

THE INFLUENCE OF NETWORK RELATIONSHIPS IN
THE INTERNATIONALIZATION OF STARTUPS

CASE STUDY - DREAMSHAPER

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“You can not connect the dots looking forward, you can only connect them looking backwards.” Steve Jobs, 2005

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All the luck for Dreamshaper.

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List of abbreviations

B2B – Business to Business

CEO – Chief Executive Officer

FDI – Foreign Direct Investment

MBA – Master of Business Administration

NGO – Non-profit organization

SaaS – Software as a Service

1. Resumo

O capital social incorporado no âmbito de empresas aponta as redes de relações como preponderantes para que as startups possam ter sucesso em geografias internacionais. A perspectiva estrutural e relacional das redes de relações é complexa e o papel desempenhado por diferentes tipos de relações de rede em ajudar as startups a ultrapassar as dificuldades de custos em operar internacionalmente e da falta de recursos não é totalmente compreendido pela literatura existente. O propósito desta tese é investigar como um determinado tipo de relação de rede influencia o processo de internacionalização de uma startup numa tentativa de reduzir o grau de incerteza próprio de tais cenários. Um caso de estudo único foi o método utilizado para a exploração do tema de uma forma qualitativa, sendo que os dados foram maioritariamente recolhidos através de entrevistas semiestruturadas com os fundadores da startup escolhida.

Os resultados encontrados demonstraram que o ambiente a respeito do âmbito das relações de rede é altamente dinâmico já que a morfologia de tais laços de ligação modifica-se com o decorrer do processo de internacionalização. Para além disso, as características dos fundadores revelaram-se também determinantes para a expansão de pequenas empresas que ambicionam internacionalizar-se.

Palavras-chave: Internacionalização, Rede de relações, Startup, Capital Social
Sistema de Classificação JEL: F20, M13

2. Abstract

Social capital embedded in the firms' scope points out networks as preponderant in order startups may succeed within international geographies. The structural and relational outlook of networks is complex and the role played by different types of network relationships on helping startups overcoming liabilities of foreignness and lack of resources is not fully understood by the existent literature. The purpose of this thesis is to investigate how a determined type of network relationship influences the internationalization of a startup in international markets in an attempt to reduce the degree of uncertainty proper of such scenarios. A single case study under a chosen software startup was the used method to conduct the exploration of the subject in a qualitative manner, being that the data was mainly collected through semi-structured interviews with the founders of the selected startup.

The encountered findings demonstrated that the environment regarding the scope of networks is highly dynamic as the morphology of such connection ties changes with the course of the process of internationalization. Furthermore, the characteristics of the founders have also been revealed to be determinant for the foreign expansion of a small firm aiming to internationalize.

Key words: Internationalization, Network, Startup, Social Capital
JEL Classification System: F20, M13

3. Introduction

The phenomenon of globalization has been accompanied by an increasing amount of companies that choose to enter into international markets. Small firms often face more issues along the process in comparison to large organizations since their resources are scarce. Indeed, networks arise as the evolvement of traditional literature regarding internationalization patterns and its influence on such process has been motive of attention from several authors.

The software industry has engendered special care in the international business literature as the software market has been globalized over the last years and it is also noticeable that the center of attention of such studies has practically been on large firms. It has arisen an opportunity to develop a case study about Dreamshaper which is a startup acting in the SaaS industry and under a B2B model and so there was a match with the topic of interest referred before. The facility in the access to the firm, the fact that its founders were personally known and the fact they have been in a geographic expansion project were the reasons behind the choice of this startup to develop this thesis.

There has been a trend over the past decade on studying network relationships in the context of the international entrepreneurship theory and the findings suggest that they represent a crucial support for an entrepreneurial company and respective international activities. In fact, the implementation of cooperatives strategies is an urgent focus for startups aiming to internationalize. The role of social capital linked to networks on the facilitation of startups internationalization has been more and more evident and so, network relationships are seen as a tool the small firms use in order to overcome their resource and competency accessibility issues. It is common to attribute a high significance to network ties in the success of young firms when entering into new foreign markets and contrary to what is often thought, the establishment of new relations may be as much or more important than pre-existing ties.

The purpose of this study is to analyze the internationalization process of a startup by focusing on the influence networks have on their first years of international activities. Despite social capital at a company level has been more and more studied in a domestic context, recent studies claim the need of further application of the concept in international scenarios.

Network in the internationalization of startups

Network approaches within the matter in question do not display obvious structures and patterns regarding the internationalization process of a startup since the way they are constructed is not seen as a straightforward path. One possible reason for this is that there are still not enough findings among the literature about if and how the impact of a determined network relationship on the overcoming the obstacles inherent to international activities of a startup may be explained or related by the features of the respective network relationship. The added value that this thesis brings to the theoretical panorama is given through the attempt of to explore and fulfil this gap in the literature by studying a real case of a startup and answering to some fundamental questions. On this reasoning, the broader question of this subject shall be to find out how startups can establish and use networks either by pre-existent ties or by the development of new relationships during their internationalization processes to face the scarcity of resources. Inherent to this, it is important to demystify the complex system where the network scope is embedded in and so the understanding of how the different types of network relationships affect the startups on their foreign market entries is of vital significance. Taking into account the high degree of dynamism within the subject, one of the main interests of this study is to conclude in more detail to what extent the impact of networks have within the market selection and entry mode in the referred pathway. Another imminent issue comes from the neglect of the strategic positioning of the entrepreneurs on such process. Thus, there is a need of perceiving the role of the founders within the building of network ties and so the arising question is what are the ways through which they establish partnerships including the process of choice of partners.

The strategic orientation of a startup is often not linear thanks to the uncertainty of business environments. Unexpected events may occur, which make predictions difficult to be made. This implies that the effect of serendipities on the development of network ties should be motive of study as well to better understand the general topic in discussion.

Firstly, and regarding the structure of this thesis, it is presented a theoretical revision in the sense of framing up the concept of social capital within the theme of internationalization as well as the network theory embedded in it and which appears as an evolution of the Uppsala model school. The considered topics were the following: the possible applicable types of approaches in such international activities, to understand what is the role both of the founders and cooperative strategies in this process, signaling the complex and sometimes confusing networking structure of relations by categorizing its elements,

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namely the formal position of the company compared to the context of network; the outline of the network types of relationships that exist; the strength of those ties; and finally the phenomenon of relationships multiplication, known as the effect of serendipity.

After the theoretical framework, a qualitative analysis under the selected startup was made and consubstantiated with the parse of the established partnerships that were regarded as pillars in the respective process of internationalization. For that, it was developed a descriptive account of the circumstances in which the partnerships were created and maintained over time, on what they have been contributing to the success of the company up to now in terms of availability of resources and what were the contacts that triggered them. Furthermore, it involves the motivations and criteria that determined the strategic selection of partnerships and a reference is made to the background and profile of the founders as well. It was also performed an analysis based on numeric data in order to find strategic patterns involving the relative importance of the formation of different types of partnerships within the course of the activities of the company. In turn, the collection of data involved internal sources of the company however it was mainly made through the conduction of semi-structured interviews with the founders of the company. Then it was drawn a discussion where the literature review was articulated with the results obtained from the analysis.

The findings give evidence that there are not specific series of stages to be followed during an internationalization process. Moreover, the study confirms the existence of a dynamic mechanism within the nature of network relationships, which is aggregated to the changing influence they play over international activities. For example, informal inter-personal relations act as triggers for internationalization as they allow the firm to establish intermediary ties and actually business ties are not so salient as the last two in the very beginning of the process. Still on the above-mentioned reasoning, there is also evidence of the need a startup has onto be strategically flexible in order to adapt and face barriers such as uncertainty and unpredictability when going into unknown foreign markets. A proactive approach was taken by the founders to develop new relationships and establish new partnerships and furthermore it was verified the multiplication factor, better known as serendipity effect, implying an increasing broadness on the scope of network ties with the course.

4. Literature Review

4.1. Internationalization theories

4.1.1. Uppsala Model

Internationalization theories are traditionally described as a step-wise mechanism (Bilkey and Tesar, 1977; Cavusgil, 1980; Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975). Developed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), the Uppsala model was the first to appear in the international business literature and it has been one of the most cited so far (Blomstermo and Sharma, 2003).

An assumption of the model is that the lack of market knowledge is a relevant barrier to succeed on internationalizing a small firm and that the necessary knowledge can be mostly obtained through operations abroad (Johanson and Vahlne, 1977). Actually, the mentioned market knowledge is related to the process of increasing the international involvement of the organization derived from different types of learning (Ruzzler *et al.*, 2006) and so, according to Johanson and Vahlne (1977), knowledge and learning of the foreign markets plays a crucial role concerning internationalization. The model divides knowledge into market-specific knowledge and general knowledge and there is a conceptualization behind each type. The market-specific knowledge is conceptualized as experiential in nature and it is principally acquired through the process of operating in the referenced foreign country, having its bases on earlier experiences about the target country environment which includes its market structure, customers in the market and culture. On the other hand, general knowledge is concrete and it concerns general issues from operation conducts to marketing methodologies and representative customers in a global scale. (Johanson and Vahlne, 1977).

Regarding the selection of markets to operate, firms should enter into markets close to their home market in the first stage and then to expand gradually to more psychically distant markets (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975).

Despite the general acceptance of the Uppsala Model in the international literature studies (Coviello and McAuley, 1999), nowadays it is noticeable that internationalization cannot be taken as an incremental process (Oviatt and McDougall, 1994). Furthermore, the deterministic character of the model has been criticized (Reid, 1981).

4.1.2. The network model

In later studies and supported by the Uppsala model, Johanson and Vahlne (1990, 2003, 2006) proceeded with the examination of the internationalization process, applying a network perspective by considering the role of interactions of networks as responsible for new opportunities in international markets and for the learning and knowledge creation for the firm. Besides that, the internationalization pathway of small firms is driven by the deployment of networks (Coviello and Munro, 1995, 1997; Moen and Servais, 2002; Blomstermo *et al.*, 2004a, b). Contrary to what one might think, it is argued that the existence of an already established network when the firm is founded is of smaller relevance than expected. Actually, there is evidence that the foundation of many firms may succeed without any pre-existent network of the founder being involved (Rasmussen, Madsen and Evangelista, 2001), which supports the theory that it is feasible to go into foreign markets from the ground.

The greatest differentiator factor between the Uppsala model (Johanson and Wiedersheim-Paul, 1975) and the network model is that the network model is not based in a gradual and sequential advancement in nature (Johanson and Vahlne, 2003). In addition, networks provide an access to resources controlled by other actors in the market (Johanson and Mattsson, 1988; Håkansson and Snehota, 1995) and it does not say anything about in respect to psychic distance (Johanson and Mattsson, 1988). The reliance firms have under the assistance given by networks helps to revoke the effects of distance. Thus, one of the changes in terms of theory perspective is the consideration that, in opposition to the traditional model, the possibility to identify and exploit new chances derived from the existence of business relationships makes the overcoming of country barriers less heavy in the current society. The network model conceptualizes network relationships as determinants for market selection where a firm follows network relationships to foreign markets (Håkansson and Snehota, 1995; Johanson and Mattsson, 1988). This was reinforced on subsequent research by Awuah (2009) and Johanson and Vahlne (2009) who provided evidence that there is a considerable impact of the network of a firm not only in the market selection of the foreign country but also on the type of entry mode that should be chosen by the firm. Nonetheless, the influence of network relationships on the market entry in these studies has been viewed from the scope of the internationalization operations of a firm into various countries. Thereby, in a scenario where a firm is entering a certain

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individual country, it remains unclear the influence exercised by networking on the entry of a foreign market. From this sphere, it is understandable that there is a reciprocal action between the internationalization of the market and the degree of internationalization of the firm in the network approach (Jansson, 2007; Johanson and Vahlne, 2009).

In these networks, the firms share common interests, which motivate them in developing and maintaining relationships with each other in a way that provides them mutual benefits (Johanson and Mattsson, 1988, Johanson and Vahlne, 2003). This is reinforced by Blomstermo and Sharma (2003), who refer that establishing, developing and maintaining longstanding business ties, within the network, is crucial for the process of internationalization. Johanson and Vahlne (1990) go further and complement this vision by stating that relationships between the firms located in distinct countries function as bridges to new markets for the internationalizing firm. The nature of these relationships seems to be spread away and their influence not to be regular. However, a tightly interwoven network has the ability to provide international opportunities (Coviello and Munro, 1995). The use of networks has multiple applications as network partners can be utilized for consulting and discussing ideas and to share knowledge (Harris and Wheeler, 2005) and certain costs, to set up new business activities, resources and to build new partnerships via these relationships (Schulz *et al.*, 2009).

In summary, the mentioned gain of knowledge comes from this reasoning and its components are the exchange of experience, market knowledge and mutual help overbuilding geographical distances. Hilmersson and Jansson (2012) argue that inherently to the increase of knowledge is attached the experiential knowledge which is crucial for building strong relationships in the foreign network and thus it is a key factor in the internationalization process.

From these insights, it is noticeable that it is necessary to realize the context in which an organization operates, namely its surrounding environment (Johanson and Mattson, 1993). This leads to the matter that despite a firm being dependent on resources owned by other organizations, it can access them by incrementing its status in the existing network through the development of relationships (Johanson and Mattsson, 1988). Like this, strengths and weaknesses of a firm become visible and so do strategic alignments and thus, the small firm increases the odds to succeed in its internationalization journey (Johanson and Mattsson, 1988).

4.1.3. The concept of social capital

4.1.3.1. Embeddedness in the business context

Social capital and its attached role to the foundation of new ventures has been considerably studied (Ferrary and Granovetter, 2009; Johanson and Vahlne, 2003; Oviatt and McDougall, 2005) leading to conclusions as its impact on the connectivity expansion of a firm, measured over the number of ties and its scope, being essential mainly for small firms searching for entering into foreign markets and for the inherent process of operationalization (Baker, 1990).

Social capital definition has been evolving through the years and broadly speaking, while for one side there is the view of the concept as the set of unique features that define vaguely structures connected among themselves (Bourdieu, 1980; Coleman, 1988; Putnam, 1993), on the other there is the perspective of social capital as a resource translated into the participation of firms in networks (Coleman, 1988; Nahapiet and Ghoshal, 1998). According to Coleman (1988), organizational actors would play a preponderant role in terms of accessibility of valuable resources to the firm through the intentional mobilization of relationships on the behalf of their interests and thus representing the expectations regarding the achievement of knowledge, information, financial resources or political contacts. In turn, Nahapiet and Ghoshal (1998) considers social capital as a cluster of a bundle of resources that are embedded within network of relationships and describes its typologies in the form of structural, relational and cognitive capital. However, only the relational and structural typologies will be specified, as they are the most relevant for the purpose of this thesis. The structural capital is related to the range of the network, which is the sole number of network ties with whom the manager straightly binds (Collins and Clark, 2003; Reagans and McEvily, 2003). They cover various and diverse actors who allow access to several kinds of information and thus, the larger the range is the bigger the set of knowledge will be accessible for managers (Burt, 1992; Hansen, Podolny, and Pfeffer, 2001). On the other hand, the relational outlook presents a better understanding of the behaviors of a firm in the strategic scope of seeking international resources suggesting that trust, behavioral norms, commitment, trust, reciprocity, reputation, shared values and mutual recognition regulate the mechanism of social capital (Bourdieu, 1986; Coleman, 1991; Putnam, 1993) and consequently there is the interpretation of this features as an intangible form of socialized capital.

Power and Reagan (2007) have been widely studying the reasons behind successful B2B relationships, which straightly bind to the generation and accumulation of social capital. Moreover, they signalize the importance of to reach such success for the reputation, achievement of goals, positive performance, structural limits and adaptation of a firm. In turn, Lehtonen (2004) adds that the constitution and execution of well-defined objectives are a requirement for the success of B2B relationships.

4.1.3.2. Social capital as enabler for internationalization

Since an early life stage that young small firms reach reasonable success on foreign markets despite their scarce resources (e.g., Knight and Cavusgil, 2004; Oviatt and McDougall, 2005; Zhou *et al.*, 2007). The strategy of the firm concerning internationalization is considered as having impact in the achieved level of success. Ball *et al.* (2008) support this theory by referring that the elements that the company takes into account when deciding about to get and use scarce resources in order to accomplish their internationalization goals are expressed in its strategy.

To succeed internationally, firms have to learn about their foreign markets, for example, the cultures and institutions of those markets (Hofstede, 1980; Majkgard and Sharma, 1998; Wilson *et al.*, 2004). Knight and Cavusgil (2004) reinforce this view by referring that notwithstanding the difficulty new firms face to acquire and locate specific knowledge about foreign markets, there is a required process along international activities and that constitutes a crucial issue in the evolution of technological startups for instance. In spite of the assumption that startups internally have the proper ability to enable them to expand in foreign markets is not reasonable (Coviello and Munro, 1997), namely by the fact that their scarce resources may negatively influence their capacity to enter foreign markets as well as to constrain the evolvment to go forward to more advanced stages of internationalization (Westhead *et al.*, 2001), one pertinent explanation for how they surmount those barriers is through the use of their relationships with other firms (Chetty and Wilson, 2003; Wilson, Chetty, and Shergill, 2004). Indeed, small firms may be forced to resort to external parties so they can reduce uncertainty about international markets by obtaining the needed information (Reid, 1984). Actually, those agents may represent a bridge (Adler and Kwon, 2002; Ellis and Pecotich, 2001) between the international market and the firm as the relationships with its customers, suppliers and distributors can incite its entry into new markets (Chetty and Blankenburg Holm, 2000; Johanson and Mattsson, 1988; Majkgard

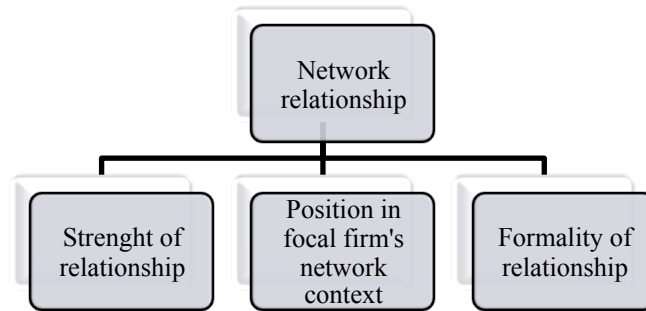
and Sharma, 1998) and can also be weighted in mode pattern changes (Petersen *et al.*, 2000; Petersen and Welch, 2002). Like that, the mechanism of leveraging the social capital of founder-managers through these kinds of relationships has been manifested to be a practicable strategy for young and small firms to cope with liabilities of newness such as credibility, experience and initial resource constraints. McDougall, Shane, and Oviatt (1994) complement this broad view by arguing that direct personal contacts coming from key individuals can be useful for identifying new opportunities, assistance in foreign negotiations, obtaining business advice and opening doors in markets where the internationalizing firm is still not present. (Yli-tenko, 1999). Thus, the solution usually comes through experience coming from direct activities in foreign markets (Bell, McNaughton, Young, and Crick, 2003) and in effect the more a technological startup builds business relationships based on the advance of its social capital, the more probable it is to strengthen its foreign growth derived from new knowledge exploitation and acquirement (Doz, Santos, and Williamson, 2001; Yli-Renko *et al.*, 2001).

4.2. Structure of network relationships

Networks have been motive of more and more attention in the scope of business studies (Carson, Gilmore and Rocks, 2004; Håkans-son and Snehota, 2006; e.g. Möller and Halinen, 1999), which is justified by the fact that they furnish a close sight to the perceived real world by observers (Axelsson, 1992). Notwithstanding the interest in networking activities, it exists some clutter on what networks are and how they operate (Carson *et al.*, 2004; Charan, 1991). Ojala (2009: 52) reinforces this statement by referring: “*The literature related to types of network relationships is somewhat confusing.*” According to Zain and Ng (2006: 184) a network is “*the relationships between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities*”.

Network relationships can be presented under a perspective of three distinct categories: Formality of the relationships; strength of the relationship; and position of a firm in the network context.

Figure 1 - Types of network relationship categories

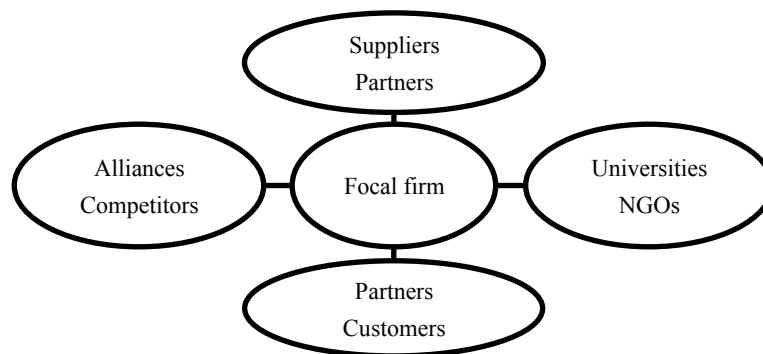


Source: Arvid and Helander (2009)

4.2.1. Position of the small firm in the network context

Möller and Halinen (1999) presented a model showing the distinct business relationships creating the network context of a firm being that a way to categorize them it is in vertical and horizontal relationships. Vertical relations encompass customers, customer partners, suppliers and supplier partners. On the other hand, horizontal ones encompass NGOs, universities and research institutions, competitors, competitor alliances and governmental organizations. However, and despite this categorization, it is not unusual these two types of relationships to be interrelated and hence to form complex networks.

Figure 2 - Horizontal and vertical network relationships



Source: Adapted from Möller and Halinen (1999)

4.2.2. Formality of relationships

Many authors have been claiming that the entrance into foreign markets is regulated through distinct types of network relationships referred as informal and formal. While informal relationships are associated to personal relationships such as friends and family for example, formal relationships are associated to business activities (Coviello and Martin,

1999; Coviello and Munro, 1995, 1997; Ojala, 2009). Apart from this, intermediary relationships have also been referred as important (e.g. Ellis and Pecotich, 2001).

Within the formality of network relationships, they can be categorized into three types depending on their source: inter-firm networks, also known as business networks, inter-personal networks (O'Donnell, Gilmore, Cummins, and Carson, 2001) and intermediary networks (Chetty and Blankenburg Holm, 2000; Ellis and Pecotich, 2001; Havila, Johanson, and Thilenius, 2004; Oviatt and McDougall, 2005). Briefly, the business type concerns to the set of relationships bonding one firm to other firms (Johanson and Mattson, 1988), the inter-personal one concerns to the sum of relationships bonding one person with other people (Burt, 1992) and the intermediary ones, being that all of these types allow for the facilitation market entry to foreign markets.

4.2.2.1. Business Networks

Business networks are conceived as inter-organizational cooperation shaped by an integrative form (Das and Teng, 1996; Golden and Dollinger, 1993) and furnish access to a diversified portfolio of important resources and complementary skills to firms (Chetty and Wilson, 2003). This leads to the enlargement of the knowledge of the company derived from the multidimensionality feature that this type of network possesses and actually it has the capacitance to imbibe new information in a fast pace (Lynn *et al.*, 1996). In fact, its salient influence on organizational knowledge and learning exchange within the inter-firm networks (Huang, 2012) makes it where the researchers focus and concentrate the most when they employ the traditional network model of internationalization (Johanson and Mattson, 1988).

4.2.2.2. Inter-Personal Networks

All the people with whom managers have direct relations and get advice, services and moral support are included in inter-personal networks (Dubini and Aldrich, 1991) and it is not unusual for managers to consider the notion brought by this type of networks of “business know-who” as important as “business know-how” (Peterson and Rondstadt, 1986). On its turn, Kock (1995) visualizes this concept as networks among persons who are mostly connected through interactions within a social context and nevertheless, business and information exchanges may also happen in these kinds of situations. Like this, these

authors embody both professionals and family and friends in relation to this type of networks.

Inter-personal networks can be labeled as formal and informal depending on from where their sources come (Birley, 1985; Coviello and Munro, 1995; Ibarra, 1993; Johannsson, 1987). Formal inter-personal networks are “*composed of a set of formally specified relationships [...] among representatives of functionally differentiated groups who must interact to accomplish an organizationally defined task*” (Ibarra, 1993: 58). That is, they are attached to business activities constituted by two or more actors to the belonging network and usually translated into contracts and arrangements regulated by rights and duties for both parts (Das and Teng, 1997). In turn, informal inter-personal networks “*involve more discretionary patterns of interaction, where the content of relationships may be work related, social, or a combination of both.*” (Ibarra, 1993: 58), including interactions with other business actors, friends and family (Birley, 1985; Das and Teng, 1997).

4.2.2.3. Intermediary Ties

Instead of creating a direct contact relationship involving the seller and the buyer directly, there is a mediator, that is a third party, who makes it easier to establish a network relationship between the seller and the buyer (Ellis and Pecotich, 2001; Havila *et al.*, 2004; Oviatt and McDougall, 2005). These mediated relationships proved to play a critical role for those who were establishing on new markets, as they did not have any existing formal or informal relationships that they could use for market entry themselves (Gabrielsson *et al.*, 2008).

4.2.3. **Strength of Networks**

4.2.3.1 Trust and Commitment

The strength of ties is a belonging feature to the structure of networks (Anderson, 2008; Ibarra, 1993; Kreiser, 2011; Zhao and Aram, 1995) and it is linked to the relational outlook of social capital.

The relation between actors can go from simple contacts to trustful relationships (Harris and Wheeler, 2005) being that this scope belongs to relational social capital. From a network model perspective, markets are viewed as networks of relationships holding trust

and commitment as pre-requirements for those network connections (Johanson and Vahlne, 2009). Trust is defined as '*a willingness to rely on an exchange partner in whom one has confidence*' (Moorman *et al.*, 1993: 82) which means that there may be a reliable cooperation within international network ties with the collaborating partners (Madhok, 2006). Furthermore, this is particularly critical in technology collaborations (Williamson, 1991) as it boosts the information sharing goodwill, open communication, (Currall and Judge, 1995) and it reduces both the necessity to monitor and the use of other control procedures (Inkpen and Li, 1999) and the fear of opportunism by partners (Williamson, 1991). Thus, firms should not concern too much on protecting themselves from the most trusted partners. Commitment is also attached to the strength of ties and it is defined as the efforts and time used to maintain the network linkages. Moreover, it is dimensioned under a frequency of communication basis (Carson *et al.*, 2004). When both trust and commitment are simultaneously present, they yield outcomes that foment effectiveness, efficiency and productivity (Morgan and Hunt, 1994).

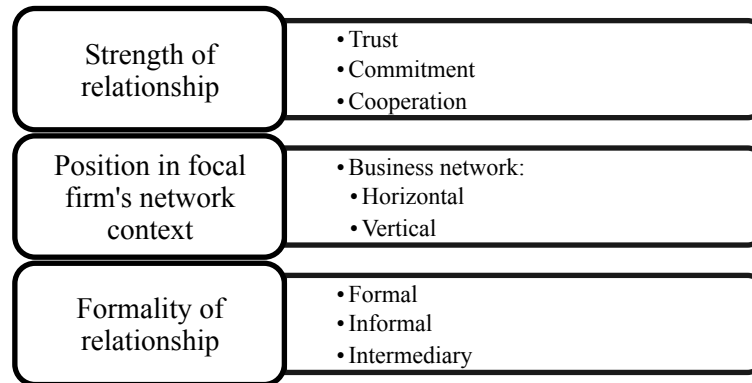
4.2.3.2. Weak and Strong Ties

Weak and strong ties are the classification for the strength of the network. While weak ties are responsible for making the connection to distant and disconnected firms and thus being related with lower levels of dependence and interaction, in the strong ones it is expected a high level of engagement and commitment within the relationship, a higher frequency of interaction and an emotionally closer relationship. Therefore, a firm is capable to gain more knowledge through the heterogeneous capabilities and resources of its partners (Johanson and Vahlne, 2009). For one side and because of the minimization and efficiency of costs, firms with a high number of weak ties have a more beneficial stance when compared to a firm engaged within a high number of strong ties since the last referee often take extra costs (Boorman, 1975; Hansen, 1999) and furthermore they are able to be more flexible and autonomous. Moreover, and according to Sharma and Blomstermo (2003), firms looking for new ties and channels beyond the existing ones find a positive correlation between the easiness of pursuing new partnerships and the lowness of dependency on the established ones. On the other side, according to Granovetter (1985) and despite the fact strong ties conduct to less miscellaneous information and need more maintenance, information coming from them is more accurate, detailed and credible when compared to networks compounded of weak ties (Powell and Smith-Doerr, 1994; Uzzi, 1996). This

tendency assumes that individuals having strong ties with each other own alike information, which in turn leads to more redundancy (Burt, 1992; Burt, 1997).

Balancing the last mentioned structural features of network ties, Reagans and McEvily (2003) refer that the network range may assume a higher significance than weak ties when the firm makes the access to non-redundant information. Whereas network range accounts the extension to which the gathering of networks by the manager covers different bases of knowledge, weak ties just consider the strength of the relationship and thus, network range is more important in the moment to obtain non-redundant information.

Figure 3 - The structure of networks



Source: Author Elaboration

4.3. Influence of networks

4.3.1. The role of founders

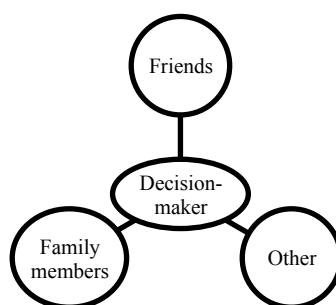
McDougall and Oviatt (2000) look to the entrepreneur as the major driver for value creation and internationalization of the firm. The attitudes and characteristics of the founder influence how the organization is going to respond to initiatives originals of its network connections. Beyond that it is pointed that managers play a fundamental role notably in small firms when it comes the moment to identify opportunities for internationalization (Chetty and Holm, 2000). Actually, recent studies have given evidence of a positive correlation between the international experience, orientation, attitude and networks of the entrepreneur and the international development (Andersson and Florén, 2008; Andersson and Svensson, 2009b; Andersson and Wictor, 2003; Denicolai and Palamara, 2007; Knight and Cavusgil, 1996).

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The set of attributes of the founder can be analyzed through three dimensions: managerial vision, prior international experience and use of networks. According to Reid (1981), managerial vision is crucial in the decision of a firm to go international. The vision differs from entrepreneur to entrepreneur and it depends on the age, foreign nationality, level and type of education, extent of foreign travel and the ability to speak other languages among other factors and thus, it shapes the perception and preferences of the entrepreneur on strategic choice matters. Rialp *et al.* (2005) defends these founders envision the world as one and so as not adopting a strong domestic focus and Oviatt and McDougall (1995) suggest that global thinking of founders or managers might be the most valuable characteristic for a startup company to expand internationally.

Prior international experience of the founder is probable to be influential on the way the firm behaves and consequently it affects its performance. Firms going international since the very beginning are usually founded by a group of individuals with international experience (Oviatt and McDougall, 1994). In fact, the mindset of an entrepreneur as a factor facilitating internationalization is tightly linked to the experience obtained by working abroad by the majority of the founders before committing in an own startup business (Schulz *et al.*, 1990). The value of the decision-makers is highlighted several times within the context of the network of the firm (e.g. Carson *et al.*, 2004), namely the use they make of their own personal relationships, including family and friends, so do its influence either in the choice the foreign markets where to enter and in the entry mode (e.g. Coviello and Munro, 1997; Zain and Ng, 2006). Thus, the networking of managers can signify using manifold networks (Gilmore *et al.*, 2001), being that the founder must take a proactive approach in order the firm actively develops its network (Slotte-Kock and Coviello, 2010).

Figure 4 - Network ties of decision-makers



Source: Author Elaboration

4.3.2. Market entry

The set of steps that a startup has to take to pursue an effective market selection and entry in foreign geographies is not consensual among the existing literature and Koch (2001a) suggests that both aspects should be viewed as belonging to the same decision process. Johansson and Vahlne (1992: 9) states that the process of to enter in a foreign market is more and more acknowledged as to be: *"unclear, complex, continuously changing [...] strategy emerges out of interplay between actors in the foreign market and the firm"*. Koch (2001a) highlights the huge importance the market entry strategy has for the international strategy of any company and according to Root (1998) the same is decomposed in the choice of the target market and the entry mode in order to penetrate the targeted market.

According to Coviello and Munro (1997), formal and informal network relationships affect the foreign market selection and choice of entry mode of small software companies as well as its rapid internationalization process. Actually, opportunities for smaller and young firms for the entry into foreign markets are rather dependent on network ties than on traditional planning as in large firms for instance (Coviello and Munro, 1995). Ojala (2009) found evidence that formal relationships have had influence on the market entry in the cases of firms he studied, by using distributors acting in markets abroad. In turn, friends known coming from the experience in previous jobs of the managers also influenced the foreign market entry and thus, it was proved the use of informal relationships along the international expansion of the firm. Gupta and Govindarajan (2000: 46) states that there is no such thing as universal solutions for all scenarios and adds: *"Unlike the complete ownership, alliance-based entry modes have the advantages of permitting the firm to share the costs and risks associated with market entry, allowing rapid access to local know-how"*. Actually, foreign market decisions are based on social ties and they are not all times a straightforward process, being that there are situations where they are *ad hoc*.

4.3.2.1. Foreign Market Selection

It is believed that foreign market entry decisions are based on the systematization of collected objective information (Root, 1998). However, Ellis (2000) stresses that it exists evidence countering the vindication that the most communal approach to market selection is the traditional one.

Discussing foreign market selection implies to identify what approach the firm applies in such a process – a proactive or reactive one (Albaum *et al.*, 2005). According to Album *et al.* (2005), the proactive approach is traditionally characterized by a formalized and systematic foreign market selection and it is determined for active initiatives taken by the company. In the reactive approach, the firm chooses markets in a passive way being that the initiative relies on external parties being that the firm fulfils awaiting initiatives or unsolicited orders coming from foreign buyers or representatives and thereby it is a non-systematic process. Other than these, there is a more or less institutionalized approach in order to find new international markets, an *ad hoc* and opportunistic approach where the decision maker bases its choice either on presented opportunities while travelling or from business acquaintances (Album *et al.*, 2005), which can also be named as an intuitive market selection approach. Johanson and Vahlne's (2006) reinforce this vision referring that relationships of a firm can open up new and unexpected opportunities, which in turn can engender changes in strategy.

4.3.2.2. Entry Mode

The mode of entry is what the firm uses in order to penetrate the targeted international market and it is important in the sense that it determines the degree of control of the company under then marketing mix and the degree of commitment in the target market (Albaum *et al.*, 2005).

Firms operating in international markets generally can opt between either low and high commitment entry modes, going from exporting to licensing, joint ventures and FDI. When firms are small and young, do not possess wide international experience, have high risk of investment and great ability to develop differentiated products, they tend to choose low commitment modes (Agarwal and Ramaswami, 1991). Majkgard and Sharma (1998) state that the mostly used entry mode among entrepreneurs is alliances. In fact, strategic alliances give startups accessibility to resources, markets and knowledge (Lu and Beamish, 2001). According to Oviatt and McDougall (2005), small firms prefer network structures for internationalization which often are non-contractual relationships involving informal social contacts. Furthermore, small firms have also been engaging in hybrid structures like licensing and franchising (Oviatt and McDougall, 2005) or indirect exporting via agents (Erramilli and D'Souza, 1993). Direct exporting is also used via own channels like Internet for instance and FDI is rarely used by startups because they do not intend to take the risk of

a difficult return on investment under the commitment of their own resources (Lu and Beamish, 2001).

4.3.3. Positive role

The process of internationalization is triggered through the acknowledgment of opportunities in international fields, also recognized as its crucial antecedent (Oviatt and McDougall, 2005) and that recognition relies on asymmetrical information among resource owners and individuals (Shane and Venkataraman, 2000). Thus, the awareness of foreign market opportunities can be promoted through inter-personal networks (Chandra *et al.*, 2009; Ellis, 2000) and that promotion is strongly influenced by the managers (Ellis and Pecotich, 2001).

The utmost value to the firm of perceiving their own motivations is highlighted by the literature concerning the formation of cooperative arrangements. It is fundamental that a firm stipulates and understands the motives behind its consideration on the involvement incooperative strategic activities as they will significantly influence the choice of partners, the form of the relations and which activities to integrate (Badaracco, 1991a). The process of to screen and evaluate potential exchange partners is benefited by networks (Ellis, 2000). In that sense, and in a scenario of uncertainty about foreign markets, maintaining and developing new relationships is an important component in order to screen and assess eventual partners (Ellis, 2000) and obviously evaluating reliability before to start commercial transactions makes social engagement crucial (Al-Laham and Souitaris, 2008; Björkman and Kock, 1995; Ellis and Pecotich, 2001). The reason why managers use personal contacts for that cause is the fact they attribute greater honesty to that kind of ties (Musteen *et al.*, 2010). Hence, and according to McGrath, Vance, and Gray (2003), the foundation of personal contacts usually comes from mutual trust and past experiences and so it serves as a reference for the guarantee the integrity of the personal of the manager (Burt, 1997; Stuart, Hoang, and Hybels, 1999). Moreover, this reference can be justified by the steady social norms and beliefs within inter-personal networks, emboldening allegiance to business practices related with ethics and consequently leading to diminish the requirement of formal manners (Adler and Kwon, 2002). Therefore, the managers of small firms make use of personal contacts as they affiliate those relationships to sincerity (Musteen *et al.*, 2010).

Legitimacy, credibility and reputation promoted by alliances are particularly important elements for firms and their managers in foreign markets (Coviello and Munro, 1995; Loane and Bell, 2006; Oviatt and McDougall, 2005a) as in an initial phase they experience a shortfall of legitimacy and credibility in relation to their products and services which is defined as a lack of reputational capital (Aldrich and Fiol, 1994; Stuart *et al.*, 1999) and furthermore they suffer from the lack of attractiveness (Anderson, Håkansson, and Johanson, 1994). This may be explained by the fact that even if the offered product possesses outstanding features, the market has still to find out its benefits. Striving to develop strong informal relations with partners with a considerable external reconnaissance help firms and managers to reach the needed reputation (Hoang and Antoncic, 2003; Zhao and Aram, 1995) which is effectual on the process to obtain legitimacy and it also diminishes the realized risk associated to third parties within the new market (Gulati and Higgins, 2003; Roberts and Dowling, 2002).

Networks also help on the accessibility of additional relationships and established channels (Zain and Ng, 2006) allowing the procurement of knowledge, which is especially imperative on the internationalization of resource, constrained small firms (Liesch and Knight, 1999). In fact, market knowledge about foreign countries can be achieved through relationships next to individuals either who possess this knowledge (Zhao and Aram, 1995) or by referring the small firm manager to a third party with the needed knowledge (Zain and Ng, 2006). Otherwise, an absence of local market knowledge may provoke difficulties for a firm when trying to realize business practices, norms or laws for example (Eriksson, Johanson, Majkgard, and Sharma, 1997).

4.3.4. Negative role

It is evident that networks are involved in the facilitation of the internationalization of a firm, however many authors argue there is also the negative side of it, regarding to time expend, limited strategic options and incurred costs that may sometimes outbalance its benefits (e.g., Coviello and Munro, 1995; Ellis, 2011; Mort and Weerawardena, 2006).

Engagement within networks may restrict strategic options, phenomena also known as “lock-in effect” (Gulati and Gargiulo, 1999; Nahapiet and Ghoshal, 1998; Uzzi, 1997). This is in the sense its boundaries can bypass the opportunity limits and it is usually associated to the failure of firms on identifying new business opportunities further their predetermined network boundary or on broadening their network horizons with prospective

partners (Adler and Kwon, 2002; Gadde, Huemer, and Håkansson, 2003; Gulati, Nohria, and Zaheer, 2000). This signifies that opportunity costs arise as well as dependency and loss of control may occur. In such situations, firms end up by being able only to obtain information allowed by network ties (Hitt, Lee, and Yucel, 2002).

Another bad consequence is the denotative time managers need to invest on establishing and maintaining these relationships before they can benefit from network ties (Jack, 2005; Jack, Dodd, and Anderson, 2008). Thus, it is precisely that what defines the opportunity cost of time emerged from the network and so the costs increase with the time spent by partnership and with the dimension of the network (Semrau and Werner, 2012), which sometimes leads to unbalanced cost-efficiency scenarios (Adler and Kwon, 2002).

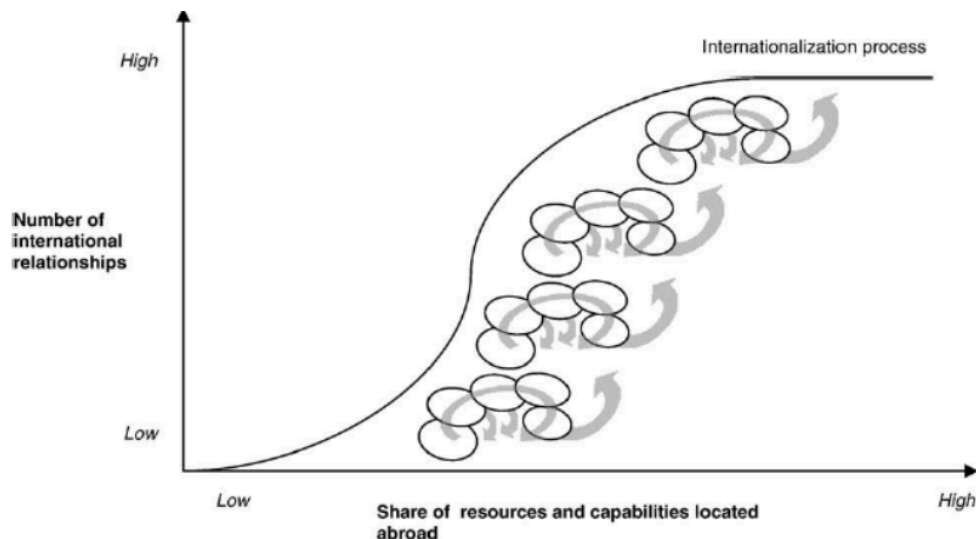
Coviello and Munro (1997) verify this by giving evidence that the discussion of opportunistic behavior is surpassed by relationships based on trust within network ties. Issues regarding opportunistic behavior from partners can be avoided through the redundant use of networks in the case of formal ties (Etemad, 2004). However, this mechanism may fail, as they are not based on a deep personal trust like the informal ties are. Different but interrelated agglomerates of ties may also be a problem since they can lead to competition (Etemad, 2004).

4.3.5. Serendipity effect

While some authors focus on resources that come from pre-planned or created network relationships on purpose (Boojihawon 2007; Chetty and Agndal 2007; Coviello 2006; Farooqi and Miog 2012), others emphasize both effectual and actual networks (Chetty and Agndal 2007; Galkina and Chetty 2015; Kalinic et al 2013), being the later maybe unknown however they shape relevant relationships which in turn triggers internationalization. According to Kalinic's *et al.* (2013), network serendipities are any form of relationships that are not started by the firm or where the firm possesses a minimum control over their occurrences and so they are "co-created" instead of being created. There is literature showing that firms take more advantage of network relationships from family and friends rather than inter-firm networks at early stages of internationalization (Boojihawon 2007; Farooqi and Miog 2012; Rutashobya and Jaesson 2004). Along with the internationalization process, firms interact with more actors and business organizations which further permit the co-creation of more network relationships

to add serendipities which in turn power up internationalization (Johanson and Vahlne 2009). Indeed, this theory is confirmed by Granovetter (1973) who argues that third parties can serve more and more as linkages to other networks as either the interactions of firms and serendipitous networking opportunities increase. From a strategic opportunity point of view, such opportunities are susceptible to be resultant from a serendipitous strategy process determined by alertness and flexibility together with effort and luck (Denrell, Fang and Winther, 2003). According to Agndal *et al.* (2008), the symbiosis between nature and forms of network relationships is dynamic and therefore he affirms that the structure of networks resides in either direct or indirect relationships. Direct relationships are when firms interact directly with distributors, customers and suppliers for instance (Chetty and Agndal, 2007) and indirect ones are when firms establish relationships with customers' customers and suppliers' suppliers (Agndal et al 2008), that is, they are ties a firm has through another firm. Direct network relationships are bonded to earlier phases of internationalization while indirect relationships are bonded to later phases of the process Agndal *et al.* (2008). Notwithstanding, both direct and indirect relationships serve as a platform to allow network serendipities to happen since they can be co-created and searched for (Merrilees *et al.*, 2015).

Figure 5 - Serendipity Effect



Source: Jansson and Sandberg (2008)

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Network serendipities increase as the amount of direct and indirect network relationships rises (Agndal and Axelsson, 2002), the firms become better known within the network and consequently they get better connected and learn more about it (Hakansson and Snehota, 1995).

5. Methodology

This master thesis intends to acknowledge the internationalization process pursued by Dreamshaper through the analysis of influential factors as network relationships and the characteristics of the founders. The basis of this study will be under the findings from a single firm and so the assumed strategy to address the above-mentioned question is the conduction of a case study.

The utilized approach for the research of this thesis is a combination of a deductive and inductive approach. The deductive section concerns to research that has been previously conducted about the impact of network relationships on internationalization, having had the theoretical part of thesis been based on the extensive constructs from several authors in earlier studies. Despite that, a considerable amount of literature on the specified field of research is many times not straightforward and so an inductive approach was followed as well. This kind of approach should not be considered as to make ample generalizations from the findings in this case. Instead of it, it was used in a perspective of deepening both the interpretation and understanding of the studied issues and moreover they were used in an attempt of to give an exploratory character to the research by exploring the theoretical framework in more detail using empirical data. Thus, it was required the research design of the proposed study to be partially descriptive and it can be concluded that both deductive and inductive approach for the research are suitable for this case study. In consequence of all this, the thesis presents a qualitative analysis of the case study since one of the main objectives is to take in-depth insights related with the partnerships created by the startup, namely the importance of each specific type of network relationships in distinct moments of the internationalization process of the selected case study as well as to what point the profile of the founders determines the strategy of that process. The referred exploratory character of the research mainly concerns to the attempt of finding strategic patterns of internationalization within the context of this thesis.

The collection of data is conceptualized in two categories with different importance. Primary data contains an empirical data collection obtained from the sole selected case study and it is fundamental for the development of this thesis. It was principally collected through semi-structured interviews with the founders that have been influent in decision-making processes of the startup since the beginning of the internationalization pathway, allowing that way to study the data in a qualitative manner. The questions are open-ended

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and they were thought considering the various extents of the reviewed literature. The structure of the interviews was made by accounting the possibility to ask more questions than the pre-established ones and always giving freedom to the interviewees to transmit any additional information they considered relevant to the research. In turn, this sometimes led to the appearance of other themes and issues which most of the times were worth to discuss due to the exploratory nature of the research. Despite that, there was an effort to keep the interviews the more structured possible in order to avoid bias. The obtainment of this type of data was divided along several interviews varying between one and two hours in their duration. It is also worth to mention that, except the founders, all the designations of network persons and companies along the case study are anonymous for motives of confidentiality. Finally, the outcomes of the interviews were carefully transcribed, interpreted and analyzed, being that the parts with more significance were summarized and used in for descriptive purposes of the case study.

Secondary data enfolds a desk research including the analysis of internal documentation provided by the startup as marketing and written documents, being that this category did not have a so predominant role on this matter as the above mentioned one.

In the next section, the findings will be shown regarding the explored themes as well as the encountered patterns of internationalization, ending up in a cross-analysis between the reviewed theoretical framework and the findings of the case, followed by the limitations of the case study, suggestions for further research and finally the respective conclusions were drawn.

6. Case study

6.1. The founders

José Miguel Queimado took a course in Science and Political Economy, having studied in universities like Georgetown, Stanford and Harvard Business School. He worked in investment banking, he was co-founder of Gongua Group of China, he did consulting at McKinsey and he was CEO of Groupon in Brazil. Nowadays he is the CEO and one of the founders of the Dreamshaper and the president of Acredita Portugal NGO.

Pedro Queiró holds a course of Physics at Instituto Superior Técnico and he has worked as a consultant at McKinsey having even passed through Brazil where he lived for a season. Furthermore, he is a founding partner and Head of Product Development at Dreamshaper and CEO in Acredita Portugal NGO.

João Borges studied Physical Sciences at Universidade Lusófona and he has a postgraduate degree in Leadership and Management by the Technical University of Lisbon. Today he is a founding partner and Head of Sales at Dreamshaper. He founded the startup WorkWell together with friends, which consists on services of health and well being for business. This constituted his first experience in entrepreneurship. Later, in 2011, João Borges went to Brazil to take an MBA at Getúlio Vargas Foundation and then he has worked as a commercial director in STATS.

6.2. The origin of Dreamshaper

José Miguel Queimado is an individual that is resilient, passionate and he possesses an unusual vision of the world. In 2008 he traveled Portugal from north to south in a marathon of nearly 800 kilometers in an attempt to realize which were the dreams and levels of creativity of the Portuguese population, having come to the conclusion that people, in addition to seeing their ideas devalued by society, did not have the resources to achieve them. It was in that same year that together with friends he founded Acredita Portugal Association, an NGO that is currently the biggest contest of entrepreneurship in Portugal. In 2011 it was designed a platform called Dreamfactory along with the creation of the competition, in order to give the necessary tools to participants so that they could be empowered to build their business projects originating from their own ideas.

In parallel with the emergence of Dreamfactory and over the course of the year 2012 the first discussions were initiated with multinational companies such as Coca-Cola Institute, José de Mello Saúde and Qatar Development in order to receive insights on if taking the technological tool for international lands would be viable. It was then that in 2013 and resulting from Dreamfactory, Dreamshaper was officially launched, being a spin-off of Acredita Portugal NGO. In addition to continue to support the tender since then, it provides educational products and services to public and private sectors in Portugal, Brazil, Colombia and Mexico, being colleges and universities their main clients. Dreamshaper is an online platform that integrates business-modelling tools with a solid pedagogical curriculum in order to help teachers to embed projects and entrepreneurship in the classroom according to the studying area. Students work on projects in a more practical and motivating way as well as they develop social-emotional skills, which are essential for their academic success.

The mission is to impact socially on a large scale in the area of education by giving all the people the opportunity to pursue their entrepreneurial dreams regardless of their background and culture.

6.3. Going international

6.3.1. Motivations

Dreamshaper project was born from the realization that the Portuguese domestic market did not have the proper dimension for those that were the ambitions of the startup. This has been a decisive reason in the decision on acting in international markets for almost since its inception. It was what happened a few months after its official establishment in 2013. In the words of one of the founding members:

"It is insufficient to start a technological startup bound to one market that is limited. Even being successful at 100% in Portugal, the level of revenue would not correspond to the true potential of the technological solution we offer".

The perception of the founders that the natural and expected scarce resources at hand would be insufficient to successfully establish themselves in a foreign country led to the conclusion that they could not compete alone and so they needed to create, develop and

maintain new relationships. The strategic model to start with the internationalization has essentially been to leverage social capital attached to relations with external parties through strong strategic alliances as a mean of combating the dual liability of foreignness and newness. The goal was mainly to gain access to skills such as knowledge of foreign markets, to identify key players in the education industry and also major client actors, distribution channels and networks, access funding streams as venture capital and gain confidence and credibility in the Brazilian market. Still in this line of reasoning, it is factual that companies are able to obtain objective knowledge via the Internet, however the experiential knowledge is much more difficult to obtain and it is precisely through relationships with network partners that this difficulty is overcome. As one of the founding members said:

"The best way to internationalize a company is through partnerships."

6.3.2. Product Development

A partnership relation for product development was essential for the healthy growth of Dreamshaper. After conversations between the founding partners of the startup on if it would make sense to launch Dreamshaper, the need for product development was visible and different possible options appeared on the horizon. There was the possibility of hiring engineers, however this option was financially risky. One of the partners holding the needed technical skills to accomplish such task was able to do it, however the biggest disadvantages in this scenario were the fact that a complex software tool like this one would simultaneously imply more time consumed by only one person and an increase in production time, probably leading to a delayed launch of the product on the market. Thus, the choice fell down on doing outsourcing of product development in order to ensure efficiency and effectiveness of results and time. It was then in the middle of the year 2013 that a company selection process began and turned out to be through a personal contact that Dreamshaper reached Sofdev, one of the best software development offices in Portugal. Money was required in exchange for their services. The minimum viable product was awarded in September 2013 and the product was ready to be released in January 2014, making the run time fast and proving the efficiency of time provided which in turn accelerated the process a lot. Here it shall be noted the active role of network, since the production of educational contents was made through a contact of a friend coming from the

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professional experience of Pedro Queiró in Brazil who in turn forwarded the whole team for the production of professional videos aiming its integration onto the platform. Sofdev continued the product development until the summer of 2014 and it was from that on that their responsibilities were limited to maintenance, infrastructure work as needed and control of load peaks of the product but low development of new features. At the beginning of 2016 it was made the decision to completely internalize the product development, by hiring two people to compose a team of three people in total headed by one of the founder members, all this in Portugal. Looking back on this whole process, not all the decisions that dictated this course proved to be the ones that maximized the most for the startup growth. According to one of the partners:

"The decision to make outsourcing at the beginning was correct however we took some time to understand that our core is the technology. Dreamshaper customers, the schools, have the pedagogy they need once they have teachers with the necessary experience, however they do not have the tools. This means that for them, technology is a greater necessity than pedagogy. "

Thus, the decision of internalization could have been anticipated having led to a greater speed on the responses to feedbacks coming from customers and so, Dreamshaper could have pointed out sales process acceleration.

6.3.2.1. Harvard Business School and Stanford University

In line with what was said earlier, Miguel Queimado took two courses in executive education between 2012 and 2013 in two of the most prestigious universities in the world, Harvard Business School and Stanford University. This decision was based on the ambition to deepen the knowledge about the market of education and not so much in the gain of management skills, since he already had had an enriched experience both at the corporate and startup world. It turned out to be an experience that would be a new building relations source, useful to leverage Dreamshaper social capital and specifically on product development. Two teachers of these universities ended up providing services under a counseling basis in exchange for symbolic amounts of equity. The aim was to validate the educational process Dreamshaper should adopt together with these two renowned teachers, including suggestions as pedagogical techniques to be used, how to produce the student

support content, what academic sources should be used and suggestions for designing the business model. These insights have added substantial educational quality to the tool, which led to an increased credibility and reputation of the company. In addition, the referred teachers even nowadays give access to all their networks of contacts including other elements inserted at the academia and investors who play an important role in the geographic expansion of the startup.

6.4. International Pathways

6.4.1. Brazil

João Borges has joined the Portuguese community throughout his first two years in Brazil and it has been through his personal relations set forth therein that Dreamshaper managed to reach the contact of Pedro António, with who he has created and still maintains a link of proximity to date. This relationship has been preponderant since the beginning in terms of an active performance in network relations' efforts, favoring the startup internationalization process. Pedro António has been serving either as a facilitator in the choice of partners and as a contributor for the establishment of ties between other players, taking commissions for contracts whose companies contacts were arranged by him.

6.4.1.1. Lept Foundation and KOKE

Lept Foundation is a non-profit family organization founded in 2002 by one entrepreneur in Brazil and its mission is to support the development of great social impact initiatives as well as innovative projects in the area of education that may enhance the students learning. This was the first large organization with whom Dreamshaper formed an alliance and which was triggered by Pedro António himself as well as by family connections of one of the Dreamshaper partners. The process of establishing the partnership with Lept Foundation elapsed since the end of 2013 to September 2014 for a total of ten months, a period in which Dreamshaper founders planned and organized a detailed plan for the business insertion in Brazil. It was complemented by the funding of a pilot, supported by Parceiros do Ensino, in fifteen public schools and covering 2,500 students. It was based on a model of licensing in order to achieve greater acceptance on the part of Lept Foundation on closing the deal. It should be noted that the partnership with Parceiros do Ensino at the beginning of 2014 arose from a contact of Lept Foundation and its aim has been to help

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schools introducing and assimilating technologies in their educational process as well as to take part on the recruitment and training of people in their schools, so they become mentors for other educational institutions. In spite of a three years perspective of existence of Dreamshaper, Parceiros do Ensino impact has been relatively short in global terms, it was instrumental in obtaining the approval of Lept Foundation in order to starting to support Dreamshaper.

In the last third of 2014 and ended the period of the project preparation to be presented to Lept Foundation, the agreement was closed after validation by a second and third entity arranged for seeking additional investment. Institute KOKE deal was managed through personal relationships and the other entity was directly recommended by Lept Foundation. 600,000 euros was the first total amount of many earnings that would come to happen for Dreamshaper Brazil. The pilot implementation took place in 2015 and the fact the obtained results turned to be very positive, both commercially and of commitment and trust between parties, has made KOKE to become interested in extending the alliance with Dreamshaper. This fact led to a signed contract in 2016 under the previous contract terms with the difference of aiming a larger dimension. Among other things, the terms involved three million euros for three years turnover, and the inclusion of a social impact study produced by two companies subcontracted by Lept Foundation. Apart from this, contracts with universities coming from direct selling have constituted another strand in commercial activities of the startup. In parallel to all these events, and during the year 2014, the underlying legal issues were not neglected. Instead, they were largely handled by a lawyer, friend of one of the founder members.

Moreover, Lept Foundation has also opened many horizons to Dreamshaper by introducing them to a variety of organizations such as institutes, entrepreneurs and investment funds, in order to eventually develop new relationships and seize new business opportunities. Other numerous opportunities and subsequent succession of link layers have been coming mostly from this partnership and as a result of their recommendations. From this it is possible to conclude Lept Foundation has been one of the largest opening centers of contacts reached in Brazil so far.

Since the beginning of the project construction for Lept Foundation, great efforts have been made to get in touch with the largest possible number of local NGOs, both foundations and institutions related to education and entrepreneurship.

6.4.1.2. AJAPOP Foundation

AJAPOP Foundation is a nonprofit organization that develops programs focused on the integral development of adolescents and it reflects an example of an opportunity for Dreamshaper, which arose from Lept Foundation contacts. The development of relations with AJAPOP Foundation from the beginning of 2014 was instrumental in the submission and penetration within a network of several other foundations. It was materialized in a succession of chain relations, which has allowed Dreamshaper to open new channels to achieve potential sales. Some of the involved organizations were directly related to potential customers and other serving as intermediaries for potential customers.

6.4.1.3. Obemep

The development of relations with Obemep illustrates one of these many examples. Obemep is an initiative of communication and social mobilization that spreads and shares references about educational innovations for the purpose of inspiring improvements in the Brazilian education quality. In this sense, this partner was important to Dreamshaper communication maneuver, having in practice functioned as a news agency.

6.4.1.4. Pirasa

The truth is that despite some prior professional experience in the country, the complexity of internationalizing Dreamshaper to Brazil demanded more than the market professional knowledge already obtained by the founders. The need to build relationships with companies and organizations either knowledgeable enough about the specificities of the education market in Brazil and that would facilitate the entry into that same market was seen as vital for the internationalization success.

Once again, it was through Pedro António that the access to the alliance was possible, in the last third of 2013. In this case through his friend Ricardo Peres who owns Pirasa, a company that suppresses exactly the kind of needs above described. It supports other companies with market research and deployment up until choice of partners, suppliers and client prospecting. The contract was closed on the value of 40,000 euros and Dreamshaper has been taking benefits from many contacts for potential available partnerships, where Pirasa withdraws a fee for each subsequent closed contrac.

A partnership with Foteba resulting from a Lept Foundation contact was equally relevant and somehow similar to Pirasa alliance, since both share the same vision and provide the same type of services.

6.4.1.5 Kofa

Despite several successful partnerships, the truth is that not all are maintained as desired. This was the case of Kofa, one of the largest educational private organizations in the world that aims to support educational projects. The connection arose once again through a contact from Lept Foundation who in turn presented the Kofa financial director to Dreamshaper. The negotiations have taken more than one year, so the two companies could align themselves, and finally they could end up on reaching an agreement on what would be the implementation of a pilot project in three universities, out of a total of 400 students, being this already a project with a considerable size. The results were shown to be positive, however the fact that Kofa is able to develop its own technology, and consequently several considerations are taken into account before investing in external solutions, was the biggest obstacle for the maintenance of the relation as well as the main reason for the partnership suspension.

6.4.2. Colombia

The entry into Colombia has taken place under a passive form and it has happened through a contact from Loso company, where one of the founders has had prior professional experience in Brazil. In turn, he was introduced to the owner of Taceu company, which had already brought some startups from Brazil to Colombia, and hence to the rest of Latin America. Indeed, the owner of Taceu was interested in the project because he found out there was market in Colombia for the presented product. He was even willing to be Dreamshaper's representative in that country. Regardless the interest, Dreamshaper attentions and efforts were, at the beginning of 2015, directed in the attempt to succeed in the Brazilian market, where they were just getting started with operations. The negotiations have pended for about eight months until they were started again in the last third of 2015. At that point, Taceu presented them a potential client called AUDOC, one of the largest universities in Colombia. The negotiations resulted in the signing of a contract in logic of Taceu being the official distributor of Dreamshaper in Colombia and therefore, its trading partner location at that market. Moreover, Taceu would have the right to collect 30% of all

sales achieved by the customer. The rest of the revenues would be directed to Dreamshaper, which in turn would have the obligation to assist in the execution of the project, by leaving the management of the new client under the charge of the commercial team from Brazil. 1,000 students in total composed the pilot. Taking into account that a new geography was appearing in the horizon, the startup has customized its product according to the country culture and not to the customer. Thus, it has involved the translation both of all content of the tool and the demo into Spanish language.

6.4.3. Mexico

The settlement of offices in Mexico was also included in the design of geographic expansion plan. Despite the efforts to trade with potential distributors of software of that country, the truth is that networking turned out to be, once more, the main enabler for the entry into a new country. Through personal contacts that had arisen at the time of the startup foundation, Dreamshaper created and developed relations with one of the most influential and wealthy families in Mexico. The family owns one of the largest universities in that country, Momoda University, as well as a bunch of colleges. Simultaneously, they also own Favup, a business accelerator that offers a wide variety of shared services as funding, use of technology, development of projects and consulting services to small and medium-sized organizations with great potential for growth. In the end, their purpose is to help companies to integrate and establish their businesses in Mexico. It was under this reasoning that the alliance with Dreamshaper was outlined. The alignment with an investor through Favup has allowed the reduction of costs for Dreamshaper, and the offices were opened in the first half of 2017. The endorsed agreement sealed the recommendation by Favup of a representant for the Mexico office.

7. Analysis

7.1. Cooperative arrangements overview

Over the past three and a half years Dreamshaper has been building a wealthy network of contacts as a strategy of exploitation, either through active development of new relationships or through relationships that already existed before. This has indeed favored the effectiveness and speed with which the startup managed to enter in three different countries.

This whole plot has been structured by the startup with objectives of defining development strategies and to obtain sources in order to find more business opportunities and organizational learning. The latter including specific business practice in foreign markets and knowledge, which was meanwhile instilled within's internal structure. Thus, network ties had facilitated the overcoming both of the scarce resources obstacle and of the lack of time to gain experiential knowledge, phenomena which startups face so often during a process of internationalization. The execution of the internationalization plan endorsed an approach of opportunity seeking through networks, where the resources of the startup even though uncompensated in an initial stage, were combined with diverse resources from other organizations. The adopted approach is even clearer for the fact that the first country where Dreamshaper entered was far from the domestic market, which means that despite the cultural proximity, there is a considerable distance in the way companies do business. Despite the prior experience of the founding partners in this country and the lack of a strong enough network, the unfamiliarity to the foreign market has prevented a passive approach to networks, especially in the initial phase of the startup internationalization. As it can be noticed, a passive approach has been effective in some cases but already in a condition in which there was significant traction and a sufficient network of connections. Another relevant issue to debate is the opportunistic behavior that sometimes comes from some partnerships or competitors. With regard to the area of Brazilian market, according to studies, and although the attempt of some universities to internally find similar solutions to what are the features of Dreamshaper pedagogical tool, the truth is that those that exist are minimal, and therefore the direct competition is not significant. On the other hand, it is plausible to assume that indirect competition exists, and that it acts in the same market but with different solutions. In that sense there is some degree of monitoring as a result of its activities. Some foundation partners can invest their resources into a product different from

Dreamshaper's for instance, but that equally create social impact. Within the extensive work together with Lept Foundation, one of the programs was to visit all schools that had integrated solutions with applied technology coming from projects also supported by this same foundation. This was not with the aim of taking advantage of the technology, but rather to perceive what was running well and wrong in the conduction of the pedagogical process. In addition to this, multiple conversations were performed with entrepreneurs as interlocutors, having all these purpose of gaining insights that would become very valuable in building the best possible tool for Dreamshaper. Thus, concerns in relation to possible opportunistic behaviors originating from external parties had not had great weight over the past three years. That is, the efforts made were apart from some protection of information, more in logic to develop a very well designed solution rather than to control the competitors' behavioral patterns.

7.2. Selection criteria and strategy for establishing partnerships

It is not easy to involve networks within the cycle of strategic planning very much because of its component of uncertainty. In fact, execution of the strategic plan may can occur through either deliberate actions and unintentional ways. The intent itself is not a synonym for estimation of right and successful partnerships. Nevertheless, it is necessary to include the ability of identifying the relevant relations when they arise in the strategic plan. The decision-making process is selective in the case of Dreamshaper and it is inherent to the referred identification process. It is dictated by predetermined criteria defined by members of the team in the first instance, and it is through them that potential partnerships are evaluated. In the end, the criteria reflect the deepest needs that are usually across the majority of startups. The purpose is to estimate which ones can leverage more competitive advantages in the market taking into consideration that each different partnership is unique in the skills that it offers. The criteria of particular interest in this case were the technical capabilities, both in product development and in business operationalization, management capacities as skills to be learned and financial capital. Other criteria deserving attention were the opportunity costs of alternatives, which reflect the balance of time and effort expended by the team for each partnership, partners with reputation and prior experience in alliance matters and, finally, experts from educational technology business in the target countries. The incisiveness placed in the selection of partnerships should be analyzed as well and it means that the preference is for the optimization of the volume-quantity ratio.

Consequently, this takes to an efficient human resources management who do not abound in a startup as well as for the management of the long consumption of time normally associated with the process of establishing relations in a B2B business as this is.

The strategy itself to attract and reach potential partners is to use cooperative collaborations with large organizations as entry mode, by presenting them with the high quality and differentiating technology of the product, as well as through client followership. Thus, the goal is to establish strategic alliances for licensing in order to share the incurred financial risk.

7.3. Mentors

In the case of Dreamshaper, the function provided by mentors was especially important in an initial phase of internationalization where the landscape was mostly unknown. Their roles were to help companies both with knowledge about the industry of education as well as SaaS and with guidance for business decisions. These roles have in common the fact that they give the opportunity of businesses to expand their activities in the network, as the profile of a mentor is usually someone experienced with deep and wide networks. Pedro António and the owner of Lept Foundation illustrate two examples of the most relevant mentors, being that in turn they have chosen and they have directly presented people to Dreamshaper based on the needs of the startup. As one of the founders state:

"Looking back, they opened up new horizons for us to do network and it was through them that we have been building some of the most impactful relationships on the international growth of our business."

Therefore, the importance of the network triggered by mentors should be praised in this case:

"Whatever is the goal to be achieved, it is necessarily more efficient and effective thinking and getting in touch with someone we know who might know someone to introduce to us than to do cold calling with the argument of 'hi there, we are an ed-tech startup coming from Portugal and we really want to meet you'. There is no comparison in terms of emotional connection and reliability."

7.4. Partnership formation patterns

The successful partnerships with influence on entry into new markets stemming from this network of contacts have essentially, as a design background, three differentiated strands by distinct goals. As one of the founders referred:

"If you want to get in foreign markets in this business area under a B2B model, it is necessary to form institutional, strategic and commercial alliances being that the relevance of each of the strands varies depending on the stage of development in which the startup".

Institutional alliances aim to collaborate with reputational partners in order to gain more credibility and help startups create a stronger brand. On the other hand, the strategic ones are based on learning the complexities of doing business in the country in question, namely to help on formulating decisions leading to flexibility and adaptation to the market. Finally, the commercial ones are with whom a startup intends to reach their customers and they may be divided into direct or indirect commercial alliances.

Table 1 - Partnerships Overview

Currency: Euros		2014	2015		2016		2017		
Partnerships		Brazil	Brazil	Colombia	Brazil	Colombia	Brazil	Colombia	Mexico
Institutional	Direct	6	9	2	15	2	15	2	3
	Indirect	22	50	6	60	6	60	6	0
	Total	28	59	8	75	8	75	8	3
Strategic	Direct	1	3	1	4	1	4	1	2
	Indirect	0	0	0	0	0	0	0	0
	Total	1	3	1	4	1	4	1	2
Commercial	Direct	0	6	0	10	1	10	0	0
	Contract amount	0	175,000	0	540,000	80,000	800,000	0	0
	Indirect	0	0	0	2	0	2	0	0
	Contract amount	0	0	0	270,000	0	0	0	0
	Total number	0	6	0	12	1	12	0	0
Total direct partners		7	18	3	29	4	29	3	5
Total indirect partners		22	50	6	62	6	62	6	0
Total partners		29	68	9	91	10	91	9	5
Total contract values		0	175,000	0	810,000	80,000	800,000	0	0

Source: Author Elaboration

Network in the internationalization of startups

By analyzing the table above, it is possible to withhold some interesting insights that particularly clarify the influence that the development of new relations has in the earliest years of internationalization of a startup. The presented data only refers to alliances successfully formed, which correspond to 10% of the total number of contacts where there was minimum interaction. The entrance in Mexico was not considered for the purposes of this quantitative analysis because it has happened in the present year of 2017, and therefore there is still insufficient data that might lead to relevant insights. The case of Brazil is much more instructive than the Colombia one, which can be explained by the fact that Brazil was the first market selected. That means the need to proactively create a basis of relationships from scratch, in order to combat the scarcity of resources, was bigger. On the other hand, the entrance in Colombia has constituted a different mode of entry than the one used for Brazil. Its origin was from an indirect personal contact with the goal of to have an active distributor with an already established and resourceful network. This is verified by the available data in the table, that shows a marked disparity between the numbers of alliances in the two countries. From 2014 until 2016 there was an overall cumulative and accentuated increase in the number of alliances in Brazil, derived from the partners efforts but also resulting from the team's growth.

As for the indirect commercial partnerships, the registration of an exponential growth of alliances in the last three years proves the serendipity effect, which happens from the base of contacts provided by direct partnerships. This is the factor which has led to the generation of several new layers branched from initial contacts. The Colombia case study illustrates well the fact that sometimes network contacts for networking are temporarily asleep until they are enabled, i.e., only take effect in circumstances favorable to the company and when the appropriate timing arrives. Negotiations were initiated in 2014, however the decision of Dreamshaper partners was to suspend them because they were just plucking with the entrance on the Brazilian market and thus, they were exclusively focalized on it. It was already in 2015 that conversations were resumed because at that moment they were already prepared to expand themselves. This was the reason why this relationship has only taken effect that year, despite the fact that Dreamshaper already had the contact practically since its foundation. In spite of everything, and under the assumption of the possibility of each established partnership to be a conglomeration of different types of goals, the table above presents interesting insights resulting from an analysis lined by type of specific goals. In the starting year of Dreamshaper

internationalization, encompassing the end of the year of 2013, the focus was to develop a greater volume of relations with a view of achieving institutional partnerships. Indeed, the need was to find support that would enable the dissemination of the network, and also for the statement on the market in a sustainable manner. This last aspect is particularly important in a business of SaaS, where it is more difficult to gain credibility together with market players. Strategic alliances come upon a fundamental reasoning to understand how to structure and run a business in a new country, together with those who know well the market in question. Sharing their own visions in order to direct the course that the startup shall follow is one example of that. They are fewer in number compared to the remaining ones, much because their functionality is to set up a pillar of ongoing reference, based on the norm of maintaining the relationship for a long period of time. Lept Foundation is a good example of this because it is a partnership that was formed at the beginning of the internationalization and which still persists to this day. In turn, commercial alliances have as main objective to increase sales, and its origins can come from institutional basis or not. Because this is a B2B model, where the sales cycle is long, they are not established immediately at the very moment when the internationalization starts. From there it follows a time lag between what are the negotiations and the end result, translated into revenues for the company. As one of the founders mentions:

"All these three axes of alliances are interconnected which means that you can combine more than one strand upon the establishment of a partnership, i.e., it is possible to add different sets of objectives in a single partnership. The fact that although none of the strands of partnerships stop to be taken into account at any time, the relevance of each one of them varies in volume and focus on the temporal horizon and in accordance to the stage of development of the startup."

Again, it is possible to evidence this through the table above. The construction of partnerships with institutional features was those that most moved team efforts in 2014. Worth to mention is the partnership with Lept Foundation, which apart from institutional also had a strategic character, which has been essential for the success of internationalization so far. From these efforts, new institutional partnerships appeared in 2015, of which should be emphasized the large number of the ones where the effect of serendipity can be verified. This effect was translated in the unfolding of direct links into

indirect ones, and some of them reflected negotiations initiated in a determined year and that were only translated into revenues presented on financial statements in the next year.

In 2016, the third year of existence, the commercial structure of Dreamshaper was revealing a level of autonomy and organization more evolved than before, which allowed them to increase the volume of direct commercial partnerships. Nevertheless, the intention was of not stopping to take into account the remaining strands. A strategic pattern of action leading to the development of partnerships may be formed from this analysis. During a first phase, the startup was focused on institutional partnerships, one of them also strategic at the same time and so, prevailing against commercial partnerships. This is because the accessibility to resources and the strategic plan preparation for the business precedes the normal process of sales of a B2B business. In 2015, the same path was followed but already with the realization of some commercial partnerships, despite the fact that it was in 2016 that the trend was reversed. With an established link of networks and with a more developed commercial department, commercial ties have stepped up at the expense of a lesser focus on development of institutional and strategic relations. Thus, they had direct influence on the number of closed contracts and consequent recipes. It is also important to explain that the participation and presence at trade fairs and conferences have not been a recurring practice for Dreamshaper in order to potentiate either the expansion of network and the number of business opportunities. As one of the founders refers:

"Our strategy and way of being in this activity branch has not encompassed going to social events for networking with potential partners or customers. If we map all the relationships and partnerships created and maintained since the beginning of our international journey, its influence is virtually zero or maybe around 10% maximum. Despite our strategy to excel for selectivity and effectiveness in choosing partners, I admit that being present at trade fairs and in this type of events might be beneficial and to bring some added value to our project in the future. Such momentum will depend on if we already have enough traction in the market, especially in Brazil. If we go back three years ago, I believe that any exposure would not have brought a time-effective relationship positive enough to turn this a best practice for us, especially because we were still in a very early stage."

Other reason pointed out for this behavior was the shortage of financial resources and time.

7.5. Marketing and Distribution

Part of the established relations with other entities was created at the start of the internationalization in each of the target countries. This way it was possible to compensate for the limited expertise of distribution and marketing, an area of weakness in a startup of high technology in its early stages. In fact, and given that much of the startup focus is about their core competence of software development, the trend has been to specially leverage the ability of distribution of foreign partners. As a consequence, the growth of the business beyond borders has been facilitated. Furthermore, marketing efforts have not been an emergent focus. Other activities have included sharing of competitive analysis, of pricing and also of entry into the market, the latter more targeted to alliances involving strategic components. Lept Foundation in Brazil and Favup in Mexico describe such cases. With respect to the distribution model, referring to channels that the startup uses for the purpose of selling their service as well as for the sales process and its outcomes, it should be noted that the strategy of Dreamshaper has been multifaceted. In Brazil, the distribution has been initially more decentralized through development agreements with partners. The objective was to hit their commitment to make them responsible for dealing with the process of sales to final customers. Notwithstanding, the constant support of Dreamshaper sales team has always been granted. At a later stage, the growing maturity of the commercial department procedure allowed the development of a process of direct sales to their customers: colleges and universities. In the latter case, the sale is made personally due to the nature of intangibility of the service requiring a strong cooperation with the clients during the negotiation phase. Regarding the medium and long-term perspective, the objective is to develop both in-house marketing and sales expertise to avoid majority or total control by network partnerships. Regarding the Colombia panorama, the strategic model for selling Dreamshaper goes through a partnership with a local distributor. The main customer is one of the largest universities in that country, AUDOC University. The entry in Mexico may be described by the same path but including operations in local offices. The strategic decision to look for distributors in locations other than Brazil involved reasons as to facilitate entry into the target countries and thus, making greater the possibilities of reaching potential customers together with them.

8. Discussion

The purpose of this thesis has been focalized on the impacts networks, encompassed in social capital, have on the internationalization process of a startup in terms of scope, both through previous existent ties and development of new relationships. The objective has been trying to find evidence that could support the reviewed literature. A qualitative single case study of an educational technological startup has been conducted, so the subject under analysis could be explored and also in order to withdraw in depth-insights in the research field. The frame of this analysis pursued an annexation of the findings coming from the current literature and the procedure of a pilot study.

One of the broadest questions about this study was to find evidence that the network model fits to the process of internationalization of a startup as well as to discuss about the criticism around the fact the Uppsala model to be out of date. Actually, the evidence of this study shows that the internationalization process in the case of this startup has definitely not been a step-wise mechanism as referred in traditional literature of the authors Cavusgil (1980), Johansson and Vahlne (1977) and Wiedersheim-Paul (1975). Thus, this fact supports the theory of the network model. It was also highlighted that the overcoming of lack of market knowledge difficulty is not through operating abroad only by the startup itself. In fact, it was shown that networks play a crucial role on this matter, which goes in opposition to the theory proposed by Johanson and Vahlne (1977). Another theory this study is not able to support, regards to the apparent need to first internationalize into close markets from the domestic market, since the findings show that the first foreign countries where the startup entered to were psychically distant. Actually, network relationships show that the distance factor concerning internationalization is irrelevant, which supports the further studies of Johanson and Vahlne (1988).

The review presented in this thesis brings evidence that social capital may give access to valuable knowledge and learning for entering into foreign markets. It seems that somehow it functions as a shield to the risks linked to liabilities of smallness and newness, normally associated to the startup internationalization process. The findings show that the characteristics and attitudes of the founders, namely their managerial vision, prior international experience and use of networks are determinant both in the intention and decision to go international and to go further with the internationalization process, which supports the theory of Carson *et al.* (2004), Oviatt and McDougall (1995) and Reid (1981).

Indeed, all the founding members of the firm had already had international experience, namely at the first foreign country where they entered to. Thus, the findings are in accordance to the statements of Oviatt and McDougall (1994). The informal inter-personal relationships, as friends and family, have demonstrated to be important to establish intermediary relationships at the really beginning of the internationalization. In fact, they were crucial for triggering the internationalization process, which goes in alignment with the studies of Coviello and Munro (1997). The findings illustrate that apart of the prior experience of the founders, they did not possess much market knowledge. That is the reason that took them to make a great use of foreign partners to gain that kind of knowledge, even through an indirect form.

The empirical data suggests that there is not a well outlined series of steps and stages that a startup must follow to effectively reach foreign market entry, which goes in conformity with the literature that affirms there is no consensus regarding this subject. The findings confirm the perspective of Albaum *et al.* (2005), that is, the behavioral options for market selection and entry can vary between a proactive and reactive approach. Notwithstanding the non-disputable influence of inter-personal and intermediary ties, the study shows that the utilization of a systematic approach through active initiatives taken by the founders have determined the market selection process at a first instance. This aligns with the studies of Albaum *et al.* (2005), about the use of a proactive approach regarding internationalization. In this circumstance, the pragmatic decision process within a systematic approach revealed by the founders based on host market particular factors was shown to be an impactful element in market selection. In addition, the study shows that the reactive approach has been evident as a complementary behavior pattern, that is, it was not used as the main internationalization strategy. On the other hand, it was not found evidence about the use of an intuitive foreign market selection approach, which by itself does not mean the concept of that approach mentioned by Albaum (2005) should be neglected. Furthermore, it was observed the dependence of the firm on the involvement and assistance provided by networks either by informal, formal or intermediary relationships, regarding the market entry phases, just as Coviello and Munro (1997) stated on their studies.

Regarding the initial phase of internationalization, it was found evidence that, despite the usefulness of business foreign relationships in creating more value for the expanding startup, their outcomes are not as salient as personal and intermediary networks. The formality degree and the strength of the network are pointed out as reasons for the

diminished relevance of business relations. Significant relevance was not found about networks determining the market selection phase when it concerns to the first single foreign market entry. On the other hand, the later expansion to more than one market, under the strategic intention of to enter into various countries, was influenced by business, inter-personal and network relationships of the firm, both in market selection and the chosen entry mode. Thus, the studies of Awuah (2009) and Johanson and Mattsson (1988) are supported only by the already detailed cases of Colombia and Mexico. Indeed, the startup principally rises its dependency on international inter-personal network ties to the extent the startup goes to more new foreign markets. The networks impact on the internationalization facilitation process has been found to be more decisive on the market entry phase period. Taking into consideration the suggested categorization by Moller and Halinen (1999) for the positioning of the firm within the network context, it was found the startup has invested in both vertical and horizontal partnerships with customer partners, customers and NGOs, research institutions and universities. However, there was no evidence neither of competitor alliances nor of governmental organizations. Besides that, it can be concluded that both types of categories were many times interrelated among themselves.

Regarding the choice of partners, it was found that such selection has followed a methodology for its execution. The criteria behind that process have shown to be designed under the responsibility of the managers and in alignment within the motivations for the creation of cooperative strategies. Thus, this gives sense to the findings of Badaracco (1991a). It was found evidence that maintaining and developing new ties is of great importance to trigger the process, as they provide the prospects of further potential new partners and so, this goes in accordance to the reasonings of Ellis (2000). It was found that the startup had the goal of to create, develop and sustain strong connections within their networks, which led to an increase of the startup market commitment along the way. The study also gives evidence that there is a firm tendency for startups to spend a considerable amount of time and resources on building new relationships, as well as on maintaining them. From this, it may be engendered a positive impact on their internationalization, which goes along with the studies of Jack, Dodd and Anderson (2008). Another interesting insight can be taken from the analysis of the overall developed and maintained relationships. The study shows that there is dynamism within the spectrum both in nature, form and strength of relations, as they do not function as machines. The nature of a

relationship is not static and it can change over time, which supports the suggestions given by Agndal *et al.* (2008).

Despite several relationships have been kept as weak ties, the findings show that there have been situations where business relations turned out to be formal inter-personal ties after some time. The same has happened to formal inter-personal relationships that evolved in levels of trust along the time, and then they transformed themselves into informal inter-personal relationships in some of the cases. Regarding the intermediary relations, it can be affirmed that once having a more formal nature in the beginning of its creation, they end up by changing into informal inter-personal ties. This may be explained by the fact that the intermediary ties concern to individuals with a special meaning for the firm, as they are the ones who function as a compass when the firm is establishing in a foreign and unknown country, which means the relation must be emotionally close in order to be successful for both parties. In fact, it seems this is a normal tendency in such type of relationships. Furthermore, it is important to note that the changing classification of network ties is only made in order to illustrate the development and evolvement of those relations, since the involved individuals are the same as they were before. Thus, it was verified that the practical application of these concepts is extremely decisive in order to deepen and sustain network relationships. Together with all this, the findings suggest that the principal factors responsible for the productive and effective cooperative arrangements are personal trust and commitment, just as mentioned by Morgan and Hunt (1994).

It was possible to track down the amelioration of ties built up to a strong linking degree along with the internationalization pathway. On this reasoning, the findings show that there is a positive trend on the evolvement of the internationalization process attached to the increasing role of the influence of networks within that process.

The analysis on opportunity development and on the importance of the role of serendipity clearly demonstrate that it is not possible to say more than that some paths of internationalization are more likely better than others. Notwithstanding, the act of to stimulate international opportunities for further development was found to be profoundly influenced by the managers. Indeed, they have been promoted mainly by through inter-personal networks and thus, the findings of Chandra *et al.* (2009), Ellis (2000) and Ellis and Pecotich (2001) are confirmed. There is also evidence that the enlargement of network ties is positively influenced for the phenomena of the serendipity effect, which tendentially increases within the course of the internationalization. Thus, support is given to the studies

of Granovetter (1973) and Johanson and Vahlne (2009). The final outcome is that it allows the startup to multiply the number of cooperative arrangements within its network ties. On the other hand, this phenomena serve as and advice for the firm to have a certain degree of strategic flexibility. That is, the firm should be both conscious enough and prepared for assessing and selecting unpredictable business opportunities with the best potential, coming from the serendipity effect. This goes in accordance with the literature from Denrell, Fang and Winther (2003).

From the information gathered, it was found a pattern, which was designed from the empirical data collected about the startup in its earliest years of life. It was constructed a conceptual framework sourced from the own strategy of the firm for partnerships. It regards to a variation of the prioritization of partnership types in terms of objectives the startup aimed to constitute. Furthermore, it is in accordance to the firm circumstantial resource needs along the time. In turn, it was found that the reason for partnerships typification, under the fact that several of them had the inclusion of more than one type of goals, is so the startup may clarify the intended objectives to achieve with each one of them in a more detailed way. This leads to a better internal strategic orientation in terms of planning and monitorization of the alliances the startup is looking for or possessing, respectively.

From the quantitative data collected strictly on the number and scope of partnerships, it is possible to get insights under the structural perspective of social capital, especially about the range of networks. It was found that the more the firm enlarges its range of networks and increases its status, the more managers have access to more information, which goes in accordance to the theory of Burt (1992) and Hansen, Podolny and Pfeffer (2001). Regarding the quality of information, it was not possible to compare neither which one coming from strong and weak ties was more accurate, detailed and credible nor about redundancy levels. Despite there was sufficient data about strong ties, the same did not happen with the weak ties, and for that reason there was no term of comparison. Therefore, it was not possible to make remarks about the findings neither of Powell and Smith-Doerr (1994) and Uzzi (1996) nor of Burt (1997) and Reagans and McEvily (2003). The increase of network alone has been fostering the development of new direct and indirect relations which has been leading the firm to be more recognized within the network and so, it has been helping them to get more well connected, confirming the findings of Hakansson and Snehota (1995). Looking to network relationships from the point of view of relational

capital, it helped to get a deeper understanding about the quality of such partnerships. There is evidence that in the nine described cases of partnerships, the startup has made use of those cooperative arrangements through the sharing both of resources and costs and risks inherent to financial investments to set up new business activities, as well as in triggering new relationships from the proper partnerships. Then, these facts support both the theories of Fernandez and Nieto (2005), Hitt *et al.* (2002) and Schulz *et al.* (2009). The analysis of those nine partnerships, in particular, turns out to be of great value in order to understand the panorama of the strongest, more determinative and influential ties within the process of internationalization of the startup. Trust and commitment between the partner and the firm have definitely been crucial for the successful development and maintenance of partnerships. It was observed a low level of monitorization and control under the partners. Actually, the startup did not present fear concerning a possible opportunism of the partners they interact, commit and trust the most and of whom they are more emotionally closer, which gives support to the studies of Inkpen and Li (1999) and Williamson (1991) on this matter. It was precisely through those relations based on trust that opportunity behaviors were avoided, which gives evidence for the theory of Coviello and Munro (1997). In consequence and similarly to the findings of Johanson and Vahlne (2009), it was through the strongest ties represented on the qualitative analyses of the nine partnerships that the startup was able to take more advantage both in knowledge and capabilities. The findings of this study contradict the theory presented by Boorman (1975) and Hansen (1999), since the partnerships considered as strong did not lead to extra costs for the startup. Actually, the costs inferred to the settlement of new businesses were covered by the partners themselves most of the times, which resulted from the negotiations between the involved parties.

Despite the product had been already tested in the domestic market, it was noticed a lack of legitimacy and credibility of the startup at the eyes of new markets, especially in the process of internationalization to the first foreign country. These facts go in accordance to the statements of Aldrich and Fiol (1994) and Stuart *et al.* (1999). Furthermore, it was found that building strong informal relations during the market entry is one of the main triggers to achieve the desired reputation, as it is mentioned in the studies of Hoang and Antoncic (2003) and Zhao and Aram (1995).

The analyzed qualitative data did not find significant evidence about the use of cooperative arrangements to get use of general knowledge of partnerships, as the know-how about

marketing channels. This can be justified by the fact of low effort allocations have been made by the small firm on this sector so far. On the other hand, it was shown a high level of accessibility to general knowledge regarding distribution capabilities of network relationships with whom the startup partners with. Giving evidence to the theory of Gabriëlsson *et al.* (2008), the analysis gives evidence that intermediary ties facilitate the process of establishment of a small firm at unknown markets, namely by connecting the founders to the right local partners belonging to their own network of ties. This allows startups to achieve specific market knowledge and so, to benefit from their experiential knowledge, the latter more difficult to obtain as it takes a longer time to reach. The most salient intermediary relation, which was crucial for this B2B to enter in a foreign country for the first time, started by being a weak tie. However, it turned to strengthen its character as the level of interactions were getting more and more frequent, having happened to become a formal or informal inter-personal connection. This type of network relationship has displayed to be one of the main triggers for the development of new relationships. Additionally, it was important for the beginning of the construction of a long and branched international network of ties when internationalizing for the first time. From this, it can be concluded that intermediary ties help to speed up internationalization as it makes small firms save the time that most of the times they do not have. Apart from that, the study makes clear the startup has not been relying on an own extensive, analytical and thorough research analysis for the selection of potential foreign markets. However, it seems that the approach for the internationalization has not been fully evolved lacking any direction or as a result of random events and meetings. In place of that, the interest of the founders has been to lure customers from new markets even when they did not defined what markets they want to enter, and the way they want to do it.

Overall, the findings indicated a considerable high degree of strategic flexibility in certain areas. Concerning the behavioral component, it was verified a very accentuated active mindset and way of acting in terms of initiatives regarding the development of new relationships and establishment of alliances. Notwithstanding, passive mechanisms were also noticed. Secondly, the prioritization under the aimed type of alliances has been reflecting that the level of importance given to the institutional, strategic and commercial objectives has been varying according to the development stage where the startup encounters itself. This has been implying an adaptation of the company to face the challenges due from the evolvement of internationalization. Thirdly, the study showed the

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small firm has been being flexible enough to attribute a high importance to network partners in the market entry decision-making process, instead of restricting themselves from just applying a rigid analytical approach.

The study did not show evidence about the presence in trade fairs and conferences having influence during the first years of internationalization, as it was not a recurrent business practice of the startup. Despite that, its importance is not discarded for gaining traction on the future.

9. Limitations and Further Research

The research that was conducted in this thesis has some limitations. The first is that, despite the selection of the literature on the topic being fairly large, it certainly did not mention the total amount of the existing research. Furthermore, there is the possibility that the referred selection might have directed the study of this case into a somehow misleading direction putting some constraints to this work. Nevertheless, it is believed that the theoretical frameworks presented are in the basis of the most pertinent current literature.

The data resources were limited since only one case was studied, which also meant the analysis of the internationalization process just under the chosen case study strategy. Thus, the chance to generalize into other cases of the same involved industry is diminished. This issue was known since the beginning and moreover, the purpose of this thesis was not either to make generalizations from the findings, even because the research was made under the scope of the software services industry. For that reason, they cannot be applied for markets in other industries. The small number of interviews may also be a limitation, but the fact that the interviewees were the decision-makers about the internationalization of the firm compensated somehow that issue, since they provided firsthand knowledge of the mechanisms of decision under analysis in this study. The internationalization process of a startup relies not only on influences from network relationships, as it is the sole focus of this thesis, but in many external and internal factors as well. Then, it is reasonable to account the field of research as complex. Thus, a bias might have taken place during the analysis and interpretation of the evidences of this study. The goal of this research is on the influence of networks and so, it turns possible the mitigation of other factors.

Mapping all the networks of the firm could have presented a more precise and broader view on the panorama of the case, especially in terms of weak ties. However, the interviewees had some difficulties to complete such task, as its range is very dense.

Nevertheless, that entire mapping was not necessary neither for the completion of the answers to the research questions nor to fulfill the specific purpose of this thesis. Another limitation concerns to the short time period the analysis covers. It was determined by the relative small years of existence of the startup, implying that this thesis did not investigate neither the evolvement nor the effect of the success of strategies attached to the internationalization process in the long-term. Otherwise, it could have possibly given a more consistent pattern of results. Finally, the foreign entry modes should get more

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attention because it is also important to measure the changing strategies over time. Notwithstanding the acknowledged limitations above mentioned, they do not harm the significance of the findings.

From the research of this thesis some fields of research were found that deserve further investigation. Given this thesis is focalized in just one case study, there is the need to generate more evidence in further research.

It would be worth to analyze if startups acting in different industries differ from both the software industry and the manufacturing sector. Namely, on how they are affected by network relationships regarding foreign market entries and further evolvement along their internationalization process. Another relevant topic to be studied would be to measure the impact that either network or other international theories have in large corporations, to make the proper comparison with startups.

Finally, a further research topic would be to study the serendipity network effects in more detail. Namely, to distinguish the different forms of serendipities that exist as well how the influence of each type varies along the internationalization pathway of a startup. This would allow taking some interesting insights about the unpredictability factor along the process of internationalization. Thus, it would constitute an attempt to face one of the challenges startups hypothetically desire to overcome the most. That is, to reduce the existent gap between the unpredictability and predictability attached to network relationships along their internationalization paths.

10. Conclusion

Globalization has been supported by the exponential growth of technology in recent years, being the leverage of the development of the software industry noted in particular. This trend has led to the impetus of numerous startups to expand internationally with a view of progressing their businesses. Many authors have been doing research over the various existing theories about the patterns of internationalization of firms. It is of particular interest the study of startups in this context, as they seem to have more obstacles that must be overcome to succeed in their international activities. The related studies with this subject have revealed changes in relation to traditional standards. The theory of network incorporated in the concept of social capital in both the relational and structural aspect, has gained strength in the literature, particularly in small businesses with limited available resources. Dreamshaper fulfilled the necessary requirements in order to conduct a case study under this issue, as it comes as an organization with a process of international expansion underway, acting in a SaaS model.

It was verified that the process of internationalization has not followed a sequential process and incremental stages as advocated in the model of Uppsala. In turn, it was through the theory of network that most findings were supported and it allowed to justify the path traced by this kind of startups. Especially in relation to the fact that pre-existing relations and the establishment of new links, resulting in various cooperation arrangements, have facilitated the entry into new countries. As a consequence, they have provided many of the features that startups do not have and which usually take a long time to get, as well as filling the inexperience and lack of knowledge. All this results in risk sharing together with the partners, that in turn becomes a significant factor in the reduction of the degree of uncertainty always associated with these processes. The choice of criteria, in accordance with the strategy of the company for the selection of potential partners, is also worth to mention due to the risk of opportunity balancing that should be done.

The analysis of the characteristics of the founders, based in their prior professional experience, managerial vision and the use they make of the network, have shown their influence to be significantly positive on the success of internationalization. In an attempt to deconstruct the complexity of the mechanism of networks, it was made a categorization under three strands to investigate the various types of network relationships, belonging to network ties in greater detail and precision. In relation to the focal position of the company

in the context of network, it was verified the formation of partnerships both horizontal with customers, customers' partners and horizontal relations such as NGOs, universities and research institutions. In addition, it was noted a symbiosis between the two strands in several of the presented cases of partnerships.

For the formality and the strength of the relationship, this is, the last two strands, it was important to integrate the structural and relational component of social capital for purpose of analysis, since they are interrelated. The formality of relations made it possible to define and manage the different types of relationships according to individual conceptualizations, both in business, inter-personal and intermediary networks. Evidence was found at the entrance of the three countries, being that inter-personal and intermediary networks were notably more salient than business ones in terms of value in triggering international activities, by facilitating the market entry. This including the foreign market selection and entry mode. The pattern of market selection was the use of a systematic approach in Brazil and Mexico, and in the case of Colombia, it was through a reactive approach. Both the founders of the startup and partners chose licensing as the selling model, that is, a low commitment entry mode, which constitutes a usual choice when firms are entering into new markets. Either the degree of formality and strength of relations were factors leading to the conclusion that business relationships are not so relevant in this phase. However, it is not unusual to observe cases of established partnerships where business networks change its status into formal inter-personal relationships over time. Intermediary relations are proven to be vital in a B2B model, as they assume high responsibility in connecting the firm with the right partners. This kind of relationships is usually triggered by informal inter-personal ties. Furthermore, they often turn out to be transformed into inter-personal relations, being the reason for that the increase of the frequency of interactions among the parties which means strong relationships are formed. Cooperation, personal trust and commitment were shown to be the key factors behind the basis for the development and maintenance of partnerships, even because acting in B2B markets implies a longer life-cycle for sales. Thus, the alignment of such factors is not an easy task. It should be also noted the role of the main announced partnerships in providing the reputational assets that are so crucial for the startup to be known and increase its status within the markets. Despite the focus of the case study was mainly in successful partnerships and on the benefits and disadvantages they bring to the internationalizing startup, not all of them are maintained for a long period of time. Actually, it was presented a case of one partnership where the

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misalignment of visions and goals between the business actors led to the end of the tie. Regarding the structural aspect of social capital, it was observed the important role that weak ties play within this component as they often increase overtime through indirect ties. The bigger the ranges the higher are the opportunities for selecting potential partners. However, it was found out the key partnerships were the ones with whom the startup both built stronger connections and had access to the needed resources and capabilities. It was found that there is a positive correlation between the increase of the range size of networks and the increase of the serendipity effect with the course of internationalization. The unpredictability character of such effect obliges the startups to be flexible enough in terms of strategy and having consciousness about the objectives they aim to reach. Notwithstanding, the founders have proactively searched for new business opportunities. The fact is that reactive approaches coming from the above mentioned effect are often a reality for the startups. From all this it can be concluded that network relationships are not static at all, which confers a dynamic status to the whole concept of social capital when applied in a business context. The findings suggest that network relationships may serve both as vehicles for developing cooperative arrangements and to constitute the partnerships itself. Additionally, the influence of different types of network relationships in internationalization processes may be described and analyzed.

It is a fact that the degree of uncertainty will never equal zero and that the degree of unpredictability will always be present during the internationalization of a startup. However, the findings of this thesis provide a tool based on network relationships aiming their reduction, by mapping out the structural and relational outlooks of social capital embedded within the entrepreneurial field.

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