, time difference and cultural discrepancies were further obstacles. Nevertheless, these partnerships still exist today. Since such partnerships require a lot of resources and since the outcome is not high enough to compensate for the high input the firm has decided against this strategy in Russia. Lastly, the firm did not acquire any local companies in North America and Russia.

The analysis so far reveals that in North America Hubnex relied strongly on international ties of users, word-of-mouth communication, online media channels, and internal change agents and less intensively on opinion leaders, and partnerships. Acquisitions did not play a role. In contrast, the range and intensity of implemented strategies was less in Russia. There Hubnex relied on online media channels and change agent activities only. Hence, the present results suggest further questions: First, why did Hubnex not implement the other strategies proposed by my theoretical framework? Second, was the smaller range and lower intensity of implemented strategies responsible for the lower target market adoption in Russia? Were there other reasons for the difference in target market adoption?

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Hubnex did not consider certain strategies for internationalization two types of motives showed up: First, there were reasons related to how effective strategies are with respect to adoption. The second type are economic motives. Table 5.12 gives an overview of the reasons for not using certain strategies.

Table 5.12. Reasons for not implementing certain strategies (Hubnex)

Strategies	Reasons	
	Adoption effectiveness	Economic
Use of other mass media channels	Media disruption leads to low effectiveness	Majority of mass media channels (especially offline) not efficient enough.
Targeting private opinion leaders	n.a.	n.a.
Use of external change agents	n.a.	n.a.
Acquisitions		Lack of financial resources

Hubnex did not use offline mass media channels because of two reasons. First, adoption effectiveness was regarded to be too low since using offline media channels would lead to media disruption. As the firm offers its services completely online relying on offline channels would lead to lower conversion rates since the time and

motivation from seeing an ad somewhere offline to actually having a look at Hubnex online and subscribe to its services is too high and low respectively.

We gain a major part of our users directly via the [Internet] medium. And if we worked offline there would be, of course, a media disruption. It is much more difficult to reach people offline and then to make them go to our platform. This is just harder to achieve than if you approach them online. Because in that case the way to our platform is just a click away, so to say. Well, this is much more successful. And that's why we focus on them [online media channels].

Second, to achieve a fairly acceptable adoption level most offline mass media channels would require too much investment which would be too inefficient for a small company like Hubnex.

When asked about opinion leaders and external change agents the interviewee only admitted that the firm had not really pursued this strategy but could name no reasons for it.

Buying local firms in North America and in Russia was not seen as a strategic option because as a small and relatively young company Hubnex did not have the financial power to implement an acquisition. Furthermore, most of the acquisition targets would be too big for Hubnex to buy. Because of this economic reason the firm did not even take this option into consideration.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why North America was more successful in terms of target market adoption than Russia. Here, Hubnex brings forward several explanations. First, as could be seen from table 5.11 and the analysis on the chosen strategies, adoption activities in Russia were much lower than in North America which is mainly because the firm has expanded to Russia only recently. Second, the interviewee named cultural differences, especially the language, as a further reason. Hubnex offers its platform only in German and English and many Russians still do not speak English well enough to be able to use the platform. And even if they used the platform Hubnex sometimes needed to offer extensive customer service.

With Russia, it's still difficult. I mean, there's some progress but there are still cultural differences and that's why it's still hard to gain new users. Because they don't...it's mostly the language. Well, some of them even don't speak English. And also...sometimes they send us product lists and they're all in Russian and we have to

translate them – because they don't – you know, to enter them into our system, our platform.

Third, other market conditions made it harder for Hubnex to get a foot in the Russian market. These conditions refer, for example, to the market structure. The aviation industry in Russia underwent a process of concentration and consolidation in the last decades and is still heavily influenced by the Russian government despite efforts of privatization (see also Kort and Kluiters (2003)). Hence, political decisions and connections still play an important role. With a less liberal market it was more difficult for Hubnex to establish its platform in Russia. Another market condition describes the maturity of the market for IT products and services. The level of adoption of especially online products and services is still low compared to more developed markets such as North America. Related to market maturity is the currently smaller size of market or demand for such an aviation platform which the interviewee added as a further reason. However, the interviewee emphasized that the market was about to change and to become more open to such online services which would help the firm to grow its business in this market in the future.

Applicability of DIT and NT on target market adoption outcome of Hubnex

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported by this case to see if both theories are viable. Table 5.13 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of the fourth case.

The size of Hubnex's network of users was relatively large at the time of international expansion to North America and very large when Hubnex internationalized to Russia: around 1,000 companies in 2007 compared to 6,000 companies in 2010. Hence, the number of users was already large enough to be able to profit from international ties. While Hubnex exploited the international network of their users for the expansion to North America it did not pursue this strategy for the Russian market even though its user base was six times larger at this time. Thus Hypothesis 1 cannot be supported. Hypothesis 4 cannot be supported either. Mass media channels helped

achieve target market adoption in the US while the Russian market turned out less successful. In direct comparison, this strategy does not seem to be related to target market adoption outcome.

Table 5.13. Applicability of DIT and NT on target market adoption outcome of Hubnex

Hypotheses	Supported	Specification
Hypothesis 1	No	
Hypothesis 2	Yes	
Hypothesis 3	Yes	
Hypothesis 4	No	Online channels only
Hypothesis 5	no conclusions possible	
Hypothesis 6	Yes	internal change agents only
Hypothesis 7	no conclusions possible	

In contrast, Hypothesis 2 can be supported fully since this case showed that capitalizing on international ties helped the firm internationalize to North America. Also, Hypotheses 3, and 6 can be supported. As could be shown, the strategies proposed by my theoretical framework helped achieve target market adoption in North America. The Russian market was less successful which resulted from the lower level of strategic activities and from certain market conditions. These market conditions, such as culture, market structure, maturity and size can be considered as possible moderators in this study's theoretical framework. The case results are consistent with this study's hypotheses which state the more effort a firm puts into the implementation of the strategies the higher the probability of target market adoption. Lastly, for hypotheses 5 and 7 there are no clear conclusions since Hubnex did not pursue these strategies to internationalize.

5.1.5. Transactionport: A matching platform in the DELETED industry

5.1.5.1. Company background and internationalization background

Transactionport was founded in DELETED and counts DELETED employees today. The firm functions as a transaction broker in the B2B market which provides an Internet platform on which companies can sell and buy products or services. Today,

more than DELETED purchasers and DELETED suppliers use Transactionport's platform. The firm generates revenues by charging suppliers for additional services, such as open access to all buying requests, while basic functions, such as setting up a company profile, are free. Purchasing companies can use the platform's services for free. Only tailor-made business solutions require purchasers to pay.

Transactionport operates mostly in Europe and offers its website and platform in four different languages: DELETED. The firm pursues a slow and more cautious internationalization process since it plans to grow with self-generated financial resources and does not want to rely on external resources such as venture capital. Furthermore, it sees no need to expand quickly since the firm faces hardly any competition both locally and globally.

We hardly face any competition. [...] We try to focus on self-financing. Because it has always worked well for us and we're highly profitable and because it's fun and there is no time pressure for us – we don't worry about being overtaken by others – which may be foolish, don't know – but since the situation appears currently like this and since I am not really worried I take my time and try to internationalize through our own financial strength and that just takes a while. Internationalization is therefore slower than if you pushed it by all means. But our competitive environment just doesn't force us [to internationalize fast].

The firm divides its international business activities into two categories. The first one refers to those foreign markets in which the firm is only reactive. The firm's platform is open for users from these markets and the firm offers them customer service and customer support, but does not take any marketing activities or strategic actions to gain users from these markets actively. The second category includes the German-speaking foreign markets Austria and Switzerland as well as DELETED. Austria and Switzerland were targeted by the German de-website from the beginning while Transactionport expanded to DELETED in DELETED, set up a DELETED-website for this market and even opened an office in DELETED. However, due to the lack of success the firm decided to withdraw from the DELETED market a few years ago and it no longer pursues business actively in this market. Nevertheless, it retained the DELETED version of its website to further serve interested DELETED users but no longer takes any actions to win DELETED users.

Difficult to answer [to the question in which foreign markets the firm operates]. Because business in this industry is very international – different from platforms such as DELETED where services offered by DELETED have a very strong local character. Therefore difficult to answer but you can say global. In my opinion, the industry is

divided into a triad: there's the US, there's Europe, there's Asia. Africa nearly doesn't play a role and Australia, as well, can be neglected. South America isn't dominant either. In the constellation USA, Europe, Asia we focus on Europe. But we have a few customers in Asia. [...] But in the US, we're virtually absent. [...] Well, I have to say, we're very active in the German-speaking markets. In other markets, we're more reactive. In DELETED, we were active. We had an office in DELETED but closed it down again.

5.1.5.2. Results of the Transactionport case

Implemented strategies

Transactionport's most successful markets are Austria and Switzerland while the most difficult market was DELETED. Since the firm targeted the German-speaking countries from inception it could not build a significantly large user base before internationalization. When it decided to expand to DELETED in DELETED the firm had over DELETED users registered on its platform which is higher than the user base today.

Table 5.14 displays what strategies Transactionport chose for the German-speaking foreign markets and DELETED and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.14 reveals differences in strategy selection for the most successful markets and the most difficult market: internationalization activities in Austria and Switzerland were significantly higher than in DELETED. The only adoption strategy, which was implemented in DELETED, was the use of change agents.

Exploiting international ties of current users was considered to some extent for the German-speaking foreign markets, but no incentives were offered to encourage their corporate users to mobilize their international ties. The ties Transactionport tried to benefit from were the ties globally active purchasing companies have with their existing (international) suppliers. The firm approached some of the purchasing companies signed on the platform and proposed to them to include their whole global supplier network into the firm's platform. However, this strategy did not turn out successful since most of the companies did not want to make their suppliers available to other firms and competitors. Hence, some of them turned down the firm's offer while others insisted on screening their suppliers from other purchasers and on making them accessible to members of their incorporate network only. This would have been possible

technologically but did not benefit Transactionport since it would not have helped the firm make its platform more attractive to purchasers. Apart from these ties the firm did not think of any other possibilities.

Table 5.14. Strategies implemented to manage adoption in the most and the least successful target market (Transactionport)

Strategies	Most successful foreign markets (Austria, Switzerland)	Least successful foreign market (DELETED)	Expected benefits
Exploiting international ties of current users	partly. Firm approached purchasing companies. No incentives whatsoever.	absent.	- gain access to users' network
Encourage word-of-mouth communication	not actively	not actively.	- gain access to users' network
Use of mass media channels	strong for search engine marketing and search engine optimization. some print media	absent.	- create awareness - outcome for SEM and SEO is measurable
Targeting opinion leaders	absent.	absent.	
Use of change agents	internal and external change agents (sales agents).	internal change agents (sales agents) only: 1 German, 3 DELETED.	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	a few. More passively. Various types of firms and various activities.	absent.	
Acquisitions of local companies	none	none	
Other strategies	none	none	

Because they weren't interested. [...] There's a clear relationship. That is, there's a purchaser and he has a network of suppliers. And he wants to expand this network of suppliers and he wants the least expensive ones. [...] But they were too much reserved about this. And for us it would have made sense only if they had made their networks transparent or not even transparent but accessible to others. But they didn't want that.

In DELETED, Transactionport did not even try to make use of such international ties since the firm knew from the beginning that this strategy would not turn out

successful. Some of the purchasing companies signed on the firm's platform had business activities in DELETED but it soon became clear that these companies were not willing to make their supplier network accessible to others.

So, many of the purchasers had started their own activities to identify suppliers, like in DELETED – as we're talking about DELETED – they had their own people and they weren't really interested in including their suppliers into our platform because they invested too much effort and money into identifying them. Because they would have run the risk of making them available to their competitors and other firms which would have, let's say, dilute their work.

Transactionport did not encourage word-of-mouth communication actively but rather relied on satisfied users recommending its platform to other companies. Sometimes the firm would ask companies to spread the word about its platform but did not offer any incentives to stimulate it. The interviewee admitted that managing word-of-mouth communication actively would only be able if there were monetary benefits. However, the firm has not developed a clear strategy for this yet.

As mass media channels the firm relied strongly on search engine marketing and search engine optimization and placed some articles about its platform and services in trade journals to increase awareness in the German-speaking markets. The online channels were deemed most promising since they allowed the firm to measure the outcome exactly which would have been difficult with other mass media channels. Articles in trade journals helped target the right decision-makers. Any other channels would create too much marketing wastage and would not be target-specific. In DELETED, Transactionport did not use any mass media channels which the interviewee attributed to the lack of sufficient commitment. Furthermore, search engine marketing and search engine optimization did not play a role since the firm did not possess the necessary knowledge about the DELETED search engine business to implement such actions for the DELETED market.

For the German-speaking markets, Transactionport mostly employed German internal sales agents as change agents. Their main task apart from customer services was to find potential users, approach them, inform them about the platform and its benefits and convince them to use it. Moreover, between 2003 and 2007, Transactionport also hired some external sales agents which were remunerated via commissions. However, the firm decided to give up hiring external sales agents because their activities did not turn out successful. The reason could be traced back to the firm's business model which required extensive know-how and experience which most of

the external change agents lacked. Additionally, contacting and convincing potential users was tedious and could take some time which the interviewee attributed to the less favourable conditions of the online B2B market compared to the online B2C market which is more developed. The slow user acquisition process translated into few sales and, hence, into little commission fees for the external changes. The external change agents soon started to put less and less effort into their activities because they were not profitable for them.

I think because the business model is difficult in as far as you need so much know-how to follow through this and to really do it. [...] And if you don't do everything one-hundred percent right and well and professionally and don't really focus on the issues and execute them then there'll be no monetary success. Externals won't last long because they'll become discouraged and lose interest. Unless you really pay them and really invest money in that. But, at a certain point, we weren't willing to do that because I was reducing external financial resources for the company. [...] And since we've funded ourselves through our own money we became extremely cautious with higher investment and have held back things at the cost of speed.

In DELETED, the firm relied on internal change agents only. It opened an office in DELETED which was staffed with three DELETED and one German change agent with a background in sales. The German change agent represented a link between the DELETED office and the German headquarters and was responsible for training the DELETED colleagues. The change agents' job was to identify DELETED companies, which might have been interested in making business with companies in Europe, especially in the German-speaking parts, and to convince them of the platform's benefits and to make them adopt it.

In addition, the firm also partnered with various types of companies and trade associations for different activities ranging from linking each other's websites, over Internet banner placements to mutual sales activities such as a partnership with a small company selling software which wanted to include Transactionport's platform into its product portfolio and sell the platform's services to its customers. Therefore, this company worked as a change agent. However, these partnerships did not work out and were soon abandoned. The reason for the lack of success was that the firm failed to execute a structured partner selection. Moreover, it was not Transactionport which sought out companies to team up with but it was the partners who initiated the partnerships and who approached Transactionport with ideas of how to work together. The firm liked the ideas and accepted the offers but soon had to find out that the partnerships were not really effective.

I, myself, had too little experience when I started. But as soon as you build a business model, especially in the Internet, you'll be overwhelmed with enquiries – from potential partners who approach you and say 'don't we want to...? Can't we...? And gosh, there are so many fantastic ideas...' And what happens is – which, I believe, happens a lot, as you have so little experience...it's always like this in life: When something comes to you then it's always pretty difficult to be cautious and to block certain things at the beginning and only accept those things that really make sense and are well-thought-out. [...] Everything was totally reactive. People came to me and then I thought 'sounds fabulous, sounds good. Why not? Little risk, little investment or nearly none.' But what you oversee is that you very well invest, namely a lot of time which is money at the end of the day. This is something you don't really see as an inexperienced person at the beginning. Today, I'd not do this again – not in this way. [...] Why should I seize opportunities that come to me by chance? I'd rather do it the other way round and develop a strategy, define a profile of ideal partners and then search for partners actively. That would be the more reasonable approach.

Transactionport did not partner with any firms in the DELETED market. Neither did the firm target opinion leaders and acquire any companies in Austria, Switzerland, and DELETED.

The analysis so far reveals that in Austria and Switzerland Transactionport relied strongly on search engine marketing and optimization and internal change agents which the firm did not only executed at the beginning of expansion but rather on a continuous basis. Expanding through international ties, word-of-mouth communication, print media channels, external change agents, and partnerships was less intensively. Opinion leaders and acquisitions did not play a role. In contrast, the firm executed far less strategies in the DELETED market and depended on change agent activities only. Hence, the present results suggest further questions: First, why did Transactionport not implement the other strategies proposed by my theoretical framework? Second, was the significantly smaller range of implemented strategies responsible for the failed target market adoption in DELETED? Were there other reasons for the difference in target market adoption?

Reasons for not implementing certain strategies

Scanning through my field notes and extracting further information on why Transactionport did not consider certain strategies it became obvious that the firm did not target opinion leaders because it did not think about this possibility. With the foreign expansion process being rather slow the firm neglected to fully develop a structured internationalization strategy and rather took actions which appeared to

be reasonable at a certain point of time.

Transactionport did not acquire any foreign firms because of technical reasons: there were no acquisition targets which run a nearly similar business model. As mentioned before, the worldwide market for such a business model in the DELETED industry is hardly populated by competitors which is why the firm feels to be under no pressure to expand quickly.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why target market adoption was achieved in Austria and Switzerland while the firm had to give up efforts in the DELETED market due to little success. Here, Transactionport admits that internationalization to DELETED failed because of wrong management decisions. First, the firm did not work out an internationalization strategy thoroughly before expanding to DELETED which, in retrospective, was absolutely necessary especially for such a different and difficult market as DELETED.

And DELETED is, of course, an endlessly difficult market for someone who comes from Germany. [...] And we chose, of all things, the most difficult market you can imagine. And we did not really draw a strategic plan. To be honest, I believe it was a wrong management decision at that time.

Second, as could be seen from table 5.14 and the analysis on the chosen strategies, adoption activities in DELETED were much lower than in the German-speaking markets. The interviewee confirmed that the firm invested too little time and money to make adoption of its business model in the DELETED market work. Change agent activities turned out promising initial results, but consumed too much managing time. After some time the interviewee could no longer spend so much time on coordinating change agent activities in the DELETED market and decided to shut down business in DELETED.

It [business in DELETED] wasn't bad actually. But it just took a great deal of nerve for me. Management attention was too high. So I didn't want to let the profitability, which was slowly kicking in that time, didn't want to let it grow further. It just wasn't worth it at the end of the day. It was just the wrong time. [...] It [time] was exorbitantly high! It took two, three hours each day to manage only this – and that on a very operative level.

Furthermore, the interviewee admitted that the firm should have employed a country manager for DELETED who could have supervised and managed the activities for this market. Hence, it was not the change agents or their activities, which did not lead to target market adoption, but the lack of sufficient investment and of a well-developed internationalization plan prior to expansion to DELETED.

Applicability of DIT and NT on target market adoption outcome of Transactionport

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported by this case to see if both theories are viable. Table 5.15 gives an overview of which hypotheses are supported.

Table 5.15. Applicability of DIT and NT on target market adoption outcome of Transactionport

Hypotheses	Supported
Hypothesis 1	No
Hypothesis 2	No
Hypothesis 3	no conclusions possible
Hypothesis 4	Yes
Hypothesis 5	no conclusions possible
Hypothesis 6	Yes
Hypothesis 7	no conclusions possible

Transactionport expanded to Austria and Switzerland from inception and did not have time to build an extensive network of users beforehand. However, after a while, the firm tried to capitalize on some international ties for the German-speaking foreign markets but this action did not really work out. In contrast, when it internationalized to DELETED in DELETED it had over DELETED users on its platform – more than today. Nevertheless, the firm did not exploit these ties to help further the expansion to DELETED. Hence, in DELETED the size of the user network did not have any effect on the exploitation of international ties while it played a small role for the most successful markets. However, this action did not turn out successful in these

markets. Thus, Hypotheses 1 and 2 are not supported. Nonetheless, capitalizing on international ties did not have a positive effect on adoption because the firm may not have chosen the right cross-market ties. Transactionport considered only the purchasers and the relationship with their suppliers. It may be important *who* a firm wants its users to contact.

Since the firm did not promote word-of-mouth communication the effect on target market adoption cannot be clearly determined. Consequently, no clear conclusions can be derived for Hypothesis 3. Similarly, the case does not allow clear conclusions for Hypotheses 5 and 7 since Transactionport did not execute these strategies. In contrast, Hypotheses 4 and 6 can be supported. Mass media channels worked well for Austria and Switzerland and change agent activities, especially that of internal change agents, had a positive effect on target market adoption for the most successful markets and the least successful one. External change agent activities were not successful which was primarily due to wrongly selected change agents. The reason why Transactionport failed in DELETED could mainly be attributed to the lack of strategic planning and a low intensity of strategy execution. This is consistent with the study's hypotheses which state the more effort a firm puts into the implementation of certain strategies the higher the probability of target market adoption.

5.1.6. Oldbuddies: An online social community

5.1.6.1. Company background and internationalization background

Oldbuddies was founded in 2002 and counts about 100 employees today. The firm provides an Internet platform or, more specifically, a social networking site that facilitates searching for former classmates and reconnecting with them. Today, Oldbuddies counts around 20 million registered users worldwide. While some basic functions are free of charge members need to pay to make use of all functions, such as unrestricted contacting of friends or full access to all uploaded pictures of friends. This source of revenues makes up the lion's share of the company's revenues. Furthermore Oldbuddies makes money by charging for advertising space on its homepage. In 2004, Oldbuddies was acquired by a US company that runs a similar social networking site for North America. By the time of acquisition, about 230,000 members were signed up with Oldbuddies' platform. It is now a 100% subsidiary of the US company and is responsible for managing the European business operations.

The business of Oldbuddies is focused on Europe with the interviewee admitting that this situation will not stay like this in the long run but will be for the nearer future. The firm operates internationally in Sweden, France, Austria and Switzerland. Registered users abroad make up around 46% of the firm's total number of members with the French market leading among the four foreign markets with 8.46 million users. The beginning of international expansion in 2004 was marked by the acquisition of a Swedish competitor which had been active in Sweden only. The site kept its name for the first year but was then changed to Oldbuddies.se to emphasize that it was part of the Oldbuddies group and hence, to make the brand name more known abroad. In 2006, the firm expanded to France, again by acquiring a competitor who had been present in this market only. Here, the firm decided to keep the original name since they believed that a French name would be more accepted by French users. However, the site was adapted to the 'look and feel' of Oldbuddies' websites. Three years later the firm internationalized to Austria, this time by launching an own website Oldbuddies.at. Switzerland was the last foreign market to be added to the portfolio in 2009. Again, Oldbuddies decided to acquire a Suisse competitor which had been active solely in Switzerland. The competitor's website was changed to Oldbuddies.ch with the firm's typical design and functionalities. All purchases done by Oldbuddies were friendly takeovers with some of the acquired companies' founders now working for Oldbuddies.

5.1.6.2. Results of the Oldbuddies case

Implemented strategies

Oldbuddies' most successful market and the least successful market are Sweden and France respectively. Even though France shows the highest number of users among all foreign markets, with 8.46 million users compared to 1.7 million users in Sweden, the firm bases its evaluation on its share of the market, that is how many users does Oldbuddies have compared to the overall number of potential users. Accordingly, Sweden ranks highest and France ranks lowest.

By the time Oldbuddies expanded to Sweden the firm counted around 400,000 registered users. Two years later the firm continued internationalization to France with a global network of about 3 million members.

Table 5.16 displays what strategies Oldbuddies chose for Sweden and France and how these strategies were designed and executed. In addition, the table shows how

intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.16 reveals that the image for both the most successful and the least successful market is the same in terms of strategy selection: Oldbuddies chose the same strategies for both markets. The most intensively used strategies were word-of-mouth communication, the use of online media channels, partnerships, and foreign acquisition. In contrast, exploiting international ties of current users, targeting opinion leaders, and using change agents did not play a role in the firm's internationalization strategy portfolio.

Table 5.16. Strategies implemented to manage adoption in the most and the least successful target market (Oldbuddies)

Strategies	Most successful foreign market (Sweden)	Least successful foreign market (France)	Expected benefits
Exploiting international ties of current users	<u>absent.</u>	<u>absent.</u>	
Encourage word-of-mouth communication	<u>strongly.</u> Sweepstake and free membership as incentives.	<u>intensively.</u> Sweepstake and free membership as incentives.	- Snowball effect - expand user base
Use of mass media channels	<u>very strong.</u> ("lion's share"). focus on online marketing (Google, search engine optimization, and web banners)	<u>very strong.</u> ("lion's share"). focus on online marketing (Google, search engine optimization, and web banners)	- create awareness - outcome is measurable
Targeting opinion leaders	<u>absent.</u>	<u>absent.</u>	
Use of change agents	<u>absent.</u>	<u>absent.</u>	
Forming partnerships with other local companies	<u>intensively.</u> partners are well-known EBCs or websites. integrate the services of Oldbuddies into their own website.	<u>intensively.</u> partners are well-known EBCs or websites. integrate the services of Oldbuddies into their own website.	- Profit from partners' positive image/reputation - Gain access to partners' network of users
Acquisitions of local companies	<u>yes.</u> one local competitor.	<u>yes.</u> one local competitor.	- easy and fast expansion to target markets - profit from acquired firms' market knowledge
Other strategies	<u>none</u>	<u>none</u>	

Oldbuddies heavily relied on within-country word-of-mouth communication of their current users both in the Swedish and the French market with this strategy having been implemented most intensively in the latter market. The firm expected it could leverage its current user base and grow its member base through user recommendations. To make recommendations attractive Oldbuddies introduced a monthly sweepstake at the beginning. Each recommendation equaled an entry into a lottery draw for the referring user. At the end each referring user could win a prize. Furthermore, every user could win a free three-months membership for 5 recommendations. Even though Oldbuddies hoped for a snowball-effect the firm soon became disillusioned. The firm never found out why word-of-mouth communication did not work and stopped encouraging users to spread the word about Oldbuddies and to make friends sign up for it. However, the recommendation system is still available to members since it does not cost anything to keep it active, but its use is no longer stimulated.

At the beginning we always thought if every person recommends another person there'll be a snowball effect. Then everything will happen automatically. With [Oldbuddies], even when it was free at the beginning, it never worked. [...] I can't really tell you why. It actually didn't work out well for all our markets.

Oldbuddies also used (and still uses) mass media channels very strongly to create awareness about its platform and attract potential users to it in Sweden and France. As mass media channel the firm relied exclusively on the Internet, especially Google marketing and search-engine-optimization to get listed as high as possible among search results and to appear among the results for as many relevant keyword as possible. Furthermore, the firm used web banners to create awareness about its platform among potential users.

Online media channels – that's what we use. You know, the best form of free advertising is to achieve good search results on Google. That is, if you look for any first name or last name – which you can call our passion – then [Oldbuddies] should be listed on top. That's the most efficient form of advertising – cheap and highly effective.

Other mass media channels, especially typical offline channels such as print or TV, were not taken into consideration since their effects on target market adoption can be less well traced than in the case of online media channels. Moreover, online media channels are easy to implement and require less financial resources than offline media channels.

Furthermore, Oldbuddies deliberately sought out other companies – EBCs or companies with an extensive website and online services – as partners. The partners were characterized by a high reputation and a large reach among the target group relevant to Oldbuddies. These partnerships entailed integrating the online content and services of Oldbuddies into the online content of their partner-EBCs or partner-websites. With the help of their partners' reputation in Sweden and in France Oldbuddies could access an additional pool of users, become known among potential users, and could also reduce the uncertainty towards its platform among their partners' users. Hence, these partnerships clearly exhibit traits of opinion leadership.

To internationalize to Sweden and France, Oldbuddies acquired local competitors. In Sweden it was a local competitor which had been the market leader with a member base of 350,000 listings at that time. In France, Oldbuddies purchased a local competitor which was the second biggest company offering such a social community platform with around 500,000 members by the time of acquisition. For Oldbuddies there were two major motives for acquisition. First, the acquisition strategy was considered to be fast and efficient. Even though competition in the Swedish market was low by that time the firm decided to buy the company rather than invest in building up its user base from scratch. While for the Swedish case this strategy was regarded to be convenient it turned out to be crucial in the French market since it was already dominated by two major companies (including the firm Oldbuddies finally acquired). Here, acquisition was expected to make the establishment of Oldbuddies in France not only easier and faster but also possible. The firm was afraid that building the social community from scratch would entail a too high risk of failure. The probability of success was seen to be even higher if dealing with business owners who remain committed to the company after purchase. Second, the firm did not know much about the Swedish and French markets and hence saw the buying opportunities as a convenient and easy way to acquire market knowledge.

By acquiring vieuxpotes.fr [fictitious] we could enter France. There's a competitor that is bigger than vieuxpotes.fr today and that was bigger back then. The competitor counted already a couple of millions of members that made us say 'OK, we should try it through this strategy, to buy the second-ranked competitor in this market.' You know, why do everything on your own when you have such an opportunity at hand? That was one reason. And we neither had any knowledge about how the French or the Swedish tick. We're not Swedish or French. Sure, we could have employed someone – someone local or that went to school there. But it just appeared very convenient to buy someone who also shows a high interest in his own company – even if it no longer belongs to him he still feels [emotionally] attached to it – and who is keen on keeping

it running successfully and who knows the market well.

What rendered the acquisition strategy even more attractive was that Oldbuddies knew that the acquisition and the integration process of the acquisition targets would be quite smooth and easy to carry out. Both businesses (in Sweden and France) were willing to sell and fully cooperated. Furthermore, as the interviewee explicitly pointed out, the members database of the Swedish competitor could be adapted to the buyer's technological infrastructure without any difficulties.

As mentioned before, the Swedish site kept its name for about a year but was then changed to Oldbuddies.se to emphasize that it was part of the Oldbuddies group and hence, to make its own brand name more known internationally. In contrast, for cultural reasons the firm decided to keep the French name *vieuxpotes.fr* under which the platform is still operated in France today. Nevertheless, the site was adapted to the typical 'look and feel' of Oldbuddies' other websites.

Vieuxpotes. Well, they still call themselves Vieuxpotes and still have their old logo. And the one who used to own this business works for us today. I think, this name, that is a French name, is better received by the French. And it's already established. I don't think Oldbuddies is something the French would have accepted...

The analysis so far reveals that Oldbuddies rather relied on word-of-mouth communication, online media channels, partnerships and acquisitions than on international ties of current users, opinion leaders, and change agents. Hence, the present results suggest further questions: First, why did Oldbuddies not implement the other strategies proposed by my theoretical framework? Second, why was target market adoption better achieved in Sweden than in France although the firm chose the same strategies?

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Oldbuddies did not consider certain strategies for internationalization three main types of motives showed up: First, technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. The second type are economic motives. Furthermore, there are reasons which belong to neither group and are thus referred to as 'other reasons'. Table 5.17 gives an overview of the reasons for not using certain strategies.

When asked about why Oldbuddies did not exploit international ties of existing users the interviewee did not recall whether the firm has ever given this strategy a proper thought. Nevertheless, the interviewee reasoned that taking advantage of international ties would not have worked because there is little connection between members in one market and potential users in other markets. This social community platform builds upon a local network rather than on one which crosses geographical borders. Cross-border ties are too few and may lead to an outcome too uncertain to put much effort into the implementation of such a strategy.

In retrospect, it's hard for me to recall whether we've ever considered this strategy. I think, we just didn't believe it would work. Well, we could definitely see how many German users asked us 'Why don't you take school XY as a school abroad into account? Since I spent a school year there in the US, or in Sweden, or wherever and I'd like to add this school to my profile.' But there were just too little who enquired about that. I can imagine...you know, let's put myself into the shoes of users...I don't think that would be important to me. Because – let's say we had 5,000 users to which this case would apply, that is they spent some significant time somewhere abroad. But whether they would put this information on their profile and read our mail or whatever and look for old friends they got to know abroad or invite these friends... I mean, you could put an effort into these 5,000 users. That's what you could do, but needn't do.

Table 5.17. Reasons for not implementing certain strategies (Oldbuddies)

Strategies	Reasons		
	Technical	Economic	Other
Exploiting international ties of current users	("Don't believe this would work"); platform builds upon local network of users. Technological problem: no integrated members database		Not sure whether firm has ever taken this into consideration properly.
Use of other mass media channels		Majority of mass media channels (especially offline) not efficient enough. Marketing wastage. Outcome needs to be nearly perfectly measured.	
Targeting private opinion leaders			No necessity
Use of change agents		Not economical	

In addition, each foreign platform of Oldbuddies maintains its own members database which would not allow for a cross-country interaction between members. More specifically, even if, for example, a German member invites a Swedish friend to the platform this friend would have to sign up on the German platform to interact with the German user. First, language barriers (since the whole website would be in German) would render using the platform difficult and second, Oldbuddies would not have achieved its goal, namely to make Swedish users adopt the Swedish version of its platform.

As mentioned before, other offline mass media channels were regarded to be an inappropriate strategy because of economic reasons. The interviewee emphasized that most mass media channels create high marketing wastage with higher investment and lower effectiveness in return. In addition, online channels further allow to better measure the effectiveness and efficiency of certain actions.

The problem is that everything that is done offline is incredibly hard to track. That is if we invested x thousand Euros for TV spots we could see – if we were lucky – that after 5 minutes this spot was broadcasted the number of new registrations slightly increased. But we wouldn't really know whether this outcome was due to the TV spot or because someone wrote about this TV spot in a forum and discussed about it and that was what triggered the sign-ups. That is, if we buy web banners somewhere and so and so many people come then we know whether we'll get our money we invested back or not.

Opinion leaders were not taken into account in both target markets because the interviewee believed the firm saw no necessity to do so. Oldbuddies bought two business which were already well established in the Swedish and the French market with a fairly high number of registered users. It did not believe that the additional or marginal benefit for adoption would have been immense. Hence, putting an effort into identifying local opinion leaders and waiting for an effect (if any) to set in was seen to be unnecessary.

Lastly, the deployment of change agents was perceived to be uneconomical. Oldbuddies' business model revolves around the interaction of a vast number of users of which each only contributes a small share to the firm's revenues. Hiring change agents, either internal or external, would cost too much and the time devoted on convincing potential members to use its platform would be too high compared to the revenue generated by one additional user.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why Sweden was more successful in terms of target market adoption than France even though the same strategies were used. Here, Oldbuddies brings forward three reasons as an explanation for this divergence: fiercer competition in France than in Sweden, not having reached the point of critical mass, as well as the unique user behaviour in France.

One reason is that, compared to the Swedish market, the French market is dominated by a particular competitor which had already grasped a good share of the market. Furthermore, it could extend its lead by starting to offer a free membership to its users which had been charged with a membership fee beforehand. This action further boosted its competitor's user base compared to Oldbuddies whose services are not free of charge. This change of the competitor's business model made it even harder for Oldbuddies to catch up.

The interviewee also speculated that Oldbuddies probably had not reached the point of critical mass yet which would allow the positive feedback effect to work for its platform in a beneficial way. That is with a certain number of members the platform generates huge benefits for users and therefore becomes highly attractive to potential users which creates a self-perpetuating dynamic.

Maybe it's a self-perpetuating effect. When there's the point at which some begin to upload more pictures than others or to put more information on their profile than others. And this is how others start to become infected. Maybe we haven't reached that point yet in France. That's definitely another possibility.

The third possible explanation refers to how French users behave compared to Swedish or German users. According to the firm's experience, the French user signs up very quickly but does not use it extensively enough and stays a basic member with restricted access to other members and their contents. Moreover, the interviewee reasoned that sometimes French users became members with various platforms at the same time and use only one or none at the end. Activity on the firm's platform varies accordingly which renders it less attractive since its unique value is based on a constant active interaction between members.

I think the French user uses this type of communities differently than, for example, Germans would use it. The French signs up much faster but doesn't really use it afterwards. I mean, that's a personal experience – from our point of view. It may

be wrong because other communities in France may have made other experiences, but that's how we see it. You know, with Germans, they sign up and use the platform or they delete their accounts. It's not like they have ten accounts at the same time that they don't use because they don't care.

Comparison to the Austrian market

Austria was the only foreign market in which Oldbuddies did not pursue the acquisition strategy but launched an own website Oldbuddies.at. The question arises why the firm did not acquire in Austria and what the firm did instead to internationalize to Austria and what adoption results this yielded.

Oldbuddies did not purchase another firm in Austria because at the time of internationalization there were no adequate acquisition targets which ran a similar business model or which would have been big enough to be worth to acquire. With the exception of Facebook, which would have been too powerful for Oldbuddies to purchase, there were no important competitors in the Austrian market.

I can't remember any competitor or any platform at all that had an interesting number of users that would have made acquisition attractive. If there were only, let's say, 100,000 members on a platform then too much work would have to be done, especially in IT to transfer all the data to our system, that wouldn't have justify to buy this platform. In such a case it would be cheaper to do it by yourself and to generate users by yourself or to make these users switch to your platform rather than to buy users.

Apart from the acquisition strategy and activities to encourage word-of-mouth communication, the internationalization picture for Austria was similar to that of Sweden and France. Based on the experience that word-of-mouth communication did not work out in other markets, the firm decided not to encourage it in the Austrian market. However, the recommendation system is available to members in Austria since it does not cost anything to offer this function. Oldbuddies did not exploit international ties, target opinion leaders, and employ change agents for the same reasons as were discussed earlier for Sweden and France.

Oldbuddies used (and still uses) mass media channels strongly to create awareness about its platform and attract potential users to it. As mass media channel the firm relied exclusively on the Internet, especially Google marketing and search-engine-optimization, and web banners. Other mass media channels, especially typical offline channels such as print or TV, were not taken into consideration since their effects on target market adoption can be less well traced than in the case of online media channels. Moreover, online media channels are easy to implement and require less

financial resources than offline media channels.

Similar to the other foreign markets Oldbuddies deliberately sought out other companies – EBCs or companies with an extensive website and online services – as partners. The partners were characterized by a high reputation and a large reach among the target group relevant to Oldbuddies. These partnerships entailed integrating the online content and services of Oldbuddies into the online content of their partner-EBCs or partner-websites.

Oldbuddies has a network of more than 367,000 members in Austria today. The firm internationalized to Austria at the beginning of 2009 and regards this market to be still new. Hence, the firm regards adoption in this market not yet achieved but sees enough potential for it to grow.

Well, I think, it's hard to tell whether it is Austria or Switzerland [to the question of which of the foreign markets is the least successful one], because they're still very young and hence we could not do so much for these country compared to other older markets. They probably have not reached the critical mass of users yet. That's why I'd like to leave them out because I can't really say that they're the least successful ones.

However, the interviewee admitted that growth in Austria will remain difficult which is attributed to strong competition of Facebook as the dominant player in Austria. As indicated in the quote, adoption results in Austria did not differ from those in Switzerland although the firm pursued an acquisition strategy in Switzerland. Here, the interviewee explained that at the time of acquisition or shortly after acquisition the importance of the purchased platform had already reached its climax and was beginning to decline. As a consequence, although acquisitions may have the potential to render internationalization faster and easier the adoption outcome in the target market seemed to be influenced by who the acquisition target was and what its market potential was at the time of purchase.

No, strictly speaking, it did not...[to the question whether the acquisition in Switzerland made a difference compared to Austria]. Money just flowed into different sources. Let's put it this way. It didn't make any difference neither for the business development as a whole nor with respect to speed.

Applicability of DIT and NT on target market adoption outcome of Oldbuddies

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported to see if both theories are viable. Table 5.18 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of this case.

Table 5.18. Applicability of DIT and NT on target market adoption outcome of Oldbuddies

Hypotheses	Supported	Specification
Hypothesis 1	No	
Hypothesis 2	No conclusions possible	
Hypothesis 3	No	
Hypothesis 4	No	Online channels only
Hypothesis 5	No	
Hypothesis 6	No conclusions possible	
Hypothesis 7	Yes	

The size of Oldbuddies' network of users was fairly large at the time of the expansion to Sweden and was even larger when expanding to France: 400,000 members and 3 million members respectively. However, the size of its network did not have any effect on the exploitation of international ties of users for internationalization. Therefore, Hypothesis 1 could not be supported by the present case. Furthermore, since the firm did not take this strategy into consideration no clear conclusions can be derived for Hypothesis 2. Similarly, the Oldbuddies case does not allow for clear conclusions about Hypothesis 6 either. Like Hypothesis 1, Hypothesis 3, 4 and 5 can neither be supported. Oldbuddies did encourage word-of-mouth communication but it turned out to be ineffective for target market adoption even though the firm offered various incentives. The firm could not name reasons why this strategy failed. As could be shown, the mass media channels and opinion leaders (partnerships) helped achieve target market adoption in Sweden. The French market was less successful even though almost the same strategies were chosen. Thus, in direct comparison, some strategies did not seem to be related to target market adoption. In contrast,

Hypotheses 7 can be supported by this case since the difference in acquisition target was one reason for the better adoption outcome in Sweden.

There were foremost 3 possible explanations put forward by the firm that led to a deviant target market adoption outcome despite similar strategies: First, Oldbuddies faced fiercer competition in France than in Sweden which suggests market condition, such as competition, to be a possible moderator in this study's theoretical framework. Second, the firm feared it may not have reach the point of critical mass in France to profit from positive feedback effects although it acquired the second-ranked player in this market. According to hypothesis 7, acquisitions should have a positive effect on target market adoption. While this strategy worked out in Sweden, where the firm purchased the market leader, it did not work out as well as expected in France. Furthermore, acquisition in Switzerland did not generate adoption advantages compared to Austria where Oldbuddies did not purchase a firm. Hence, a major influencing factor here could be *who* a company acquires or put differently, *how big* the user network of the acquired company is. This implies that the internationalizing firm needs to have an idea about how large the network must be or what the point of critical mass is to profit from positive feedback effects prior to expansion. In addition, from this case we could learn that user behaviour can also play an important role.

5.1.7. Consumernex: An online community

5.1.7.1. Company background and internationalization background

Consumernex was founded in 1999 and provided an Internet platform for private users to review various products and services to make purchasing decisions easier for consumers. Members were paid a small amount of money for submitting reviews. In addition, the firm ventured into the market research business which represented one of the main sources of revenue back then. The firm also generated revenues by allowing companies to advertise on its platform, for example with web banners. Later the firm integrated a price comparison function into its platform displaying and providing links to the offers for a certain product or service, for which reviews are shown, of shopping partners. In 2005, Consumernex was purchased by a US online market research group but kept its corporate name and stayed responsible for managing the European business operations. Two years later, Consumernex divided its business into two separate companies – one firm operating the e-commerce business

(consumer reviews and price comparison) and the other firm operating the market research activities with the first company keeping the name ‘Consumernex’. In 2008, Consumernex was bought by a large US software company. Again, the firm kept the name ‘Consumernex’ and stayed responsible for the business operations in Europe.

Today, Consumernex offers a platform for consumer reviews and price comparisons and generates revenues through display advertising and by charging shopping companies for including and linking their offers into their price comparison function. The firm counts more than 200 employees with 10 of them located in London office. Furthermore, the firm has development centers in Poland and Romania. The platform has over 3 million members with more than 45 million people visiting the website today.

The business of Consumernex is focused on Europe with operations in Germany, the UK, France, Spain, Italy, the Netherlands, and Sweden. Abroad the firm has around 2.3 million registered users with the UK market leading among the six foreign markets with more than 756,000 members. Internationalization began in 2000 with setting up localized versions of its German website for the UK, France, Italy, and Spain. More than a year after initial expansion, Consumernex also opened offices staffed with locals both in the UK and the French market. However, the firm had to close down the office in France primarily because the disadvantages of managing a small office (less than 10 employees) remotely from the headquarters, such as long communication ways and a lower communication frequency, outweighed the advantages of being near to the market.

It often depends on the people themselves. And I also made that experience with my previous job [...] and it’s not always that easy to manage a too small of a team remotely. [...] What my personal opinion is is that a central [organizational] approach per se is very healthy and that it’s probably...If you think it’s good to have a team locally with a size of at least ten people then it would make sense to go into this country. But with everything below this size you’ll have the problem that these people will feel left alone very quickly and feel to be too far away from the product and the decisions. That was different in the UK. That’s why we still have a team there.

In 2005, Consumernex launched a local website for the Netherlands and two years later it expanded to Sweden with a localized version of its platform.

5.1.7.2. Results of the Consumernex case

Implemented strategies

Consumernex's most successful market and the most difficult market are Italy and the UK respectively. Even though the UK shows the highest number of members among all foreign markets, with more than 756,000 members compared to 285,000 members in Italy, the firm bases its evaluation on how fast and easily it could trigger adoption in the markets. While expansion in the Italian market was quick growth rates in the UK were lower.

Press articles from the year 2000 reveal that Consumernex's global network of members was double the size when expanding to the UK in mid-2000 than by the time the firm internationalized to Italy (at the beginning of 2000). These sources disclose that its network grew larger from over 35,000 registered users by the beginning of 2000 to more than 70,000 members by mid-2000.

Table 5.19 displays what strategies Consumernex chose for Italy and the UK and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.19 reveals that the image for both the most successful and the least successful market is the same in terms of strategy selection: Consumernex chose the same strategies for both markets. The most prominent strategies were the use of online media channels and the use of change agents with both of them still relevant today. In addition, the firm executed strategies not proposed by my theoretical framework. They included inviting potential users to participate in surveys for its market research business for which they were remunerated and offering monetary incentives to potential users to sign up and write reviews. Within-country word-of-mouth communication was not encouraged actively. Other strategies, such as exploiting international ties of current users, targeting opinion leaders, forming partnerships, and foreign acquisitions did not play a role for the firm's internationalization.

Consumernex did not encourage word-of-mouth communication actively when it started to expand to both markets but rather relied on satisfied users recommending the firm's platform to their peers. Later, around 2006, the firm introduced a type of tell-a-friend program for all of its markets which allowed to recommend friends to a platform and if they signed up and wrote reviews the referring user could additionally earn a small amount of money.

In contrast, Consumernex used strongly mass media channels to create awareness about its platform and attract potential users to Italy and the UK. As mass media channels the firm relied exclusively on the Internet, especially search-engine marketing. This channel was deemed to be more target-specific since it allows to reach the technology-affine users only. In addition, it allows to measure its effects on target market adoption better than other mass media channels, especially typical offline channels, such as print or TV.

Table 5.19. Strategies implemented to manage adoption in the most and the least successful target market (Consumernex)

Strategies	Most successful foreign market (Italy)	Least successful foreign market (UK)	Expected benefits
Exploiting international ties of current users	<u>absent.</u>	<u>absent.</u>	
Encourage word-of-mouth communication	<u>not actively.</u>	<u>not actively.</u>	
Use of mass media channels	strong. focus on on-line marketing, especially search engine marketing	strong. focus on on-line marketing, especially search engine marketing	- create awareness - target-specific - outcome is measurable
Targeting opinion leaders	<u>absent.</u>	<u>absent.</u>	
Use of change agents	Italian internal change agents (sales agents). Some time after initial expansion.	British internal change agents (sales agents). Some time after initial expansion.	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	<u>absent.</u>	<u>absent.</u>	
Acquisitions of local companies	<u>none</u>	<u>none</u>	
Other strategies	- build user base through online panels - offering monetary incentives for writing reviews	- build user base through online panels - offering monetary incentives for writing reviews	- exploit cross-business effects - build reviewer community

Consumernex employed only native speakers as sales agents or internal change agents for both foreign markets. The interviewee emphasized how important it was to hire native speakers as change agents to win the trust of potential users. While change agents are located in an office in London for the UK market, the few Ital-

ian sales agents work from the German headquarters. Their main task apart from customer service was to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. Moreover, change agent activities were mostly constrained to corporate users (shopping partners and advertisers) only because they were the source of revenue. Concentrating change agent effort on potential private users was not deemed necessary and efficient. Since incorporating companies into the firm's platform occurred one to two years after its foundation, it was not until a year after internationalization to these markets that change agents activities started. Apart from the day-to-day change agent activities, the firm also sends change agents regularly to local and global B2B e-commerce events, such as trade fairs or conventions, as visitors or exhibitors to inform potential corporate users about the firm's platform.

Another strategy which helped Consumernex expand its user base in its foreign markets was based on spillover-effects from its formerly second business of market research. Its market research business was then more dominant than the review and e-commerce business since the firm put more focus on the first. To carry out online surveys for other companies the firm had to build an online panel for which the firm offered monetary incentives to participants. Participants who signed up online for the surveys became simultaneously registered members for the review platform of Consumernex. As soon as they became members Consumernex informed them about the possibility to write reviews. This positive cross-business effects helped grow the user base for its review platform which was important to draw other potential users' attention to the platform who sought information about various products and services and finally to attract shopping companies and to grow its e-commerce operations. To further motivate their members to submit reviews the firm payed a certain amount of money for each report.

That was because of our special history of mixing...at that point [Consumernex] consisted of two businesses and they weren't really separate. And there was a very large synergy because my former colleagues from the market research business needed users for their panels to carry out surveys. And winning users was a joint approach back then. That is, at the beginning, to acquire users we invested a lot of marketing money to pay them for participating. But at the same time this was a sign-up to become a user of the [Consumernex] platform. So, the platform benefited from the fact that we could approach the participants and tell them 'You can also leave your opinion on our platform'. And this you can control through monetary incentives at the beginning. The users get money for their reviews that is, of course, not so much as to become rich. But you can jack up the reward for the start [...] thus, establish special incentives.

The present results suggest further questions: First, why did Consumernex not implement the other strategies proposed by my theoretical framework? Second, why was target market adoption better achieved in Italy than in the UK although the firm chose the same strategies?

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Consumernex did not consider certain strategies for internationalization two types of motives showed up: First, reasons relating to how effective strategies are with respect to adoption. Second, technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. Furthermore, there are reasons which belong to neither group and are thus referred to as ‘other reasons’. Table 5.20 gives an overview of the reasons for not using certain strategies.

The main reason why Consumernex did not exploit international ties of existing users was the lack of cross-market connections between them. The interviewee reasoned that taking advantage of international ties would not have worked because there is little connection between members in one market and potential users in other markets. The platform operates in a market which is more local for private users due to language barriers and in which shopping companies are mostly locally organized.

Actually no. [...] There were hardly any cross-country-effects. Users are just really local and the merchant segment, which came after the review segment anyway. And in retail everything is pretty locally organized. Sure, when I look through our customer base, there are always a few who sell in the Netherlands and in Germany or in France or in Italy. There are some big ones like Amazon or Fnac or Booking.com, which promote hotels, but there are just a few which could actually help us enter a market.

When asked about why Consumernex did not encourage word-of-mouth communication the interviewee admitted that this strategy was of no high priority and was, therefore, neglected at the time of internationalization. Other internal projects, in particular programming projects to enhance and improve the platform, were more important and crucial for the business’s success.

Consumernex did not use other mass media channels, in particular offline media channels, because adoption effectiveness was regarded to be too low. As the firm offers its services completely online relying on offline channels would lead to lower conversion rates since they would not address the relevant target group specifically

enough. Furthermore, they would not necessarily motivate people to sign up and write reviews about products and services, that is to provide input for the platform, but

Table 5.20. Reasons for not implementing certain strategies (Consumer nex)

Strategies	Reasons		
	Adoption effectiveness	Technical	Other
Exploiting international ties of current users		No cross-market connection between users. (“no big cross-country effects”)	
Encourage word-of-mouth communication			Did not have high priority at the time of internationalization.
Use of other mass media channels	Majority of mass media channels (especially offline channels) have no effect on adoption. Effective only for brand-building purposes.		
Targeting private opinion leaders			Not sure whether firm has ever taken this into consideration properly.
Use of external change agents	n.a.	n.a.	n.a.
Forming partnerships with other local companies			Not sure about a reasonable way to partner with another company.
Acquisitions of local companies		1. No adequate acquisition targets available. 2. Organizational reasons: Consider integration of another firm to be difficult.	

would rather attract those people who would be interested in reading reviews. But as long as there is no significant content on the platform attracting those users would not be reasonable. Therefore, the interviewee concluded that such channels would be more effective for brand-building purposes and, hence, should be used some time later.

I think TV ads or a print campaign or something similar only makes sense if you want to build a brand. [...] We’ve never really thought about using so much money just to

boost the brand. In particular at the beginning this would be...because of the logic of growth...if you did that you would promote a relatively naked product. It only fills with content step by step. So, as a growth strategy it wouldn't have made any sense.

When asked why Consumernex did not target opinion leaders to expand internationally the interviewee did not know for sure whether the firm has ever taken this strategy into consideration properly. While trying to answer the question the interviewee came up with an ad-hoc explanation. Here, the interviewee only had opinion leaders in mind who could attract users that would be interested in reading reports on products and services. However, at the beginning of establishing a platform it would only make sense to attract those users who would be willing to make a contribution to the content. Thus, exploiting opinion leadership would not be helpful for internationalization.

Forming partnerships was not considered a valid strategy either because, according to the interviewee, the firm did not know how to partner with other companies and in which area a partnership could be beneficial. All of the connections the firm has to other businesses are ordinary contracting relationships.

Buying local firms in Italy and the UK was not seen as a strategic option because of two reasons. First, at the time of internationalization to these markets there were no adequate acquisition targets which ran a similar business model. There were competitors in the UK market; however most of them were bigger US companies which Consumernex would not have been able to purchase.

At that time there was no one where it would have made sense to acquire. [...] The only thing we would have bought is know-how or shares and at that time nothing existed that would have corresponded with the expectations of [Consumernex].

Second, Consumernex feared that the disadvantages of an acquisition would outweighed the benefits as the integration of another company into its own IT and organizational structure would have been difficult. Hence, the firm believed that acquisitions would not have accelerated growth in foreign markets.

Another reason why Consumernex did not take some of the strategies into account was probably because there was no need to rely on other strategic actions. This can probably be traced back to the unique opportunity for internationalization the firm had through its second business of market research. With monetary incentives the firm could succeed in growing an online survey panel which could be transformed easily to a user base for the review platform and could be activated with further monetary incentives.

Reasons for differences in adoption outcomes

The second question, which emerged from the analysis, referred to why Italy was more successful in terms of target market adoption than the UK even though the same strategies were executed. Here, ConsumerNex brings forward two reasons. In Italy there was a more favourable market environment compared to the UK. First, the firm faced fiercer competition in the UK market than in the Italian market. Second, the UK exhibited a higher price level than Italy.

By the time ConsumerNex expanded to Italy the market for e-commerce and other online services was yet not highly developed since it was hardly populated by companies in the e-business or e-commerce segment. Hence, when the firm internationalized to Italy it faced hardly any competition and it faced a communicative population which was open towards online innovations but whose needs were barely served. These favourable market conditions made internationalization easy for ConsumerNex and helped it establish its business model quickly in the Italian market. Hence, the firm could profit from its early mover advantage.

And there's always the question of to which extent do country-specificities create a favourable environment for the business model? For example, in Italy where we found a gap with the [ConsumerNex business] model very early – in combination with a communicative population – our business just gained speed very soon. And still today we're almost uncannily by far number one if you take a look at the rankings. It's certainly a combination of both: to be present in a market with a good technology very early when there's no-one. And it also fits well, I think, with the communicativeness of the people there.

In contrast, the UK market was far more mature with several companies battling for market share. The market was especially dominated by larger US firms which usually target the UK market first when expanding to Europe because of the same language. Furthermore, the price level of Internet-related products and services, such as search engine marketing but also salaries, was much higher in the UK than in Italy which rendered international expansion more expensive and difficult.

We still have a big growth potential in England simply because it's the market American companies focus on first. Simply because of the language. And for Internet business this is a very expensive market. Everything from search to traffic and also salaries...it's a very expensive and difficult market and highly competitive. [...] and in England, it was already populated by [Firm a] or [Firm b] and all the others.

Applicability of DIT and NT on target market adoption of Consumernex

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Based on the findings about which strategies were implemented by the firm, it is possible to check which of the hypotheses suggested by this study's theoretical framework are supported to see if both theories are viable. Table 5.21 gives an overview of which hypotheses are supported and whether they need to be specified to fit into the context of this case.

Table 5.21. Applicability of DIT and NT on target market adoption of Consumernex

Hypotheses	Supported	Specification
Hypothesis 1	No	
Hypothesis 2	No conclusions possible	
Hypothesis 3	No conclusions possible	
Hypothesis 4	No	Online channels only
Hypothesis 5	No conclusions possible	
Hypothesis 6	No	Internal change agents only
Hypothesis 7	No conclusions possible	

At the time of expansion to Italy Consumernex could already build a fairly large number of users which even doubled in size when it internationalized to the UK half a year later: 35,000 members and 70,000 member respectively. However, the size of its network did not have any effect on the exploitation of international ties of users for internationalization. Therefore, Hypothesis 1 could not be supported by the present case. Hypotheses 4 and 6 cannot be supported either. As could be shown, both strategies helped achieve target market adoption in Italy. The UK market was less successful even though the same strategies were chosen. Thus, in direct comparison, these strategies did not seem to be related to target market adoption. Furthermore, since the firm did not exploit international ties of its users no clear conclusions can be derived for Hypothesis 2. Similarly, the Consumernex case does not allow for clear conclusions about Hypotheses 3, 5 and 7 either.

Most of the strategies were not taken into account for various reason but probably first and foremost because of the firm's formerly second business of market research which exhibited positive effects on its platform business. Nevertheless, the other

implemented strategies could help achieve target market in Italy. The same strategies were less successful in the UK market. Favourable market conditions, such as no competition and lower salaries and prices for Internet-related services in Italy made adoption there easier and faster than in the UK market. Hence, these market conditions can serve as possible moderators in this study's framework.

5.2. Extra cases: Two mono-foreign-market cases

There are two cases which represent exceptions in this study: Travelglobal has only one foreign market and Tradehub could not state which of its markets can be regarded as the most successful and the least successful respectively. As a consequence, no clear conclusions can be drawn about whether the findings really support or reject the hypotheses. However, as internationalization in general (Tradehub) and to France (Travelglobal) was considered to be successful according to the firms the findings may hint at that the strategies proposed in the theoretical framework may help achieve target market adoption. Hence, for further information the findings are included into this extra-section.

5.2.1. Travelglobal: A matching platform in the travel industry

5.2.1.1. Company background and internationalization background

Travelglobal was founded in 2003 and counts 77 employees today all of which are located at the German headquarters. Its core business is that of an online transaction broker offering a matching platform that enables private customers to compare and book travel services online from both travel companies and other brokers in the travel industry. Currently, the firm integrates 10 suppliers into its platform. Unfortunately, the firm does not release any information about current private user numbers. However, sources such as the Google AdPlanner ¹ reveal that Travelglobal counted around 296,000 unique users in November 2010. The company's revenue stream flows from sales commissions it receives from the suppliers displaying their offers on this online platform after a transaction has been completed successfully. Travelglobal does not

¹Services such as the Google DoubleClick AdPlanner offer web metrics on various websites to help marketing managers identify the right websites for their advertisements.

charge private customers for using its platform.

Internationally, Travelglobal operates in France only to which the firm expanded in mid-2008. The interviewee emphasized that Travelglobal did not intend to internationalize fast but rather wanted to take its time and to grow with a well-thought-out process. According to sources such as the Google AdPlanner the website in France counted about 76,000 unique visitors in November 2010. When Travelglobal decided to internationalize to France the firm chose to copy and to transfer the German business model and the website to the French market since, at the beginning, the firm believed the French market conditions to be similar to those in Germany. However, later the firm learned that the need and demand of French and German users differed to some extent which triggered the decision to adapt the website and the focus of the offerings to the French market: While French users put a focus on the lowest prices German users were more interested in additional product or service packages.

Actually, we simply copied our model one-to-one. We observed that this could be successful in France as well. However – and this is very important to us – what we do at the moment is we try to adapt to the French market. We couldn't launch a complete different website and product at the beginning – and we didn't want to. But now we slowly see differences. [...] That's why we make changes. [...] This [adaptation] is, actually, something basic for internationalization. Many firms just translate their websites in – now I'm exaggerating – in thousands of languages without any adaptations and sometimes with bad translations. Their goal is to have as much volume as possible without looking at the quality. And they don't have the time and opportunity to optimize their websites regularly and of course, it's difficult to make these adaptations quickly for all languages. [...] And this wasn't our focus. We make things slower, but good!

5.2.1.2. Results of the Travelglobal case

Implemented strategies

When Travelglobal internationalized to France in mid-2008 it could, according to the firm's own press releases, build a relatively large user base with 10,000 unique users visiting the firm's German website daily compared to a monthly unique user number of 296,000 today.

Table 5.22 displays what strategies Travelglobal chose for the French market and how these strategies were designed and executed. In addition, the table shows how

intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.22. Strategies implemented to manage adoption in France (Travelglobal)

Strategies	France	Expected benefits
Exploiting international ties of current users	partly for corporate users that operate in France as well absent for private users	- easy and fast to implement - cost-efficient
Encourage word-of-mouth communication	absent	
Use of mass media channels	strongly. search engine optimization, search engine marketing, press, some print media	create awareness
Targeting opinion leaders	partly. Journalists in the travel industry are regarded as opinion leaders	profit from opinion leaders' reputation and ability to reach the relevant target audience
Use of change agents	Internal change agents only.	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	absent.	
Acquisitions of local companies	none	
Other strategies	none	

Travelglobal mostly relied on international ties of its corporate users or travel companies and brokers, on mass media channels, internal change agents only, and journalists as opinion leaders. In contrast, word-of-mouth communication, partnerships with French firms, and acquisitions did not play a role.

Travelglobal primarily exploited the international ties of their existing corporate users or travel companies and brokers. When the firm launched a French pendant of its German website in France, it asked its current travel suppliers, all of which operated internationally themselves, whether their French branches would like to offer their services on the French website as well. Since these firms considered this as a chance to reach more customers in France Travelglobal did not have to offer any incentives to encourage them.

Our partners [travel companies and brokers] were interested. Because they put even more emphasis on volume. Well, sure they pay us a high amount of sales commission. But they absolutely strive for volume. And they already made good experiences with

Travelglobal.de. That's why they trusted us and were motivated and we didn't have to encourage them.

This strategic action helped Travelglobal fill its platform with a high amount of input, that is travel services, instantly and easily which is critical for two-sided platforms as only the existence of one group – in this case the travel companies and brokers – make the platform attractive for the second group – in this case the private users. Furthermore, activating international ties of its current corporate users to expand to France was considered to be cost-efficient since high investment for acquiring corporate users was not necessary.

As mass media channels the firm relied on the Internet, such as search-engine-optimization and search-engine marketing, and the press to create awareness about its platform in France. Online media channels make up the major part of the firm's costs and were deemed particularly important since they are more target-specific. Print media played only a little role in France since Travelglobal made the experience that advertisements in print media did not turn out successful in the German market and hence decided against print media in France. The only print media channel Travelglobal used were tourist guides: The firm paid tourists guides to write articles about the firm's platform and its services in France.

Opinion leaders were not really targeted to become users in France. Nevertheless, Travelglobal implemented the idea of opinion leadership by approaching journalists in the travel industry to write articles about its platform and services. Journalists in the travel industry were important for the firm because they shape the opinion about various travel services and because they are able to reach the target audience relevant to Travelglobal. Here, the opinion leader is not understood as an influential person or organization which uses Travelglobal's platform itself and which makes others follow its lead and adopt the platform. Opinion leadership here is not tied to the actual consumption of a product or service – it is only the role model characteristic that counted.

Travelglobal employed French sales agents and a French country manager as internal change agents all of who are located at the headquarters in Germany. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. At the beginning, the firm was thinking about opening an office staffed with change agents in Paris but decided to manage the French market from the headquarters for three reasons: First, opening an office in Paris would have been too cost-intensive.

Second, the firm wanted to be able to control and manage all French activities as closely as possible. Managing an office remotely was deemed to cause too much effort and to be ineffective. The third reason was related to creating synergies: With all change agents at one location communication ways were much shorter making the exchange of experience and know-how easier. According to the interviewee managing the French market from the German headquarters turned out to work well.

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Travelglobal did not consider certain strategies for internationalization three types of motives showed up: First, technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. The second type are economic motives. Furthermore, there are reasons which belong in neither group and are thus referred to as 'other reasons'. Table 5.23 gives an overview of the reasons for not using certain strategies.

Table 5.23. Reasons for not implementing certain strategies (Travelglobal)

Strategies	Reasons		
	Technical	Economic	Other
Exploiting international ties of private users	No cross-market connection between private users.		
Encourage word-of-mouth communication	n.a.	n.a.	n.a.
Use of external change agents		- firm wants to retain flexibility - more expensive with external change agents	
Forming partnerships with other local companies		Forming affiliate partnerships reduces too much of the firm's already low margin	no time yet to think about partnerships thoroughly
Acquisitions of local companies	1. Lack of adequate acquisition targets 2. Business culture: prefer organic growth		

The main reason why Travelglobal did not exploit international ties of existing private users was the lack of cross-market connections between them. The interviewee

reasoned that taking advantage of international ties would not have worked because there is little connection between members in one market and potential users in France. The majority of Germans book travel services over the platform usually for going on holiday and those bookers do not know many French people to which they could have recommended Travelglobal.

This is not so much our experience. The people who book over our platform are Germans who want to go on holiday and they don't know many French people. They just don't have many connections to them [French] except for business connections. That's what we did with our partners [corporate users]. But other, normal contacts – no. Here, I don't see any connections.

Travelglobal anticipated economic problems with external change agents. The firm felt that by keeping change agent activities in-house it could stay more flexible and could react faster to changing requirements. In addition, Travelglobal reasoned that outsourcing change agent activities would be more expensive than employing change agents itself.

The firm did not consider partnerships at the beginning of expansion to France because this strategy was not given high priority. Furthermore, affiliate partnerships, in particular, were seen to be too expensive since Travelglobal did not want to share its already low margin with affiliate partners.

And the basic problem is that we can't really share much of our sales commission with them. Because we already have a small margin because the travel companies and brokers, whose offers we compare, they have a small margin themselves and we get a part from this margin and we end up with a small margin ourselves. We just can't give them so much of our sales commission.

Nevertheless, the interviewee admitted that the firm has started to think about partnerships and also affiliate partnerships recently and has already begun to look out for adequate partner companies which should be in the same industry and which should have a certain size and popularity to help Travelglobal increase awareness among potential users. However, these affiliate partnerships are not supposed to be formed on a wide basis, that is with any website, but should be reserved to a few companies so as to create an exclusive affiliate partnership.

Buying firms in France was not seen as a strategic option because of two technical reasons. First, at the time of internationalization to the French market there were no adequate acquisition targets which ran a similar business model. Second, the decision against acquisitions was also attributed to the company's business culture or business

philosophy which puts a strong focus on organic growth and which avoids ‘market aggressiveness’.

But this is not our strategy because we have a very friendly corporate philosophy. Very friendly. Our corporate philosophy is to be nice to our customers, partners and our employees. We have a philosophy that is really special and we try hard to stick to this philosophy. Such an aggressive strategy wouldn’t fit into this thinking.

Applicability of DIT and NT on target market adoption outcome of Travelglobal

This study’s fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Since this case only provides one foreign market no clear conclusions can be drawn about whether the findings really support or reject the hypotheses. However, as internationalization to France is considered to be successful according to the firm the findings can hint at that the strategies proposed in the theoretical framework may help achieve target market adoption.

When Travelglobal decided to expand to France it was already doing well in Germany and had built a solid basis of suppliers (travel companies and brokers). The international ties of these corporate users helped the firm build its platform in France. Hence, this may hint at the the validity of Hypotheses 1 and 2. Similarly, Hypotheses 4 and 6 with some adaptations (mostly online media channels and internal change agents) may be supported by the case’s findings. In contrast, there are no clear conclusions for Hypotheses 3, 5, and 7. First, opinion leadership only played a minor role in France. The only opinion leaders named by the firm were journalists. Second, the firm did not encourage word-of-mouth communication and acquired no firms in the market. Consequently, effects of these strategies on target market adoption cannot be observed.

5.2.2. Tradehub: A matching platform in the media and entertainment industry

5.2.2.1. Company background and internationalization background

Tradehub was founded in 2007 and counts 12 employees today with one each located in the US, Spain, and France while the rest of the staff works from the German

headquarters. The firm functions as a transaction broker in the B2B market which provides an Internet platform to companies in the media and entertainment industry to sell and buy licenses for media content. Today, more than 500 companies sell over 50,000 audiovisual media items to over 700 companies worldwide. Basically, Tradehub has two sources of revenue: First, the firm charges sellers a commission fee whenever a sales transaction has been completed successfully. Second, Tradehub offers premium services to larger sellers for which it charges a fixed monthly fee. Such a service may entail adapting the look of the site, on which the content is offered, to include the seller company's branding.

Tradehub offered its platform to a global audience right from the beginning of its launch. The firm operates in an industry in which there is more and more demand and supply of media content across geographic borders due to the increasing digitization of media content. In addition, local sellers and buyers of media content often have business connections to each other already whereas these business ties do not necessarily cross greater distances or geographic borders. Furthermore, there are smaller countries, in which the media and entertainment industry had no economic relevance but has shown continuous growth recently and in which demand for media content is increasing, but which are poorly served by companies. Tradehub provides a platform to bridge this gap and link potential business partners from different parts of the world.

Because locally, the business relationships already exist. I don't need to mediate between, for example, the [X] Broadcasting and a local television channel because they already know each other and probably meet on a monthly basis to present their products to each other. Here, there is no need for a marketplace like ours. It makes sense only globally or across greater distances...

Therefore the firm did not internationalize to specific markets but tried to cover the worldwide market. Nevertheless, the firm focused on the biggest markets Europe, North America, and Asia and offered its platform in three major European languages (apart from German) English, French, and Spanish. The firm's global orientation is further underlined by the fact that it does not keep track of which countries their users come from.

If I knew that I would tell you. [...] Because we just don't, well, I don't know what additional knowledge these numbers would provide or what the advantage would be. [...] I don't get any reports about which countries our users come from...we have on our platform. Theoretically, we could filter out this information from our database,

sure, but they have never played a role in our strategic decisions or have had a great importance because we just operate worldwide.

5.2.2.2. Results of the Tradehub case

Implemented strategies

When asked about Tradehub's most successful market and most difficult market the interviewee could name no specific market but emphasized that its business activities run equally successfully worldwide. As mentioned before, the firm did not internationalize to specific markets but tried to gain users from all over the world. Hence, it did not choose certain internationalization strategies for one specific market but for all of the markets. Table 5.24 displays what strategies Tradehub chose for all of its markets and how these strategies were designed and executed. In addition, the table shows how intensely a strategy was implemented. Furthermore, it displays the motives or benefits expected from the use of the strategies.

Table 5.24. Strategies implemented to manage adoption worldwide (Tradehub)

Strategies	Worldwide	Expected benefits
Exploiting international ties of current users	<u>not actively</u>	
Encourage word-of-mouth communication	<u>to a certain extent</u>	access users' network and gain new users
Use of mass media channels	<u>some.</u> search engine optimization, press, some print media	create awareness
Targeting opinion leaders	<u>some.</u> ("Best practice.")	profit from opinion leaders' reputation
Use of change agents	<u>strong.</u> Mostly internal change agents	Approach potential users and convince them to use the platform
Forming partnerships with other local companies	<u>some.</u> Firms in a related business field and organizers of trade fairs	- profit from partners' high profile - gain access to partners' network of users
Acquisitions of local companies	<u>none</u>	
Other strategies	<u>none</u>	

Tradehub internationalized from inception and hence could not build a significant number of users before internationalization. Moreover, while Tradehub tried to take

advantage of interpersonal communication channels it did not exploit international ties of current users actively and explicitly for internationalization. What the firm encouraged to a certain extent was general word-of-mouth communication: The platform offered its users the possibility to make (registered or unregistered) friends aware of a certain content currently available in the online marketplace by incorporating a recommendation function into its platform. This function was interesting especially to sellers who could invite certain customers they knew to take a look at their offerings available on the platform. By doing so they helped Tradehub approach and gain potential users which could have come from any part of the world. However, no incentives were given for users for activating their ties. The firm rather relied on the benefits this recommendation function may offer to users. This recommendation system is still available today. Moreover, the interviewee admitted that the firm did not need to stimulate word-of-mouth communication more intensively since within the media and entertainment industry the word about innovations would spread automatically.

As mass media channels the firm relied on the Internet, such as search-engine-optimization, the press and little print media (placing articles in industry specific journals or magazines) to create awareness about its platform globally. These channels were deemed particularly important since they are more target-specific. Tradehub's platform is only interesting for a fairly small group of decision makers in the industry who would not be reached by channels that would address the mass audience.

When asked about opinion leaders the interviewee identified them as 'strategic partners' which actually describe users or customers who use Tradehub's platform extensively and to whom the firm provides a vast number of services which are not available to other users. Tradehub profited from such larger users by taking them as 'best practice' examples with which the firm tried to approach other companies and convince them to become users as well. The interviewee confirmed that it was important to try to target companies of a certain size and hence attractiveness. The good reputation and high profile of such 'strategic partners' helped them reduce the uncertainty of potential users.

With respect to opinion leaders: I think they equal our strategic partners we have. Well, because they're bigger companies and they're more well-known and they're equipped with a certain network. And they're just capable of opening doors for us. [...] On the other hand these successful strategic partnerships provide us with 'best practice' examples and of course, we benefit from them by marketing them and use them for approaching other potential customers.

Apart from the ‘strategic partnerships’ as labeled by Tradehub itself and described above the firm formed other partnerships with firms to promote adoption of their business model in other markets. Furthermore, as shown by the quote above Tradehub was the only company from all the cases under investigation which explicitly linked the notion of opinion leadership with their partnerships. Most of the partnerships were formed one to two years after the company’s foundation since it took a while to identify the right partners and to complete the process of partnership formation. Their partners were companies in the same or related industry but offered complementary services or products. One of their partners was a large German firm in the ICT industry with a world-spanning incorporate network and a vast pool of international customers and potential users for Tradehub’s platform. The ICT firm sells hardware and infrastructure services to network carriers and ISPs which also offer media content on their websites. Basically, under the partnership agreement Tradehub made its platform and its content available to its partner’s customers. However, the first webpage under which users could access Tradehub’s platform was integrated into its partner’s homepage and was completely adapted to its corporate ‘look and feel’. Hence, its partner firm could offer this platform as one component of its portfolio of services to its existing customers. And Tradehub could gain access to its partner’s vast network of customers and profit from its reputation as a reliable and competent global player in the ICT industry. This helped Tradehub gain trustworthiness among potential users and establish its platform on an international level.

Other partnerships were formed with companies organizing the world’s most important trade fairs for the media and entertainment industry. These partners expanded their services for fairgoers and exhibitors by Tradehub’s platform. Some exhibitors could make their products available in a section on the platform especially set up for this event which were specifically promoted and highlighted. During the trade fair show visitors could browse through these special products on several workstations set up on these trade fairs. Additionally, this service was provided to visitors after the trade fair shows as well.

Well, why do we do that? Through these partnerships we can strengthen our presence and the perception of our company and we can position ourselves as a reliable service and technology provider. And this will help us gain new users worldwide in the long run.

Tradehub employed sales agents with most of them located at the headquarters in Germany. In addition, it has one agent in each of the important markets USA, Spain,

and France. Their main task apart from customer service is to find potential users, approach them, inform them about the platform and its benefits and to convince them to use it. Furthermore, Tradehub regularly sends employees or change agents to important trade fairs and other events relevant in the media and entertainment industry. Most of these events were not local or organized specifically for one certain market but were events important on a world-wide scale. Hence, Tradehub did not attend these big events to target potential users in one particular market but users from anywhere in the world. As mentioned before, important for Tradehub's business model and its unique value proposition is to win various users from different parts of the world.

In addition, the firm teamed up with one big company in the US as an external change agent which offers billing services to movie production companies. The American firm agreed to 'cross-sell' Tradehub's platform to potential users whenever the change agent was involved in sales talk with customers for its own products and services. Change agent activities entailed making potential users aware of Tradehub's platform and to provide additional information on it. The American firm was not paid for its change agent activities. However in return, Tradehub itself worked as a change agent for the American firm's products and services.

The analysis so far reveals that Tradehub did not implement international strategies for specific target markets but rather implemented a global strategy. Furthermore, while Tradehub executed almost all of the proposed strategies change agent activities played the most important role. The only strategies which were not taken into account were internationalization through cross-market ties of current users and acquisitions of foreign markets which suggests the question of why Tradehub did not implement them.

Reasons for not implementing certain strategies

Scanning my field notes and extracting further information on why Tradehub did not consider certain strategies for internationalization two types of motives showed up: First, technical motives, which describe problems with the implementation of strategies, that is the firm did not know how to implement them or the conditions for implementing them were not favourable. The second type are economic motives. Furthermore, there are reasons which belong in neither group and are thus referred to as 'other reasons'. Table 5.25 gives an overview of the reasons for not using certain strategies.

Table 5.25. Reasons for not implementing certain strategies (Tradehub)

Strategies	Reasons		
	Technical	Economic	Other
Exploiting international ties of users			("we haven't thought that out yet")
Acquisitions of local companies	lack of adequate acquisition targets	lack of financial resources	

When asked why Tradehub did not exploit cross-market ties of their current users to expand internationally the interviewee admitted that this was an interesting point but that the firm has not thought that out yet. While trying to answer the question the interviewee came up with an ad-hoc consideration: When thinking about international ties the interviewee connected them only to ties media companies have with their (international) customers. The interviewee reasoned that these companies would not really recommend Tradehub's platform to their customers since they would give their customers access to the products and services of other suppliers and competitors. Apart from these international ties the interviewee did not think of any other possibilities.

Buying foreign firms was not seen as a strategic option because there were no adequate acquisition targets. The interviewee added that maybe it would be more reasonable to look for domestic companies with complementary services to acquire. Moreover, Tradehub is a relatively young company which did not have the financial power to execute an acquisition. Nevertheless, the interviewee stressed that it would not exclude this strategy for the future.

Applicability of DIT and NT on target market adoption outcome of Tradehub

This study's fourth research question aims at answering whether Diffusion of Innovations Theory and Network Theory can serve as powerful theories to predict target market adoption outcome for NM-EBCs. Since this case only provides one foreign market (global market) no clear conclusions can be drawn about whether the findings really support or reject the hypotheses. However, as internationalization is considered to be successful according to the firm the findings can hint at that the strategies proposed in the theoretical framework may help achieve target market adoption.

Tradehub internationalized from inception and did not have enough time to build an extensive network of users beforehand. Moreover, the firm did not really exploit international ties to expand its business model abroad. Hence, the case results allow

no clear conclusions for Hypotheses 1 and 2. In contrast, Hypotheses 3 to 6 may be supported since these strategies helped Tradehub gain new international users and achieve adoption in foreign markets. Especially change agent activities turned out to be very successful. Lastly, no clear conclusions can be derived for hypothesis 7 since the firm did not execute the acquisition strategy for internationalization. From this case, we can learn that the acquisition strategy is attractive for internationalizing firms only if there are adequate acquisition targets in the target markets and if the firm possesses enough financial resources to implement such a strategy.

5.3. Cross-case analysis

Cross-case analysis involves comparing cases and searching for similarities and differences or patterns and can be understood as the second level of data analysis. One goal of cross-case analysis here is to evaluate the hypotheses developed in 3.2 with respect to whether they apply to other settings or cases as well, that is whether they make sense beyond the specific case. Hence, cross-case data analysis is used to find support for the applicability and generalizability of DIT and NT. The second goal is to learn about firm behaviour, conditions, or other information not covered by the hypotheses and hence, to deepen understanding about the internationalization of NM-EBCs.

The presentation of the results from the cross-case analysis will be divided into two sections: The first section is dedicated to achieving the first goal of cross-analysis and will examine directly the validity of the hypotheses. The section will be structured according to the findings for each hypothesis. To be able to draw conclusions for each hypothesis, each subsection starts with one or more displays which assemble data to specific aspects predicted by the hypothesis. These displays will mostly involve comparing the implementation of a specific strategy for the most successful market with its implementation in the least successful market for all cases with the exception of Tradehub and Travelglobal which do not qualify for the cross-case analysis since they presented only one foreign market. Furthermore, cases in the display will be ordered according to the size or strength of the main aspect under investigation (such as how strong a specific strategy was implemented) to see possible differences among 'stronger' and 'weaker' cases.

Finally, the second section targets the second goal of cross-case analysis and will present additional findings and insights not covered or specified by the original hypotheses.

5.3.1. Findings for the hypotheses

5.3.1.1. Findings for Hypothesis 1

Hypothesis 1 predicts that the size of the global user network of a firm will be positively related to the exploitation of its users' international ties (social network factors) and will be hence indirectly related to target market adoption. The findings for Hypothesis 1 based on the collected data are summarized in table 5.26 which compares the size of the global user network at the time of internationalization with the intensity of the use of international ties and the type of ties for each case².

As can be seen from table 5.26, the majority of firms had a large network of users and exploited their users' international ties when expanding to their most successful markets. Exceptions are Transactionport, Oldbuddies, and Consumernex. Transactionport implemented this strategy even though it only had a small network prior to internationalization. Oldbuddies and Consumernex did not execute this strategy although they had a large network of users by the time of internationalization.

The picture for the least successful markets is similar for the first five firms despite an even larger network of users for Oldbuddies, Consumernex, and Jobnex. Hubnex and Transactionport did not implement this strategy at all for the least successful markets while they did so for the most successful markets even though they had a smaller user network at that time of internationalization.

In summary, what the data show is that possible international ties of users were mostly taken in consideration as soon as a certain amount of users existed. However, the similarity of the pictures for the most successful markets and the least successful markets despite differences in the global user network size suggests no clear positive relationship between the size of the global user network and the use of international ties. Hence, Hypothesis 1 cannot be supported.

²The level of intensity was coded into positive and negative signs based on the interviewees' own assessments.

Table 5.26. Size of user network and the use of international ties

Case	Most successful markets		Least successful markets	
	Size of user network	Use of international ties	Case	Size of user network
Globalstay - corporate customers - private customers - suppliers	150,000 1 million 180,000	+/- big global corporate users. absent for private users	Globalstay - corporate customers - private customers - suppliers	150,000 1 million 180,000
Lodgenex - corporate customers - private customers - suppliers	12,000 n.a. 186,000	+ corporate users that operate on a global scale. absent for private users.	Lodgenex - corporate customers - private customers - suppliers	12,000 n.a. 186,000
Oldbuddies Jobnex - job seekers - employers and head-hunters	400,000 100,000 4,100	- - +/- corporate users that operate on a global scale. absent for private users	Oldbuddies Jobnex - job seekers - employers and head-hunters	3 million 250,000 5,500
Consumernex Hubnex Transactionport	35,000 1,000 very small	- - + +/-	Consumernex Hubnex Transactionport	70,000 6,000 DELETED

++ very strong

+ strong/intensively

+/- some/a few/partly

- passively/not actively

-- absent/none

5.3.1.2. Findings for Hypothesis 2

Hypothesis 2 predicts that the extent to which NM-EBCs offer incentives to their users to activate their international ties will be positively related to target market adoption. The findings for Hypothesis 2 based on the collected data are summarized in table 5.27 which displays the use of international ties for the most successful and the least successful markets for all cases, ordered by the strength of use of these ties.

Table 5.27. Use of international ties (ordered by strength of use)

Case	Most successful markets	Least successful markets
Lodgenex	+ corporate users that operate on a global scale. No incentives whatsoever. absent for private users.	+ corporate users that operate on a global scale. No incentives whatsoever. absent for private users.
Hubnex	+ at the beginning. No incentives whatsoever.	- -
Globalstay	+/- more actively later. big global corporate users. no incentives whatsoever. absent for private users	+/- more actively later. big global corporate users. no incentives whatsoever. absent for private users
Jobnex	+/- corporate users that operate on a global scale. No incentives whatsoever. absent for private users	+/- corporate users that operate on a global scale. No incentives whatsoever. absent for private users
Transactionport	+/- Firm approached purchasing companies. No incentives whatsoever.	- -
Consumernex	- -	- -
Oldbuddies	- -	- -

- ++ very strong
- + strong/intensively
- +/- some/a few/partly
- passively/not actively
- - absent/none

Table 5.27 depicts that five out of the seven cases under investigation used international ties to internationalize to the most successful markets with Lodgenex and Hubnex executing this strategy most intensively. For Consumernex and Oldbuddies international contacts of users did not play any role. The picture for the least successful markets is slightly different. While there was no strategy difference for Lodgenex,

Globalstay, and Jobnex, the other two cases Hubnex and Transactionport did not consider their users' international ties for foreign expansion. Furthermore, contrary to the prediction of Hypotheses 2, none of the cases offered any incentives to make their current users activate their ties. The firms made the experience that corporate users were willing to tap into their international network if they were satisfied with the firms' product and services and were convinced of its benefits.

Overall, two cases did not use international ties at all, but for two cases a less favourable target market adoption outcome was related to the absence of the use of international ties which is predicted by Hypothesis 2. However, for three cases strategy implementation for both markets was similar but did not result in similar target market adoption outcomes: Even though they used international user ties to the same extent in both markets one market performed better than the other. As a consequence, current data allows no clear conclusion for (neither support nor rejection) for Hypothesis 2.

5.3.1.3. Findings for Hypothesis 3

Hypothesis 3 predicts that the extent to which NM-EBCs use interpersonal communication channels, hence encourage word-of-mouth communication within a target market, will be positively related to target market adoption. The findings for Hypothesis 3 based on the collected data are summarized in table 5.28 which displays the use of interpersonal communication channels for the most successful and the least successful markets for all cases, ordered by the strength of use.

Table 5.28 shows that three out of the seven cases relied strongly on word-of-mouth communication in the most successful markets. Three cases did not encourage word-of-mouth communication actively but rather relied on satisfied users recommending the firms' platforms and one case did not consider this strategy at all. The picture for the least successful markets is just slightly different with Hubnex not exploiting interpersonal communication channels actively although it did so in the most successful market.

In summary, some firms did not rely on word-of-mouth communication at all. And the picture of strategy implementation for those firms which used interpersonal communication channels was almost similar for both markets. However, adoption outcome for both markets varied which should not have been the case according to

Hypothesis 3. Hence, current data do not allow to draw any clear conclusions (neither support nor rejection) for Hypothesis 3.

Table 5.28. Use of interpersonal communication channels (ordered by strength of use)

Case	Most successful markets	Least successful markets
Jobnex	+ attractive products as incentives.	+ attractive products as incentives.
Hubnex	+ at the beginning.	-
Oldbuddies	+ Sweepstake and free membership as incentives.	+ Sweepstake and free membership as incentives.
Lodgenex	- ("sure, through our corporate users' network"). no incentives whatsoever	- ("sure, through our corporate users' network"). no incentives whatsoever
Transactionport	-	-
Consumernex	-	-
Globalstay	- -	- -

- ++ very strong
- + strong/intensively
- +/- some/a few/partly
- passively/not actively
- - absent/none

5.3.1.4. Findings for Hypothesis 4

Hypothesis 4 predicts that the extent to which NM-EBCs use mass media communication channels will be positively related to target market adoption. The findings for Hypothesis 4 based on the collected data are summarized in table 5.29 which displays the use of mass media communication channels for the most successful and the least successful markets for all cases, ordered by the strength of use.

Table 5.29 shows that mass media communication channels were very widely used in all of the cases under investigation in the most successful markets. The table further depicts that mass media channels were exploited similarly by almost all cases in the least successful markets. Only Transactionport did not rely on mass media communication channels when internationalizing to the least successful market.

Despite a similar strategy implementation adoption outcome varied for both target markets, which should not have differed according to Hypothesis 4. Hence, based on

Table 5.29. Use of mass media communication channels (ordered by strength of use)

Case	Most successful markets	Least successful markets
Hubnex	++ focus on online marketing (Google, search engine optimization, and social media channels)	++ focus on online marketing (Google, search engine optimization, and social media channels)
Oldbuddies	++ focus on online marketing (Google, search engine optimization, and web banners)	++ focus on online marketing (Google, search engine optimization, and web banners)
Lodgenex	+ focus on online marketing. (Google, search engine marketing, and affiliate program)	+ focus on online marketing (Google, search engine marketing, and affiliate program)
Globalstay	+ focus on online marketing. (Google, search engine marketing, and affiliate program)	+ focus on online marketing (Google, search engine marketing, and affiliate program)
Jobnex	+ Focus on online marketing. (Google, SEO, and affiliate partnerships)	+ Focus on online marketing. (Google and search engine optimization)
Transactionport	+ for search engine marketing and search engine optimization. some print media	- -
Consumernex	+ focus on online marketing, especially search engine marketing	+ focus on online marketing, especially search engine marketing

++ very strong

+ strong/intensively

+/- some/a few/partly

- passively/not actively

- - absent/none

a mere comparison of strategy implementation and adoption outcome in the most successful and the least successful markets no positive relationship between the use of mass media channels and target market adoption can be observed. Therefore, no support can be found for Hypothesis 4.

5.3.1.5. Findings for Hypothesis 5

Hypothesis 5 predicts that the extent to which NM-EBCs target opinion leaders will be positively related to target market adoption. Conclusions for Hypothesis 5 will be based on two findings: First, the firms under investigation were asked directly whether they targeted opinion leaders when expanding to foreign markets. These results are presented in table 5.30. Second, some firms may not be familiar with the concept of opinion leadership and hence may deny having targeted opinion leaders when asked explicitly. However, they may have formed partnerships with other firms which may bear the typical characteristics of opinion leadership. Hence, the firms were further asked whether they partnered with other firms for internationalization purposes. These results will be displayed in table 5.31.

Table 5.30. Targeting opinion leaders

Case	Most successful markets	Least successful markets
Lodgenex	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.
Globalstay	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.
Jobnex	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.	neither specifically for a certain target market, nor knowingly. opinion leaders are corporate users which are globally well-known firms – regardless of their country of origin.
Hubnex	not really. implemented once.	- -
Transactionport	- -	- -
Oldbuddies	- -	- -
Consumernex	- -	- -

Table 5.30 shows that only three out of seven cases implemented the strategy of opinion leadership rudimentarily and equally for both the most successful and the least successful markets. The fourth case Hubnex exploited opinion leaders only once in the most successful market. All of the firms were not always fully aware that they actually had the concept of opinion leadership in mind when they targeted opinion

Table 5.31. Partnerships with other firms (ordered by strength of use)

Case	Most successful markets	Least successful markets	(Expected) benefits
Lodgenex	+ affiliate partnerships. partners are EBCs well-known in the target market. integrate the services of Lodgenex into their own website. in addition, sometimes joint special promotion.	+/- less affiliate partnerships at the beginning. more partnerships recently. partners are EBCs well-known in the target market. integrate the services of Lodgenex into their own website. in addition, sometimes joint special promotion.	- Profit from partners' positive image/reputation - Gain access to partners' network of users
Oldbuddies	+ partners are well-known EBCs or websites. integrate the services of Oldbuddies into their own website.	+ partners are well-known EBCs or websites. integrate the services of Oldbuddies into their own website.	- Profit from partners' positive image/reputation - Gain access to partners' network of users
Globalstay	+/- mostly pan-European partnerships. partners are EBCs well-known in Europe. integrate the services of Globalstay into their own website.	+/- mostly pan-European partnerships. partners are EBCs well-known in Europe. integrate the services of Globalstay into their own website.	- Profit from partners' positive image/reputation - Gain access to partners' network of users
Jobnex	+/- „high-level-brand-partnerships“ with other EBCs or websites	- -	help establish the platform in the market
Hubnex	+/- technology partnerships and competitors as partners.	- -	- technological co-developments - information exchange
Transactionport	+/- More passively. Various partnerships	- -	n.a.
Consumernex	- -	- -	- -

++ very strong

+ strong/intensively

+/- some/a few/partly

- passively/not actively

-- absent/none

leaders. The other four cases did not consider opinion leaders for internationalization at all when asked explicitly. Here again we can see that adoption outcome differed even though the three cases implemented the strategy similarly for both markets.

Table 5.31 shows which of the cases partnered with other firms in the most successful and the least successful markets. It further displays what the partnerships entailed and how strongly the firms implemented the partnership strategy. Three firms formed partnerships in both markets while three firms relied on partnerships in the most successful market only. One firm did not consider partnerships at all. As can be seen from the column ‘Expected benefits’, the first four cases actually had the idea of opinion leadership in mind when they were looking for adequate partners, even though the case firms did not knowingly focus on opinion leaders in the target markets. The other two cases (Hubnex and Transactionport) did partner with other firms. However, these partnerships were formed with goals different from the objectives named by the other firms and, hence, did not exhibit any traits of opinion leadership.

The overall findings are summarized in Table 5.32. As can be seen from the table, the opinion leadership strategy was implemented almost similarly for both markets. However, contrary to predictions made by Hypothesis 5, target market adoption was not achieved similarly in both markets. As a consequence, the data is not sufficient to provide support for Hypothesis 5.

Table 5.32. Overall results for Hypothesis 5

Case	Opinion leaders		Partnerships with opinion leadership traits	
	Most successful markets	Least successful markets	Most successful markets	Least successful markets
Lodgenex	x	x	x	x
Oldbuddies			x	x
Globalstay	x	x	x	x
Jobnex	x	x	x	
Hubnex	x			
Transactionport				
Consumernex				

5.3.1.6. Findings for Hypothesis 6

Hypothesis 6 predicts that the extent to which NM-EBCs use external and internal change agents will be positively related to target market adoption. Conclusions for Hypothesis 6 will be based on two findings: First, the firms under investigation were asked directly whether they used (external and internal) change agents when expanding to foreign markets. These results are presented in table 5.33. Second, they may have formed partnerships with other firms which may bear the typical characteristics of change agents. Hence, the firms were further asked whether they partnered with other firms for internationalization purposes. The results showed that only Transactionport formed one partnership which possessed the characteristics of external change agents.

As can be seen from table 5.33, all of the firms preferred internal change agents contrary to Hypothesis 6 which included both internal and external change agents. The table further shows that all firms under investigation (with the exception of Oldbuddies) employed change agents in the most successful and the least successful markets. While the picture for Globalstay and Jobnex does not differ for both markets, there is variance for the other four firms which employed change agents. The Lodgenex case revealed that change agent activities were more intensive in the most successful market than in the least successful one. Hubnex and Transactionport employed more change agents in their most successful markets compared to their least successful markets. In contrast, there were even fewer change agents in the most successful market than in the least successful market in the case of Consumernex.

While three cases show differences in strategy implementation, two other cases do not and one other case employed even lesser change agents in the most successful market. Thus, no clear conclusions (neither support nor rejection) for Hypothesis 6 can be derived from current data.

5.3.1.7. Findings for Hypothesis 7

Hypothesis 7 predicts that acquisitions of local competitors will have a positive effect on target market adoption. The results on the implementation of the acquisition strategy are displayed in table 5.34.

Table 5.33. Use of change agents

Case	Most successful markets				Least successful markets			
	Internal change agents	External change agents	Target user	Location	Internal change agents	External change agents	Target user	Location
Lodgenex	20 French internal change agents (sales agents)	none	corporate	France	20 British internal change agents (sales agents). less intensively in this market.	none	corporate	UK
Globalstay	later French internal change agents (sales agents) only (number: n.a.)	a few external change agents at the beginning.	corporate	France	later British internal change agents (sales agents) (number: n.a.)	a few external change agents at the beginning.	corporate	UK
Jobnex	some French internal change agents (sales agents)	none	corporate	Germany	a few German and Austrian internal change agents (sales agents)	none	corporate	Germany
Hubnex	a few German but English speaking internal change agents (sales agents)	none	corporate	Germany	1 German but Russian speaking internal change agents (sales agent)	none	corporate	Germany
Transaction-port	some German internal change agents (sales agents)	a few external change agents. But stopped	corporate	Germany	internal change agents (sales agents) only: 1 German, 3 DELETED.	none	corporate	Foreign target market
Oldbuddies	--	--	--	--	--	--	--	--
Consumernex	a few Italian internal change agents (sales agents). Some time after initial expansion	none	corporate	Germany	10 British internal change agents (sales agents). Some time after initial expansion.	none	corporate	UK

The table reveals that current data do not allow to draw any clear conclusions (neither support nor rejection) for Hypothesis 7 since only Oldbuddies acquired firms in both of its target markets to make adoption easier and faster.

Table 5.34. Foreign acquisitions

Case	Most successful markets	Least successful markets
Lodgenex	--	--
Globalstay	--	--
Jobnex	--	--
Hubnex	--	--
Transactionport	--	--
Oldbuddies	one local competitor.	one local competitor.
Consumernex	--	--

5.3.2. Other findings

The analysis so far revealed that the adoption outcome in the target markets varied even though the firms under investigation applied similar strategies to a similar extent in both target markets in the majority of the cases. Here, the question arises what factors were responsible for the less successful adoption outcome in one market while similar strategies helped the firms achieve a more favourable outcome in the other market. Table 5.35 shows the factors the firms believed to be the primary reasons for the deviant target market adoption outcome. These factors were grouped into three categories: cultural differences (between the most successful and the least successful market), reasons related to differences in market conditions, and reasons concerning management issues.

As can be seen, the most nominated and important reasons were related to market conditions with higher competition and lower maturity of the online market in the least successful markets and their lower market size being mentioned most frequently by almost all firms under study. For some firms, expansion to the least successful markets was difficult because they were already occupied by a great number of NM-EBCs or were dominated by a few NM-EBCs already having grasped a large market share. Hence, the majority of the target group was already served by an existing NM-EBC and making users switch to the platforms of the firms in this study could not be easily achieved and was sometimes impossible. Even if there was still an untapped number of users, their uncertainty towards ICT-related service or products

rendered it hard for the firms under investigation to make them adopt their online platform. The just described extent to which potential users in the least successful

Table 5.35. Reasons for deviant target market adoption outcome

Case	National culture	Market conditions	Management issues
Lodgenex		different maturity level for B2B online market	lack of sufficient management commitment in the least successful market
Globalstay		- different maturity level for B2B online market - different level of competition	
Jobnex	difference in user behaviour	difference in market size	
Hubnex	language and other cultural differences	- different market maturity - difference in market size - political intervention in the least successful market	
Transactionport			wrong management decisions in the least successful market
Oldbuddies	difference in user behaviour	different level of competition	
Consumer nex		- different level of competition - difference in price level	

target markets were open towards ICT and online services or products and to which they are accustomed to use them refers to the maturity level of the online segment in these markets. For example, the Lodgenex case revealed that corporate users were reluctant to embrace its platform because they were used to being served by offline providers and were uncertain to change to an online provider. Market size was related to the low level of demand for the products or services being traded over the firm's platform in the least successful markets which was due to a small industry size. For example, Jobnex made the experience that the executive job market was fairly small in Austria which is why the platform's adoption rate was low.

Differences in national culture, such as differences in user behaviour and language, were mentioned by three firms as obstacles to internationalization. User behaviour refers to how users are accustomed to use such platforms. While in the Jobnex case, potential users did not want to pay for the platform's services, Oldbuddies experienced that registered members did not use the platform extensively enough as to create value for other members which was crucial to make its platform work.

Lastly, while the previous two reasons were factors which the firms could hardly manipulate, the last reason referred directly to a difference in strategy. Two firms admitted that insufficient management commitment to pursue internationalization to the least successful markets more actively was responsible for a less favourable adoption outcome there. The lack of a well-thought out strategic plan before international expansion was further mentioned by a firm as a reason for internationalization failure. Thus, for these two cases a difference in strategic pursuit was related to a difference in target market adoption outcome.

It appears that the first two reasons act as moderating factors, that is they influence – and in my study they weaken – the relationship between strategy implementation and target market adoption. The analysis so far showed that most strategies derived from DIT and NT were very well beneficial and helped the firms to achieve a favourable adoption outcome in the most successful markets. However, difficult market conditions prevailing in the least successful markets made it hard for the firms to achieve similar positive effects there.

6. Discussion

6.1. Summary and contribution

The motivation for this study was built on how Internet technologies have helped companies enhance or even alter their way of doing business. Today, there is a considerable amount of firms which use the Internet as an online sales channel to offer a variety of products at a lower price and higher convenience. In addition, there are firms which exploit Internet technologies to offer additional benefits such as personalization and customization like Dell. However, most notably among them is a new type of firm which has altered the value proposition of their business model. I have denoted these firms as network-managing e-business companies (NM-EBCs).

Their value proposition is not only completely different and novel compared to offline firms it goes further beyond the value proposition offered by other firms engaged in online business. NM-EBCs have shifted away from being only product or service focused to offering a platform and application for users to connect and interact. Users with similar or matching interests come together to communicate with each other, to share experiences, or to complete business transactions. By doing so users provide and create their own content thereby improving its relevance and value. NM-EBCs no longer act alone in the market but their existence depends on the participation of various actors. Hence, while other business models centre around unilateral or bilateral relationships between the provider and the customer only, the focus for NM-EBCs is now on a multilateral network. This network is open allowing new participants to join which renders it dynamic and flexible. This again ensures a rich user experience since new participants themselves and the interaction with them make new contributions. NM-EBCs are now not only responsible for gathering and channelling the different input provided by users but also for organizing and managing the cross-user relationships. The value creation and delivery is entirely digital. With constantly advancing (Internet) technologies NM-EBCs have gained more and more importance in the business world and some of them have developed into businesses worth billions of dollars.

Various literature has suggested that Internet technologies do not only influence the way of doing business but also the international market growth strategies of existing 'traditional' firms (see section 1.1.2). This effect must be all the more profound

for NM-EBCs which operate entirely in virtual markets where business transactions are completed and value is completely delivered via open and standardized electronic networks. In particular, the aspect of ‘how’ NM-EBCs expand to foreign markets has altered.

Until now, the question of ‘how’ has been concerned with which foreign market entry modes firms choose. This is regarded as enormously significant since choosing the correct market entry mode determines the success of a company’s international operation (Brouthers and Hennart, 2007; Werner, 2002; Weisfelder, 2001; Andersen, 1997; Morgan and Katsikeas, 1997). A foreign entry mode is considered to be an ‘institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources’ (Root, 1987, p. 5). This implies that a firm is internationalized as soon as it has selected and implemented a foreign entry mode. In contrast, NM-EBCs do not need to think about an international entry mode to transfer their products and/or services across national borders when deciding to internationalize because their offerings are automatically accessible from anywhere in the world since they operate entirely in virtual markets. As a consequence, they have entered foreign markets instantly from inception.

Furthermore, NM-EBCs usually do not offer complete, self-contained products or/and services offering a stand-alone benefit that can and need to be transferred across borders to make them available in another country and, thus, to internationalize. NM-EBCs rather offer a virtual platform that creates a derivative benefit by channelling and managing the input and interaction of various actors. What creates value for users is neither lodged in single products or services but in the entire business model. Hence, in the case of NM-EBCs it is not a single good which needs to be transferred to a foreign market but their whole ‘way of doing business’. Transferring a whole business model is not a question of choosing the right entry mode but is a question of replication in a foreign market. Furthermore, replicating their business models in other markets means developing a local network of different users which can only be achieved if NM-EBCs succeed in getting them to participate, that is to adopt. *Therefore, the question of how to internationalize has moved away from choosing the right entry mode to choosing the right actions to influence and manage adoption.* That is not to say that ‘institutional arrangements’ no longer play an important role for NM-EBCs. However, the motivation for the implementation of such ‘institutional arrangements’ has changed from a means to gain access to foreign markets to a means of organizing their business operations abroad.

As I showed in section 1.1.2 existing theories of internationalization cannot be fully applied to the international expansion behaviour of NM-EBCs. ‘Traditional’ theories focus on firms with well-defined boundaries and dyadic relationships between entities involved which no longer hold for NM-EBCs. The boundaries between NM-EBCs and customers are blurred since it is no longer the firm that produces value but its a whole network of participants (users and other firms) that are responsible for producing and shaping the value-generating content. Hence, the focus has shifted away from resources internal to a firm and single transactions to the characteristics of this network or the portfolio of value-generating network participants.

To be able to explain their internationalization behaviour more properly, I decided to use Roger’s Diffusion of Innovations Theory (DIT) and Network Theory (NT). DIT has been the leading theory for describing and explaining how innovations, such as ideas or products, diffuse within a social group and become adopted by them. NT characterizes the structure of networks and how actors within this network interact from a social and an economic perspective. I consider both theories to be powerful to describe and explain the internationalization behaviour of NM-EBCs because their foreign expansion is based on the replication of their business models in foreign markets which can only be achieved if potential users in foreign markets adopt. Furthermore, knowledge about networks help NM-EBCs understand how they can capitalize on their network of participants to diffuse the idea of their business models among foreign potential users to make them adopt.

Based on fundamental concepts of DIT and NT, I developed a model which (1) describes what strategies NM-EBCs may use to expand their business models to foreign markets and (2) makes predictions about how these strategies may be related to the performance in the foreign markets. I tested this model against data collected through case study research involving nine NM-EBCs with their headquarters in Germany which varied in size, ranging from small to mid-sized companies, and which came from various industries.

As a first step, I analyzed the data for each case separately producing a detailed description of which strategies the NM-EBCs used to expand internationally. The results of this **within-case analysis** (see section 5.1) indicate that DIT and NT are powerful theories for describing the internationalization behaviour of NM-EBCs. Nevertheless, the applied concepts of DIT and NT need to be specified and adapted to better reflect the internationalization behaviour of the NM-EBCs under study.

First, those cases, which used international ties of their users, chose to make use of their corporate users’ international network instead of their private users’ network.

The most salient reason for using the ties of their corporate users only was that private users for such business models, which evolve around the interaction of a local network of users, rarely possess cross-country ties. In contrast, corporate users, in particular large ones, are mostly engaged in international business and, hence, exhibit an organizational structure which spans various countries. Consistent with literature on social capital, which emphasizes that a high-diversity network is equally important to generate social capital (Lin, 2008, 2002; Granovetter, 1973), the network of corporate users is more likely to contain heterogenous resources, namely cross-market ties, than the network of private users and hence, will be more important for internationalizing firms.

Second, for most of the firms capitalizing on users' cross-market ties turned out to be a reasonable strategic option. Nevertheless, there were two cases for which this strategy did not return as many positive results as expected. First, Jobnex experienced problems which were rooted in the organizational structure of their corporate users. Most of the corporate users, which were part of a global incorporate network, were not able to approach and convince members of this network to join Jobnex's platform because decision-making was not centrally organized: decisions to introduce innovations in the human resources area were made on a local level with organizations from other countries not being able to intervene. The organizational structure of incorporate networks was also mentioned as a possible obstacle to this strategy by Lodgenex. Second, Transactionport learned that most of its users were reluctant to approach and convince their contacts to join the platform. However, these contacts only referred to the supplier network which was considered to be too much of a competitive advantage to make it available to other companies on the platform. These examples indicate that it is not only important to know which of the current users an internationalizing firm should approach but also which of the cross-market ties an internationalizing firm should focus on.

Third, data on the use of mass media communication channels showed that all of the firms preferred online channels to typical offline channels. Print media played only a minor role and primarily served brand-building purposes. Search engine marketing and search engine optimization were regarded to be most important for all of the cases while affiliate programs were mostly set up for the B2C segment rather than for corporate users. With their business carried out online, the firms considered it to be most reasonable to rely on online communication channels. They assumed that users looking for online services or products will do so over the Internet and hence it was most practical to target them over this medium and to prevent any kind of

media disruption. Furthermore, the firms under investigation mentioned easy implementation, cost-effectiveness, measurability, and target specificity as crucial benefits which rendered online communication channels most favourable.

Fourth, the majority of the firms under investigation were not aware of them having implemented the opinion leadership strategy. Furthermore, collected data showed two salient characteristics of opinion leaders: First, opinion leaders were no private users but exclusively corporate users or companies which are well-known and which served as best practices or role models and hence fulfilled a signalling function for other potential users, mostly potential corporate users. Second, the firms under investigation did not approach indigenous opinion leaders for a specific target market but rather focused on opinion leaders which were well-known on a global basis regardless of their country of origin. What counted was their worldwide reputation and their potential ability to influence other users. Hence, the idea of within-country diffusion with the help of opinion leaders has shifted to the idea of cross-country diffusion in the context of NM-EBCs.

Fifth, the results on the use of change agents suggest that change agents do not necessarily need to be based in the target markets to promote adoption. Below a certain number of change agents it may be more beneficial to have them located at the headquarters to profit from synergy effects. Moreover, change agent activities were focused on potential corporate users only. Change agents were too expensive to use them for approaching and convincing private users. Compared to private users, corporate users are much more profitable since they are charged for using the firms' platforms and the transaction volumes are significantly higher than with private users. Because of the cost of platform usage, corporate users are much more cautious towards the platforms and it takes longer and more effort to convince them to adopt the platforms.

Finally, the acquisition strategy was not popular among the firms under investigation which was primarily due to technical reasons or to reasons related to the business culture. Acquisitions were not taken into consideration because there were simply no firms with similar business models to purchase or because firms were inexperienced with this strategy and shied away from the challenges of post-acquisition integration. This is consistent with existent literature on (foreign) mergers and acquisitions in general (e.g. Shimizu et al., 2004; Jemison and Sitkin, 1986). Even though literature is still sparse on the effect of a firm's unique business culture on corporate strategy choice (Brouthers and Hennart, 2007; Morgan, 1993; Shrivastava, 1985), this was another important reason for the firms under investigation to decide against acquisi-

tions. Although some of the firms under investigation were small companies, which would suggest lesser financial resources, there was only one firm for which the lack of financial power represented an obstacle to foreign acquisitions.

The results of the within-case analysis revealed that the firms under study preferred exploiting ties of their corporate users but also showed that it may be important to understand which of the users' ties a firm should try to activate. Furthermore, the firms used online mass media channels more often than other channels. Here, it would be interesting to find cases which rely on channels other than online channels and to examine the adoption outcome of these cases. Moreover, most of the firms were not fully aware of them using opinion leaders of whom all were well-known companies and change agents were primarily internal sales agents targeting corporate users exclusively. Lastly, since only one firm acquired foreign firms for international expansion more cases with the acquisition strategy would reveal further interesting insights.

As a second step, I compared and analyzed the findings across the cases. I compared the firms' strategy implementation and adoption outcome in the most successful markets to those in the least successful markets. Unfortunately, whereas the findings clearly showed DIT and NT to be descriptive, they leave it unclear whether both theories are normative as well. The results of the **cross-case analysis** (see section 5.3) did not allow for a clear picture of the power of DIT and NT to predict target market adoption outcome: The overall picture showed either little variance in strategy implementation between the most and the least successful markets or some strategies proposed by DIT and NT were executed by too few firms as to enable a definite conclusion.

Cross-case analysis allowed me to uncover some factors that influenced the target market adoption outcome but which were not included in the original model. The data revealed that national culture and certain market conditions influenced target market adoption and were held responsible for the different adoption outcome in the most and the least successful markets despite similarities in strategy implementation. The existence of these factors may explain why no support or conclusions could be found for the variables examined. National culture and certain market conditions appear to have acted as moderating factors, that is they influenced the relationship between strategy implementation and target market adoption.

To account for these observations, I suggest to adapt the framework from chapter 3.1 to include market conditions and culture as moderating factors. The new framework as depicted in figure 6.1 shows that social network factors, diffusion factors, and target market network size have an effect on target market adoption; however, their

effect will be subject to a country's cultural and market conditions.

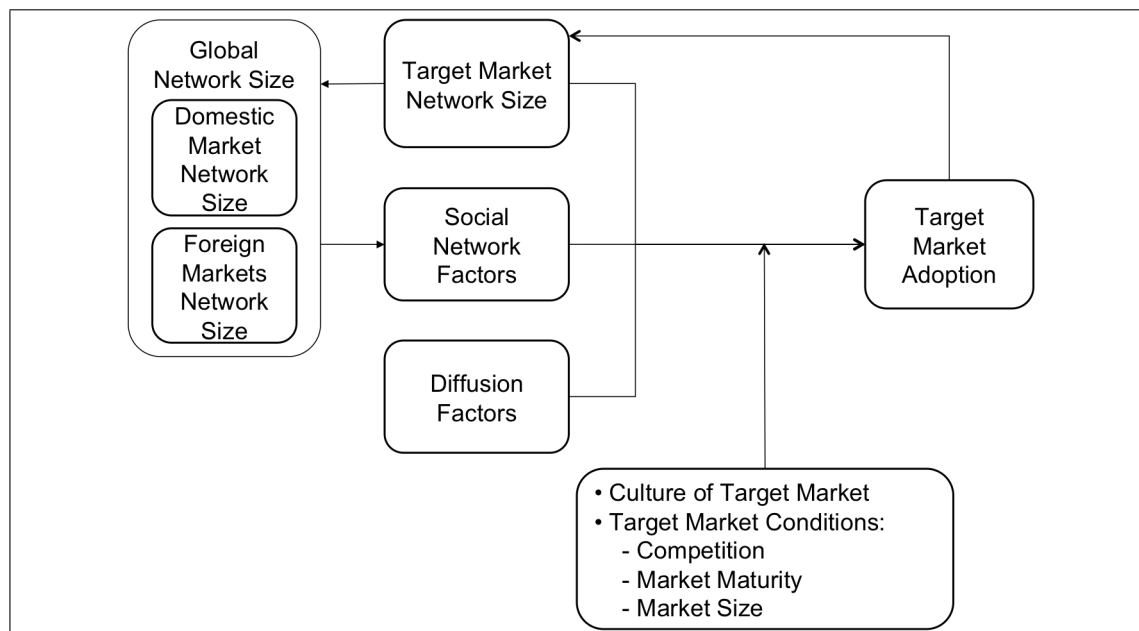


Figure 6.1. Modified framework for explaining the internationalization of NM-EBCs

The findings of my study contribute to research in this field in several ways. First, compared to past studies, such as Borsheim and Solberg (2004), Loane et al. (2004), or Loane and Bell (2002), I took a more differentiated look at firms operating in the Internet environment. Instead of trying to cover a large sector of the online business, which is filled with a plethora of different business activities, I limited my focus to firms with a highly innovated business model in the Internet environment and clearly defined these firms to ensure homogeneity in features. This was necessary to avoid distortion in results. The findings of my study showed that, overall, the firms under investigation behaved similarly when expanding to foreign markets. Heterogeneous results of some past studies may have been due to the diversity of businesses in the online world.

Second, my findings provide evidence confirming the assumption that NM-EBCs possess unique characteristics and do business in a way different from 'traditional' firms that forces them to put an emphasis on aspects and use strategies to internationalize which, to my knowledge, have yet not been covered in the internationalization literature. As discussed above, research on the 'how'-aspect of internationalization has primarily focused on the choice of entry modes. However, in this study, I delivered evidence, that NM-EBCs are more concerned with strategies to manage adoption of their business models in foreign markets rather than with entry modes. While exist-

ing literature has acknowledged the existence of specific characteristics of such firms (e.g. Mahnke and Venzin, 2003; Singh and Kundu, 2002), it has not really provided empirical evidence about the firms' actual internationalization behaviour. Moreover, past research focusing on the 'how'-aspect of internationalization has been too concerned with market entry modes (Borsheim and Solberg, 2004; Kim, 2003; Loane et al., 2004; Loane and Bell, 2002).

Based on the results of past research that existing theories of internationalization no longer applied or that they needed to be adapted for firms operating in the online world (e.g. Forsgren and Hagström, 2007; Mahnke and Venzin, 2003), or Singh and Kundu (2002)), I tried to view internationalization of NM-EBCs from a different perspective and relied on DIT and NT. While DIT has not been used in international management research yet, Social NT, to a certain extent, has found its way into international management research in the light of the born global phenomenon (e.g. Coviello and Munro, 1997; Johanson and Mattsson, 1988; Sharma and Johanson, 1987). However it has rarely been used to derive precise hypotheses about the internationalization behaviour of the firm. My findings revealed that the NM-EBCs under study used the majority of the strategies proposed by DIT and NT that lends both theories high potential to describe and predict the internationalization behaviour of such firms and renders them a powerful explanation alternative to understand the international expansion of NM-EBCs.

Fourth, the findings also contribute to the discussion about existing theories of internationalization in general, which emphasizes the importance to examine these theories in the light of new phenomena (e.g. Axinn and Matthyssens, 2002; Forsgren, 2002; Morgan and Katsikeas, 1997; Oviatt and McDougall, 1997), in that it adds powerful theories to the existing portfolio of theories. In addition, I could show that it is not always necessary to develop new theories from scratch but that other research disciplines may offer interesting theoretical insights as well.

Fifth, from a methodical perspective, this study highlights the advantages of case study research which may be a powerful approach to examine a new and little researched phenomenon because it has the potential to identify unknown and unexpected aspects of the subject matter. Research in the field of EBCs has mostly applied quantitative methods or less rigorous case study research based on secondary data to investigate the firms' internationalization behaviour. My study, however, examined various cases relying both on primary and secondary data.

Lastly, even though I could give no conclusions about the relationship of target market adoption and the strategies proposed by DIT and NT in this study, the find-

ings especially of the within-case analysis may, nevertheless, provide valuable insights for NM-EBCs venturing abroad. They emphasize that expansion to foreign markets for such firms means that they need to find ways to replicate their business models abroad by making potential users adopt. The findings give these firms an idea about which strategies may be available for internationalization, how firms may design these strategies and what problems may occur for each of the strategies. Furthermore, they revealed that culture and specific conditions prevailing in foreign markets play an important role and need to be taken into account when expanding abroad.

6.2. Limitations and implications for future research

While the cases in this study help to provide a more thorough understanding of the internationalization of NM-EBCs, a number of limitations exist. The number of cases in this study was lower than expected and, hence, the study may lack sufficient data. Although the number of cases was adequate for the descriptive purpose of this study and provided rich insights into the internationalization behaviour of NM-EBCs, the number may be too low for capturing the relationship between the strategies and target market adoption. Some strategies, like word-of-mouth communication or foreign acquisitions, were executed by too few companies. Furthermore, the variety of the least successful markets could have been higher with three out of seven firms naming the UK as the least successful markets. The limited number of cases resulted primarily from a small basic population of appropriate firms to investigate. Data collection was based on a small basic population of firms only because the case studies were restricted to German NM-EBCs. Focusing only on German NM-EBCs ignores possible cultural or specific market-based factors that could influence the strategy choice. German NM-EBCs might behave differently from their North American or Asian counterparts. As a consequence, the generalizability of the findings needs to be limited to those cases. However, these findings may lay the ground for studies employing larger sample sizes and other, more quantitative-oriented methodologies to enhance generalizability. Expanding the sample size requires to include NM-EBCs from other countries in which case country differences need to be controlled for to exclude their possible influences on the key variables of interest.

This study investigated the internationalization behaviour of seven matching platforms and two community platforms. Even though no significant difference could be observed between these two business models, future studies may include more

community platforms to enhance the generalizability of this study's framework. In addition, the third business model 'Portals', which was included in the definition of NM-EBCs, was not included in this study since no portals could be found to participate in this study. Hence, the findings cannot be applied to portals. Including portals into data sample of future studies may help fill in this research gap.

In addition, this study focused on a very specific set of firms which fails to cover the diversity of businesses in the online world. Hence, the generalizability of the results needs to be limited to this type of firm.

I observed that market conditions and cultural factors, which were not considered in the original framework, had an impact on target market adoption and may serve as an explanation for the lack of support for the hypotheses. Further research should incorporate these factors into their studies and examine in more detail how these factors affect target market adoption. The assumption of their moderating effect may not be correct and they may have a direct effect instead.

Another limitation may relate to the research design: Interviewees were asked to pick out their most and least successful markets on which data was collected. However, concentrating on two 'extreme' markets only allows to derive information on how the markets perform compared to each other (within one case) but not necessarily how their performance compares to markets of other cases. A least successful market may still do well but just less well than the most successful market which may have led to the unclear picture.

Even though interviewees were asked how the strategies turned out no standardized procedure was undertaken to measure the performance and to make them comparable to each other and across cases. In retrospective, this was problematic for data for Hypothesis 5 which revealed that firms did not focus on opinion leaders in one specific market but on global opinion leaders (independent of their country of origin) with an influence spanning several foreign markets at a time. Hence, the picture for the opinion leadership strategy for the most and the least successful markets could not vary. Future research could try to capture adoption outcome in foreign target markets in more detail by relying on reliable and valid (subjective and/or objective) quantitative measures of performance. This would lead to a more detailed matching of strategies and target market adoption to deliver a more distinctive picture allowing better conclusions for the hypotheses.

In this study, I was mostly concerned with whether and how strongly the firms implemented certain strategies. However, it may not only be decisive whether a strategy is executed but rather what the implementation looked like. Future research

efforts may wish to examine whether and how the specific design of a strategy has an influence on the target market adoption outcome.

A further limitation may be related to data collection sources. I had to rely on key informants and review of external documents for the majority of the information used in this study. Access to internal documents was restricted and mostly non-existent. As this study investigated the implementation of internationalization strategies, which belongs to the highest corporate decision level, all of the firms did not provide any internal documents for review because of their sensitive information. Some of the firms did not even provide data on sales or number of users which had to be retrieved and assembled from external resources. Furthermore, since data were based on retrospective reports of key informants on the internationalization of their firms they may suffer from influences of ex-post experiences or perspectives and from recall biases. This problem was accounted for by checking information against external data resources. However, it cannot fully compensate for the problem of reconstruction biases.

6.3. Conclusion

With NM-EBCs gaining more and more importance in today's economy the aim of this study was to describe and explain how they expand to foreign markets. While there has been some studies about the internationalization of such a type of firm they failed to fully grasp the core of such businesses and the findings turned out to be still heterogeneous. More specifically, I attempted to enhance what is known (1) about how such firms do business and (2) about their internationalization behaviour.

In literature, there is a plethora of terms and definitions for businesses operating in the Internet environment none of which have succeeded in providing a neat understanding of the firm under study. In my study, I put a focus on a specific type of firm and denoted them NM-EBCs. To differentiate them clearly from other businesses in the online industry I attempted to categorize existing online business models by identifying the core components of such business models as classifying criteria. This classifying scheme allowed to distinguish and describe clearly the various online businesses which, to my knowledge, has been missing in existing research. This approach further enabled to specify precisely what makes NM-EBCs different from 'traditional' firms and how their unique characteristics may affect their internationalization behaviour.

Building on an elaborated definition of NM-EBCs, I developed a model to describe and explain their foreign expansion which, different from ‘traditional’ firms, involves the adoption of the firms’ business model in the foreign target markets. With traditional theories lacking sufficient explanatory power to be applied to NM-EBCs, I drew upon two theories still unknown in international management research: Diffusion of Innovations Theory (DIT) and Network Theory (NT), which best account for the adoption requirements for internationalization and the firms’ network characteristics. I also attempted to examine whether the behaviour predicted by these theories were related to the performance in the target markets.

The findings from the nine cases in this study allowed me to draw two important conclusions: First, the firms under investigation did indeed behave as predicted by DIT and NT which renders both theories descriptive. Second, there was no clear picture about how their internationalization behaviour was related to the outcome in the foreign target markets which leaves the question about the normative power of both theories still unanswered.

The results revealed that the theoretical perspective, from which the international expansion of NM-EBCs was examined, gives an important clue about how to further proceed in this research. Even though some limitations may have restricted the validity of the final results, my study adds new and important insights to existing knowledge in the international management field and suggests a number of directions for future research efforts.

A. Case interview protocol

Introduction to the research project

1. Research team:
 - Kim Geisser: University of Mainz, PhD student specializing in international management
 - Prof. Franz Rothlauf: University of Mainz, expert in the field of information systems
 - Prof. Keith Brouthers: North Carolina State University/USA, expert in the field of strategic management
2. Topic: International expansion of e-business companies
3. Research objective: By means of multiple cases we begin to identify and document answers to two major questions:
 - What strategies do e-business companies use to expand to foreign markets?
 - Which of the strategies promise to render internationalization most successful and why?

Firm background

1. Briefly describe your business model. (A business model describes what your business is about, what you offer your customers and how you generate revenue)
What do you think is the unique value of your business model?
2. When was the firm founded?
3. What is the size of the firm? (Number of users, total sales, number of employees)
4. To how many foreign markets have you expanded until now?

Person background

1. Describe your responsibilities within the firm. Do you make strategy decisions alone or are there other persons involved in the decision process?
2. Since when have you been with the firm? Have you been involved in the international expansion of the firm from the beginning?

Overview of international activity

1. To which foreign markets have you expanded until now? Prompt for details about international development, e.g. date of expansion (to reconstruct time sequence of internationalization), total sales, total number of users, etc.
2. Which foreign market would you describe to be *the most successful* with respect to market entry? Why have you selected this market? On which performance criteria does interviewee base his/her decision to nominate a specific market as very successful?
3. Were you involved in the expansion into this market? If no, ask for the right contact person.
4. Which foreign market would you describe to be *the least successful* with respect to market entry? Why have you selected this market? On which performance criteria does interviewee base his/her decision to nominate a specific market as not very successful?
5. Were you involved in the expansion into this market? If no, ask for the right contact person.

Adoption in target market - Most successful market

1. When did you enter the market again?
 - How big was your global installed user base prior to expanding to this market?
2. Did you try to gain access to potential users (at that time) in the target market by asking your current users to contact the people they know in the target market? Why or why not? How? Ask for examples.

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- When did you implement this option?
 - How intensive and how often did you implement this option?
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
3. Did you promote word-of-mouth communication within the target market to gain new users? Why or why not? How? Prompt for examples.
- When did you use word-of-mouth communication?
 - How intensive and how often did you use word-of-mouth communication?
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
4. Did you use mass media channels? Why or why not? Prompt for examples.
- Which ones did you use? (TV, print media, radio, online advertising)
 - When did you use mass media channels?
 - How intensive and how often did you use mass media channels?
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
5. Some companies use opinion leaders to promote the international expansion to a target market (role models that use or consume a company's product or service themselves. If necessary, give examples to explain what is meant by opinion leaders.). Did you employ opinion leaders in the target market to gain new users? Why or why not?
- How many did you use?
 - When did you use opinion leaders?
 - How intensive and how often did you use opinion leaders?
 - Who were they?

-
- Why did you choose them? Prompt for details about their characteristics. (Check whether they were really opinion leaders or whether they were change agents instead, mistaken as opinion leaders by the interviewee.)
 - What tasks did you ask them to perform? Ask for examples.
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
6. Did you hire or employ people or/and organizations (both external and internal) in the target market to inform and educate potential users about your products and services? Why or why not? (If necessary, give examples to explain.)
- How many did you employ?
 - When did you use these people or organizations?
 - How intensive and how often did you use these people or organizations?
 - Who were they?
 - Why did you choose them? Prompt for details about their characteristics.
 - What tasks did you ask them to perform? Ask for examples.
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
7. Did you form partnerships with other firms (both online and offline) in the target market? Why or why not? (Intended to check whether these partnerships are opinion leadership or/and change agent employment in reality, but which were not regarded as such by the interviewee.)
- How many partnerships did you form?
 - When were the partnerships formed?
 - What did these partnerships involve?
 - How long did they last?

- Did they produce the expected outcomes? Ask for reasons for possible failure.
8. Did you acquire any local companies in the target market? Why or Why not?
- Who were these companies (competitors or companies with complementary products and services)?
 - When did you acquire?
 - Was it a hostile or friendly takeover? (Hostile takeovers can repel (loyal) users and thus counteract the positive effect of takeovers on target market adoption.)
9. Did you use any other methods to gain new users in the target market?
10. How many users do you have in this market currently?
11. How high are your current sales in this market?
12. What is your market share?

Adoption in target market - Least successful market

1. When did you enter the market again?
- How big was your global installed user base prior to expanding to this market?
2. Did you try to gain access to potential users (at that time) in the target market by asking your current users to contact the people they know in the target market? Why or why not? How? Ask for examples.
- When did you implement this option?
 - How intensive and how often did you implement this option?
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
3. Did you promote word-of-mouth communication within the target market to

gain new users? Why or why not? How? Prompt for examples.

- When did you use word-of-mouth communication?
- How intensive and how often did you use word-of-mouth communication?
- How did this action turn out? Successful or not? Ask for reasons for possible failure.

4. Did you use mass media channels? Why or why not? Prompt for examples.

- Which ones did you use? (TV, print media, radio, online advertising)
- When did you use mass media channels?
- How intensive and how often did you use mass media channels?
- How did this action turn out? Successful or not? Ask for reasons for possible failure.

5. Some companies use opinion leaders to promote the international expansion to a target market (role models that use or consume a company's product or service themselves. If necessary, give examples to explain what is meant by opinion leaders.). Did you employ opinion leaders in the target market to gain new users? Why or why not?

- How many did you use?
- When did you use opinion leaders?
- How intensive and how often did you use opinion leaders?
- Who were they?
- Why did you choose them? Prompt for details about their characteristics. (Check whether they were really opinion leaders or whether they were change agents instead, mistaken as opinion leaders by the interviewee.)
- What tasks did you ask them to perform? Ask for examples.
- How did this action turn out? Successful or not? Ask for reasons for

possible failure.

6. Did you hire or employ people or/and organizations (both external and internal) in the target market to inform and educate potential users about your products and services? Why or why not? (If necessary, give examples to explain.)
 - How many did you employ?
 - When did you use these people or organizations?
 - How intensive and how often did you use these people or organizations?
 - Who were they?
 - Why did you choose them? Prompt for details about their characteristics.
 - What tasks did you ask them to perform? Ask for examples.
 - How did this action turn out? Successful or not? Ask for reasons for possible failure.
7. Did you form partnerships with other firms (both online and offline) in the target market? Why or why not? (Intended to check whether these partnerships are opinion leadership or/and change agent employment in reality, but which were not regarded as such by the interviewee.)
 - How many partnerships did you form?
 - When were the partnerships formed?
 - What did these partnerships involve?
 - How long did they last?
 - Did they produce the expected outcomes? Ask for reasons for possible failure.
8. Did you acquire any local companies in the target market? Why or Why not?
 - Who were these companies (competitors or companies with complementary products and services)?

- When did you acquire?
 - Was it a hostile or friendly takeover? (Hostile takeovers can repel (loyal) users and thus counteract the positive effect of takeovers on target market adoption.)
9. Did you use any other methods to gain new users in the target market?
 10. How many users do you have in this market currently?
 11. How high are your current sales in this market?
 12. What is your market share?

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