

# NETWORK RELATIONSHIPS AS KEY INTELLECTUAL ASSET IN INTERNATIONALIZATION

Elisa Nykänen  
Timo Aaltonen  
Nina Helander  
Jussi Myllärniemi

Tampere University of Technology



# Agenda

- Background of the study
- Objective of the study
- Theoretical premises
- Empirical research
- Discussion



## Background of the study

- Both service export and import are increasing in Finland  
EK 2007
- For a knowledge-intensive service firm internationalization may be only way to achieve sufficient markets  
Roberts 1999
- One way to understand the internationalization is to study the role of networks
- Among knowledge-intensive firms the networks seems to be one key asset in internationalization



## Objective of the study

- To study the role of network relationships in the internationalization process of Finnish knowledge-intensive service firms, in particular in open source software service firms.



## Theoretical premises (1/2)

(Based on Ojala 2008, Äijö et al. 2007)

	Stage model	Network model	Born Global model
Viewpoint of internationalisation	Incremental process	Through networks	Opportunity seeking/ fast exploitation of window of opportunity
Internationalisation intensity	Low	Medium	High
Role in the process	Active/ learner	Active/Passive	Active
Time needed for the process	Long (about 5-10 years)	Varies between 2-10	Fast (about 2-3 years)
Risk level	Low	Medium (risks can be shared)	High
Market selection	Markets that are physically close to home market	Depends on the networks available	New emerging markets/ large markets with high purchasing power
Role of networks	Important resource	Determines market selection	Important resource
Success factors	Iterative learning	Strong and versatile relationships and access to resources through them	Experience of international operation, innovative offering



## Theoretical premises (2/2)

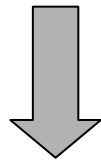
- Internationalization theories
  - Johanson & Mattsson 1988
  - Chetty & Blankenburg Holm 2000
- Network theories
  - Håkansson & Johansson 1992
  - Kothandaraman & Wilson 2001
- Intellectual asset literature
  - Brooking 1996
  - Ståhle & Grönroos 2000
  - Lönnqvist et al. 2005



# Empirical research

## 1. Phase (Interviews)

- Interviews of open source software business experts
- Benchmarking of successfully internationalized Finnish knowledge-intensive service firms



Insight and wider scope to the role of network relationships as a key intellectual asset

## 2. Phase (case studies)

- 2 medium-sized Finnish open source software companies



# Discussion

## 1. Phase findings

- The role of networks is significant in the internationalization of knowledge-intensive firms
- Firms can benefit from many kinds of networks
  - Developer community can help the firm to find talented employees
  - Local employees help to overcome the cultural barriers
  - Company level networks help the firm to accelerate the internationalization and reduce risks in it

## 2. Phase findings

- Networks are in the key role in the internationalization
- They are the backbone of internationalization but they often do not self drive it forward



## References

- Brooking, A. 1996, *Intellectual Capital: Core Assets for the third Millennium Enterprise*. International Thomson Business Press, London. 224 p.
- Chetty, S. & Blankenburg Holm, D. 2000. Internationalisation of small to medium-sized manufacturing firms: a network approach. *International Business Review*, Vol. 9(1). pp. 77–93.
- EK. 2007. Suomalaisen palveluliiketoiminnan kansainvälistyminen – Näkemyksiä kansainvälistymismahdollisuuksien parantamiseksi. Elinkeinoelämän keskusliitto. 21 p. [[www.ek.fi/ek\\_suomeksi/ajankohtaista/tutkimukset\\_ja\\_julkaisut/ek\\_julkaisuarkisto/2007/palveluliike\\_toiminnan\\_kansainvalistyminen.pdf](http://www.ek.fi/ek_suomeksi/ajankohtaista/tutkimukset_ja_julkaisut/ek_julkaisuarkisto/2007/palveluliike_toiminnan_kansainvalistyminen.pdf)].
- Håkansson, H. & Johanson, J. 1992. A Model of Industrial Network. In Axelsson, B. & Easton, G. (Eds.) *Industrial Networks, A New View of Reality*. Routledge, London, pp. 145–149.
- Johanson, J. & Mattsson, 1988. Internationalisation in Industrial Systems – a Network Approach. In Vahlne, J. (Ed.) *Strategies in Global Competition*, Croom Helm, New York, pp. 198–213.
- Kothandaraman, P. & Wilson, D.T. 2001. The Future of Competition: Value-Creating Networks. *Industrial Marketing Management*. Vol. 30(4), pp. 379–389.
- Lönnqvist, A, Kujansivu, P. & Antola, J. 2005. *Aineettoman pääoman johtaminen*. Tammerpaino, Tampere. 252p.
- Roberts, J. 1999. The Internationalisation of Business Service Firms: A Stages approach. *The Service Industries Journal*. Vol. 19(4), pp. 68–88.
- Stähle, P. & Grönroos, M. 2000. *Dynamic Intellectual Capital*. Tummavuoren kirjapaino Oy, Vantaa. 296 p.
- Äijö, T., Kuivalainen, O., Saarenketo, S., Lindquist, J. & Hanninen, H. 2005. *Internalization Handbook for the Software Business*. Espoo, Centre of Expertise for Software Product Business. 38 p.



Thank you for your attention.

Questions and comments, please.

