

RAPID TRANSITION FROM LOCAL TO INTERNATIONAL COMPANY – THE IMPORTANCE OF SOCIAL FACTORS IN RELATIONSHIP STRENGTH FOR IT ENTERPRISE

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ABSTRACT

The purpose of this article is to analyse the context of the internationalisation process from the perspective of network relationships dynamics and the rapid transition from a company operating only on a local scale to company with a very high level of internationalisation.

To understand the afore-mentioned dependencies we analyse a case study of a small IT company located in Poland. We identify two main phases of this development which are characterised by a very different level of involvement in international activities, resources and interactions between actors (the first phase is “purely local” and the second “highly international”). Our analysis, concentrating on the transition process and the relationships between these two phases, enables us to understand the rapid internationalisation process and address the issue of network relationships dynamics in IMP research.

The main contribution of the paper is the application of the concept of relationship strength and network relationships dynamics to the analysis of the course of the rapid internationalisation process. Developing strong relationships based on coupled social and economic variables allows an entity to leapfrog from a local to an international network as part of the internationalisation process. Moreover, the adjustment concerning resources base and specialisation scope results in establishing a new network picture.

Keywords: internationalisation, rapid internationalisation, time, network dynamics, relationship strength, high-technology, IT enterprise, service network

Competitive paper

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INTRODUCTION

Companies are continuously searching for new growth possibilities which means that their relationships with other parties are stretched in search of international leverage. The available research regarding the process of internationalisation and changes in relationships ignores the problem of the order in which cause-effect relationships determine the final shape of the internationalisation process and its acceleration. We have addressed the problem of rapid internationalisation and complemented it with the analysis of network relationships dynamics as well as economic and social variables associated with relationship strength, which determine the dynamics of business relationships in the internationalisation process.

The purpose of this article is to analyse the context of the internationalisation process from the perspective of network relationships dynamics and the rapid transition from a company operating only on a local scale to company with a very high level of internationalisation.

This is important because internationalisation is linked to positive effects such as economies of scale and scope, the efficient utilisation of resources and access to cheaper or scarce resources, market expansion, diversification of activities and benefits of reputation (Contractor et al., 2003; Elango, Sethi, 2007; Barcellos et al., 2010). So despite the risks associated with internationalisation (Zaheer, 1995; Barcellos et al., 2010) it is highly desirable. This is especially so in the case of companies qualified as high-technology, where it is believed that they are forced to be active on international scale. The domestic market creates somewhat limited demand for its products/services which have to be quickly commercialised (Madsen, Servais, 1997; Spence, 2003). For this reason this industry is characterised among others by the rising competition in international trade. For high-technology companies important determinants of competitiveness are cooperation, network relationships and the rapid introduction of products, services and all activities on a large, international scale (Ratajczak-Mrozek, 2012).

To understand the afore-mentioned dependencies we analyse a case study of a small IT company located in Poland. We identify two main phases of its development which are characterised by a very different level of involvement in international activities, resources and interactions between actors (the first phase is “purely local” and the second “highly international”). Our analysis, concentrating on the transition process and the relationships between these two phases, enables us to understand the rapid internationalisation process and address the issue of network dynamics in IMP research.

THEORETICAL STARTING POINTS

Internationalisation and Time in the Internationalisation Process

Internationalisation means “the process of increasing involvement in international operations” (Welch, Luostarinen, 1988) being mainly an activity driven by the desire to penetrate overseas markets (Fletcher, Barrett, 2001, p. 562).

From a process perspective, internationalisation is most often considered in terms of time and the identification of various stages, which assumes a company’s gradual transition from simple (export) entities to increasingly more complex forms of international expansion (direct

foreign investment). These dependencies are described by so-called “stage models of internationalisation” among which the most well known and most often cited is the Uppsala Model (Johanson, Wiedersheim-Paul, 1975; Johanson, Vahlne, 1977; Johanson, Vahlne, 2009). The process of internationalisation develops in stages in an evolutionary manner and is seen as the interaction between the development of knowledge about foreign markets (mainly acquired through experience) and the increasing commitment of resources in these markets. The adopted assumptions regarding knowledge (gaining experience – the learning process requires time) and resources determine the gradual course of the internationalisation process, whilst at the same time resulting in a company becoming more internationalised over time. Each subsequent stage results in a company being increasingly more committed to its international operations both in terms of the scale of operations as well as the types of activities in which it is engaged.

If we look at a company’s internationalisation from the perspective of the network approach (network model of internationalisation, network approach to internationalisation), then this process “means that the firm establishes and develops positions in relation to counterparts in foreign networks” (Johanson, Mattsson, 1988, p. 296). This can be achieved through the establishment, maintenance or extension of relationships with actors (entities) in foreign markets (Johanson, Mattsson, 1988, p. 296). The internationalisation process itself is determined by the entity-diverse foreign environment and the establishment of long-term formal and informal interactions with the entities in it (Axelsson, Johanson, 1992, Chetty, Blankenburg Holm, 2000; Hadley, Wilson, 2003; Fletcher, 2008). The network model of internationalisation refers to the same elements as the Uppsala model, however, it is driven by a different logic regarding the main forces driving a process as well as its course. Analyses of the internationalisation process as part of the network approach concentrate on the description of the internationalisation process, the structure of the international networks and relationships in the context of companies’ internationalisation, the entry phase of foreign market penetration as well focus largely on export activities (Johanson, Pao, 2012). Many analyses deal with the problem of the impact of various factors on the course of the internationalisation process itself whilst the main factor which is analysed is knowledge (Hadley, Wilson, 2003; Johanson, Vahlne, 2009; Lindstrand, Eriksson, Sharma, 2009; Hohenthal, Johanson, Johanson, 2014) (which links the network model of internationalisation with the Uppsala model of internationalisation). The value of the network approach lies in the inclusion of comprehensive interdependencies between interactions as well as inward and outward connections in the internationalisation process (Welch, Luostarinen, 1988; Welch, Luostarinen, 1993; Fletcher, Barrett, 2001; Fletcher, 2001). The network approach to internationalisation also underlines the importance of time and the evolutionary nature of the internationalisation process. Establishing and maintaining relationships requires time and effort, which implies a cumulative nature of the evolution of a network, as well as the process of internationalisation. In turn, the research of rapid internationalisation highlights the strategic nature of network building (Loane, Bell, 2006) and integration in client networks (Belso-Martinez, 2006) for rapid internationalisation.

The issue of time and the problem of accelerated internationalization are normally addressed by research in to *born global/ international new ventures* (Mathews, Zander, 2007; Freeman, Edwards, Schroder, 2006). From the perspective of the study presented in this article, these are important in the sense that they apply to the majority of high-technology companies, including those from the IT industry (Bell, 1995; Coviello, Munro, 1997; Johnson, 2004; Knight, Cavusgil, 1996; McDougall, Shane & Oviatt, 2000; Oviatt, McDougall, 1994; Rennie, 1993).

Companies which are born global are those which are engaged in international activities upon their inception (McDougal, 1989, s. 387). In a short time, foreign operations become a dominant part of their total turnover (usually applies to exports). Generally, however, there is no consensus regarding the timeframe in which the share of exports in a company's turnover should be analysed (usually from two (Rennie, 1993, p. 46) to eight years (McDougal, Shane, Oviatt, 2000)) or what boundary conditions should be adopted in order to qualify a company in to this group – usually this is 20 % (Johnson, 2004, p. 259) or 25% (Knight, Cavusgil, 1996, p. 11).

According to the most well-known definition of Oviatt and McDougall (1994, p. 49) international new ventures are those companies which derive competitive advantage through the utilisation of resources and sales across many countries from the beginning (i.e. from the moment they were founded). The basic classification criteria is the age of a company and not its size. In contrast to companies which gradually grow towards internationalisation, these companies immediately follow an international strategy.

Network analyses are also often used to analyse the activities of international new ventures or companies born globally (Oviatt, McDougall, 1994; Coviello, Munro, 1997; Chetty, Blankenburg Holm, 2000; Sharma, Blomstermo, 2003) (these analyses also take in to account mainly the knowledge factor). The network approach is important for understanding the internationalisation process for companies born global, as these companies have a resource deficit and for this reason network ties are used to fill these deficits (Chetty, Wilson, 2003, p. 66; Laanti, Gabrielsson, Gabrielsson, 2007). Important tools for delivering the born global strategy are the personal contacts of entrepreneurs and social networks (Andersson, Wictor, 2003, p. 268). The role of entrepreneurial networks in the exploration and exploitation of internationalisation opportunities are also underlined (Vasilchenko, Morrish, 2011; Chandra, Styles, Wilkinson, 2012). According to these assumptions “behind the gradual or rapid internationalization process lies a path-dependent process of opportunity development and cross-border venturing activities that is shaped by the domestic and international networks” (Chandra, Styles, Wilkinson, 2012, p. 74).

Analyses in to the internationalisation of *high-technology companies* predominantly focus on small and medium high-tech companies, which are often identified as being born global (Bell, 1995; Burgel, Murray, 2000; Coviello, Munro, 1997; Jones, Crick, 2001; Spence, 2003) Studies in to the internationalisation processes of high-technology companies point to the fact that some of them follow the traditional, staged internationalisation approach, however, others behave differently – they directly enter distant markets and create their own foreign branches quicker (Johanson, Vahlne, 1990, p. 20). Studies confirm that the internationalisation processes of high-technology companies which proceed in keeping with the logic of staged models (increasing engagement and investment on forge in markets) are both less constrained and determined to a lesser extent by sequential internationalisation processes than in the case of companies from traditional industries. High-technology companies which gradually engage in forge in markets usually are quicker to engage in activities aimed at internationalisation than companies from traditional industries. Their management express a greater willingness to seek market opportunities and are more aggressive. At the same time, does not mean that these companies are born global (Komulainen, Mainela, Tähtinen, 2004; Gemser, Brand, Sorge, 2004).

All high-technology companies, including those not born-global, may apply the network approach to internationalisation. Above all, the importance of personal relationships and social networks in the internationalisation process of these companies is underlined (Coviello, Munro, 1997; Johanson, Vahlne, 1990, p. 20; Komulainen, Mainela, Tähtinen, 2004).

Relationship Development and Relationship Strength

The relationships between entities in a network are influenced by many factors and mutual interactions which affect both the course and the development of these relationships (Morgan, Hunt, 1994) (see table 1). The nature and significance of these interactions is subject to change along with the development of these relationships (Ford, 1980; Wilson, 1995; Leuthesser, 1997) and results in each of the actors having an influence on the scope and structure of the activities in which they are engaged as well as their respective resource bases (Håkansson, Snehota, 1995). The evolutionary nature of the development of relationships stems from the cause-and-effect dependencies between individual activities which captured in related groups; create events determining the course and the effect of relationships (Grönroos 2000; Palmatier et al., 2013, p. 15).

As a result of the aspiration of obtaining a utilitarian approach explaining the causes and the course of the development of a relationship, many researches adopt model in which they identify subsequent stages which come together to form the life-cycle of a relationship (Dwyer et al., 1987; Wilson, 1995; Cannon, Perrault, 1999). In reviewing each individual concept, Redondo and Fierro (2006, p. 67) proposed a five-stage relationship life-cycle. The *prior* step covers the analysis of possible action scenarios and the selection of an appropriate option. Next, the relationship enters the *initial* stage during which a company aims to connect with another actor and to establish the conditions for cooperation. Later, the management of both entities set the effects of cooperation against the adopted expectations – this is the *intermediate* stage of the relationship. Next, if the relationship is developing, then it enters the *maturity/stability* stage, where the actors concentrate on increasing the effectiveness of their cooperation. The last stage of relationship life-cycle is its *dissolution* as a result of which cooperation ceases.

A review of research carried out in to business relationship life-cycles is presented in table 1.

Table 1. A Review of Research in to Business Relationship Life-Cycles

Author and research year	Factors included in research which influence the business relationship life-cycle							Dependency on relationship development
	Trust	Commitment	Communication	Mutuality	Satisfaction	Convergence of goals and norms	Adaptation, investments	
Dwyer, Schurr, Oh (1987)	x		x		x	x		Reversed U-shape
Ring, Van de Ven (1994)				x		x	x	Reversed U-shape
Wilson (1995)	x				x	x	x	Linear
Lewicki, Bunker (1996)	x							S-shaped relationship
Jap, Ganesan (2000)		x			x	x	x	Reversed U-shape
Hibbard et al. (2001)	x	x	x	x		x		Reversed U-shape, Linear
Redondo, Fierro (2006)	x	x	x		x		x	Reversed U-shape
Jap, Anderson (2007)	x		x			x		Reversed U-shape
Palmatier et al. (2013)	x	x	x				x	Reversed U-shape

In reference to the specific stages of the relationship life-cycle, the majority of the concepts presented in table 1 show it to take a reversed u-shape. These models assume the relationship life-cycle to be ordered, schematic and uni-directional, incorporating a series of activities,

starting from seeking and entering in to cooperation with a partner, its development and finally its dissolution. Specific stages of development are separate and therefore the completion of each stage assumes the start of the next stage. However, the subject literature indicates relationship development is complex and multifaceted in nature which increasingly often is taken in to account in discussions regarding relationship development dynamics (Palmaiter et al. 2013).

At each stage of the relationship life-cycle, the continuity and rate of development are dependent upon the fulfilment of expectations by each actor in terms of the course and effects of a relationship. The satisfaction that each entity takes from a relationship is formed based upon an assessment of achieved results (Hogan, 2001; Walter et al., 2003) (see fig. 1). Aside from the factors tied directly to the completion of individual transactions, a change in the conditions under which actors function as well as their condition has an additional impact on the dynamics of a relationship (Tuten, Urban, 2001) as do the activities of third parties (albeit indirectly). After including the factors which influence the development of a relationship, in reality the tempo and intensity of relationship development can be differentiated, as well as its direction. As a result, the development of a relationship is a turbulent phenomenon and its further course is shaped each time by an assessment of events occurring between actors and therefore may cause the relationship to be either tightened or loosen. The termination of a relationship may occur at any time during its life-cycle, or indeed there may be a significant dynamic development in the relationship after a longer period of stagnation (Palmatier, et. al 2013, p. 15).

Hence a condition for the development of a relationship is the achievement of bilateral satisfaction which leads to the further engagement of actors and which in turn translates in to the growth in the probability of relationship continuing. Should events transpire which significantly exceed the conditions of cooperation or behavioural norms set out by the actors, there may be a loss of satisfaction among actors. If actors do not undertake correctional actions, the cooperation may be loosen and, ultimately terminated (see figure 1). For this reason satisfaction is a key aspect of a relationship's development.

Looking at the change in the relationship over time, actors entering in to a relationship aim to achieve their adopted goals, accepting a certain group of expectations and anticipating their realisation as part of the cooperation. During the first period of relationship development, the basic group of business partner selection criteria are economic, such as: the quality and price of a product, or product differentiation in response to individual customer needs (Siems 2010, p. 88-90). In the case of dissatisfaction with the results achieved as part of a transaction, the partner is changed and cooperation is terminated. If expectations are mutually fulfilled, actor satisfaction grows and the relationship may be developed further.

If the cooperation is continued there is a further clarification and expansion of expectations pertaining to the realisation of transactions which goes beyond the basic aspects tied to the nature of a product. Requirements regarding delivery and payment conditions, the extent to which the product offering is adapted, including the expansion to include additional services, all become significant (Siems, 2010, p 91). This is the stage of a relationship's development in which economic variables become supported by the dynamic development of social variables which start to play an increasingly significant role in shaping further business relationships (see fig 1: social variables). Appropriate communication between actors in the network constitutes a basis for building further engagement and trust. If mutual satisfaction is maintained, the relationship is continued. As a result, mutual investments are intensified and adaptations are made in terms of activities, resources and the structure of individual companies (Siems 2010, p. 88-90).

2012) and on building customer satisfaction, trust and commitment (Miyamoto, Rexha & Grainger, 2002). At the organisational level, the main perspectives concerning relationship strength concentrates on the business performance of actors (Medlin, 2003), organisational learning (Rindfleisch & Moorman, 2001) and product development (Rindfleisch & Moorman, 2003). At the interorganisational level, relationship strength is analysed in terms of social and economic factors that foster the maintenance and development of durable relationships between actors.

The strongest relationships are characterised by the occurrence of both behavioural (social) and economic factors (Donaldson, O'Toole 2000, p. 496; Barry, Dion, Johnson, 2008, p. 115). Behavioural factors include (and may be operationalised by the occurrence of) trust, commitment, interpersonal contacts, shared norms and values, quality of communication, customer satisfaction (Hausman 2001; Richard, Huff, Thirkell, 2007; Storbacka et al., 1994). Economic factors include firm orientation, technological orientation, sales turnover, calculative commitment, bargaining power of actors, common business goals, possibility of changing partners, dependency and service quality (Broad, 2012, p. 6; Geyskens et al., 1996, p. 303-317; Håkansson, Snehota, 1995, p. 25; Richard, Huff, Thirkell, 2007, p. 130).

However, most studies found in the literature focus on the assessment of the impact of particular variables on the relationship strength in terms of static view of current network picture. That arises a gap relating to the analysis of the impact of the relationship strength on the development of the life cycle of the relationship.

METHODOLOGY OF THE STUDY

In the article we analyse a case study of a small IT company in Poland. An exploratory qualitative research method is used in order to “uncover and understand what lies behind a phenomenon about which little is known” (Strauss, Corbin, 1990, p. 19) and to use the experience of people with regard to the analysed phenomenon (Bazeley, 2007).

Data was collected in Poland using semi-structured, in-depth, face-to-face and phone/Skype interviews (Silverman, 2000; Punch, 2005). A purposive sample was applied. Altogether we conducted 5 in-depth interviews. A detailed interview was carried out with the CEO of an IT company in Poland as well as with the COO of the company's important client which, in this case, turned out to be the COO of the Group located in a different country. In the case of a focal firm, additional interviews were carried out in order to obtain supplementary detailed information and in order to clarify doubts. The high positions held by the representatives of these firms ensured that they possessed the appropriate level of knowledge regarding topics covered by the research.

The in-depth interviews covered all areas important for the realisation of the research, including internationalisation and relationship development. The interviews were based mainly on open-ended and probing questions to encourage discussion of the phenomena (Denzin, Lincoln, 1998).

The interviews, which were carried out during the period January-February 2014, were conducted by two trained interviewers which aimed to ensure an objective assessment of the information obtained. The interviews were recorded (overall recording time covered 220 minutes of interviews) and transcribed, thereby creating an interview protocol. In order to ensure objectivism and triangulation of the data interpretation (Gummesson, 2001) two researchers worked independently on the codification and analysis of the transcripts in order to assess the strength of the relationship, relationships dynamics and related processes. There analyses were compared and in the case of any inconsistencies, a third researcher was requested to assess the materials. Additionally, the company representatives had the

possibility to verify the transcripts of their interviews. All significant comments regarding the transcript were incorporated into the data analysis.

The case study adopts the perspective of the focal Polish IT company, however, verified using information obtained from the other entity. For this reason, unless otherwise indicated, the quoted testimonials are made by CEO of the IT company. We analyse how the dependent variable in the form of company's (rapid) internationalisation process is influenced by the independent variable – relationship strength characterised by the occurrence of both behavioural (social) and economic factors.

EMPIRICAL ILLUSTRATION - THE EVIDENCE FROM IT INDUSTRY

The IT company which is being described here operates on the Polish market and up to the year 2008 it was a company which could be described as being “purely local.” In 2010 it was already “highly international” and constituted a part of the nSense Group. In this case what did this rapid change process look like taking in to account the network relationships dynamics and relationships strength? What influenced its dynamics, i.e. what factors caused the rapid internationalisation?

The IT company began operating purely on the Polish market in 2006 as a two-person micro-company: *“We started by offering basic IT services. Later, we gradually started to transform in to a software development company.”* During this time the market was becoming increasingly competitive and due to limited resources, the company was not able to deliver its assumed growth strategy (*“No large companies wanted to talk to us because we were only a two-person company (...) this was a battle for survival from month to month.”*).

From the perspective of further growth and internationalisation, an important step for the company turned out to be finding a key partner with knowledge of the Danish market: in 2008 *“we were able to acquire our first customer, a Polish branch of a Danish company (this was a consultancy firm dealing with SAP). Then we became friendly with one of the company's managers which proposed that perhaps we could do something together. After a while he left the company and became our partner.”* A strong interpersonal relationship has developed. At this point this was a highly elastic micro-company focused on finding options for expansion on to new markets. The partner had knowledge of the Danish IT market and *“was a Danish resident and had contacts there.”* *“The role of our partner was (...) acquiring customers. So he had local contacts & generated business, whilst we made sure deliver results.”*

From the perspective of the growth of the Polish IT company, an important occurrence and customer acquired by the Danish partner was to start cooperating with the Danish nSense company, based upon service subcontracting (although nSense was not the company's largest customer at the time). The nSense Group was founded in 2003 in Denmark. The Group specialises in providing IT security services for the B2B market. nSense is an independent company and a recognised leader in penetration testing, vulnerability assessment, security consulting and training. The company is a highly specialised IT security company offering high-end security services to Northern Europe but also to the USA and Philippines (what is important is that it does not sell products in Poland). The company's end-customers are medium/large enterprises and institutions, mainly from financial and insurance, IT and telecom, manufacturing, gaming and logistics industries.

Acquiring the Danish customer dealing directly with IT systems required the Polish company to take various steps. *“Generally these are very sensitive issues which are not usually outsourced. As a result this required several trips and face-to-face discussions in order to make contact and for them (nSense) to become sure that they could commission us to this type of work.”* The projects were at first subject to detailed reviews by nSense. *“We*

stared doing very simple things and assumed responsibility for the outsourcing of software development.” This phase of cooperation with nSense, as stated by the IT company itself, was split in to two phases. The first was the *“mutual testing phase. They needed to be convinced that they could work with us.”* This phase, which lasted around 3 months, was based on completing trial orders which were checked in extreme detail in terms of quality.

Next was the stabilisation phase with *“normal cooperation in terms of outsourcing and building relationships at the same time.”* After confirming the high quality of services which were also low cost, there was a gradual expansion of the profile of the orders as well as an increase in trust between actors. At this point of the relationship’s development, the Polish IT company transferred technical knowledge to nSense, whilst nSense provided the IT company with business (*“how to do things professionally”* on a large scale) and organisational knowledge. The directional flow of knowledge from nSense to the Polish IT company was greater. However, it isn’t possible to exactly calculate the number of orders completed by the IT company as *“from the beginning we did body shopping, so we did not deliver whole projects but were paid for our resources. From the very beginning, one person was dedicated to nSense (...) later this increased to two people.”*

“After a period of great cooperation we began discussing together with our counterparties that maybe it would be possible to do something together and to create one company.” This led to the start of the next phase – negotiation. The talks were not straight-forward and they lasted a relatively long time, as the owners of the Polish IT company were tied to the company which they had created and grown themselves and so therefore they didn’t want to *“become a part of a different company. But in time our trust in the Scandinavians started to grow.”* Moreover there was a lack of a single vision of the company’s development between the IT company and Danish partner which also caused the negotiation process to be more drawn out. During the negotiation period, the company continued to operate on the local market, but the importance of this market was systematically and quickly declining. *“As soon we came in to contact with Denmark, Poland stopped being interesting.”* The subcontracting period for the nSense group lasted two years.

In November 2010 the nSense Group management board took the decision to create nSense Poland S.A. which became a new entity in the nSense Group structure. It can be assumed that as of this moment, in becoming a part of nSense Group, the Polish IT company become highly international (whilst joining the group means that the Polish IT company had to formally cease trading (*“we created a new company called nSense Poland S.A. where everyone, including the employees, was transferred and so in reality this was a continuation albeit not legally (...). This was the simplest way.”*)).

Currently, the nSense Group is made up of several branches located in Finland (nSense Finland), Denmark (nSense Denmark and nSense Technologies) and Poland (nSense Poland), which together employ over 50 people (as of May 2014). The nSense branches located in Denmark and Finland employ IT consultants, administrative workers as well as persons involved in marketing, including sales. The Polish branch, however, does not have a marketing department and the services it provides are only bought by the other entities in the Group. The Polish branch exports all of its services to the other companies forming the nSense Group and in this regard they are the company’s customers. The Polish nSense branch does not engage in end customer acquisition and is in fact a centre for knowledge and know-how. It is the other branches which are responsible for end customer acquisition and submit orders to nSense Poland. For this reason, the Polish entity is focused purely on cooperation with internal customers belonging to the Group, namely nSense Technologies (located in Denmark), nSense Denmark and nSense Finland. The relationship between the Polish branch and the other entities in the Group is essentially the same in terms of nature and volumes.

Figure 2 shows the actors and activities involved in a typical project from the perspective of nSense Poland for whom the client is nSense Denmark, nSense Finland or nSense Technologies (hereafter referred to as the internal customer). The figure shows the dominating initial direction of activities.

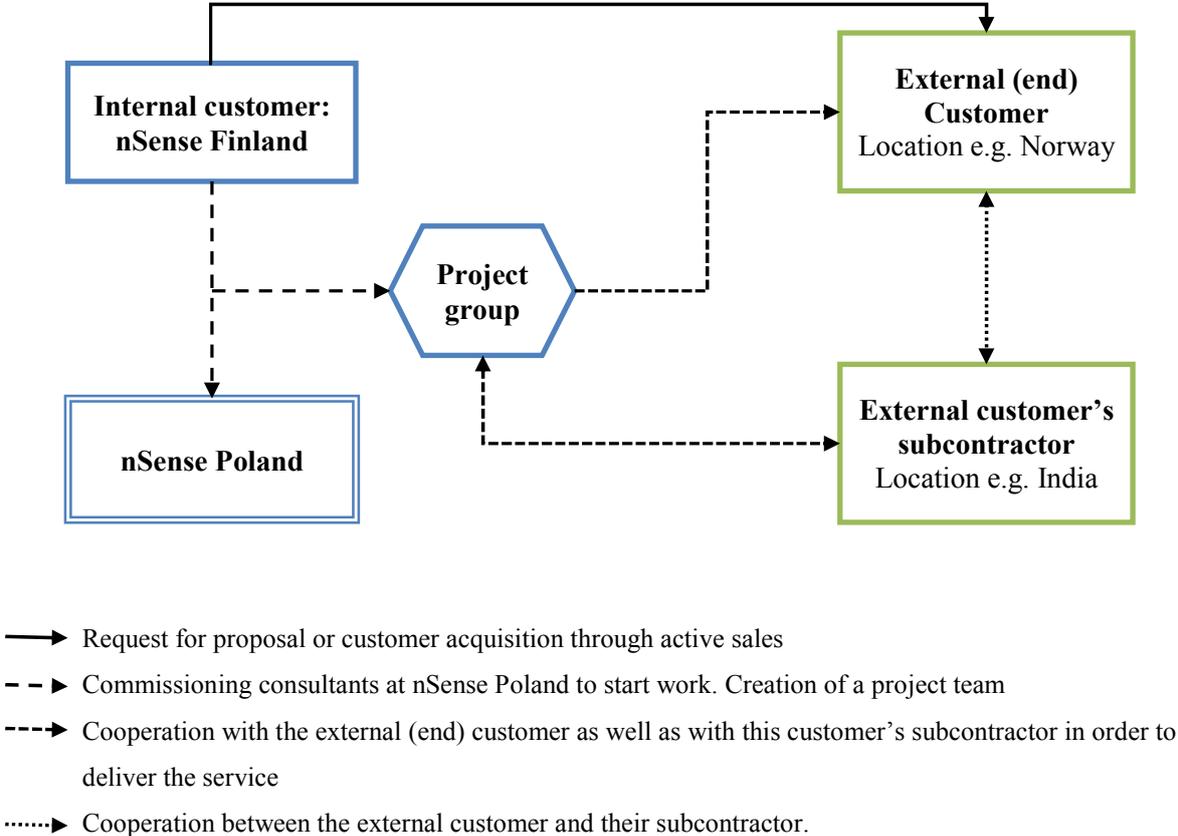


Figure 2. Delivering a Service to an Internal And External Customer(e.g. nSense Finland) by nSense Poland – an Example of a Typical Project

First, the sales team e.g. nSense Finland starts to cooperate with a customer (hereafter referred to as the external or end customer). After analysing the customer's requirements and preparing a project specification, a project team is formed. nSense Finland commissions consultants working for nSense Poland to begin working. The project team is made up of personnel from nSense Poland as well as from other branches, who have the relevant experience and qualifications required in order to deliver the service to the external customer. Next the project team leader contacts the external customer's representative, however, in the case of many external customers, activities linked to providing IT system security are outsourced to subcontractors (developers) located in Asia (e.g. India and the Philippines). A direct reason for outsourcing in this case is the high availability of specialised entities offering services which are competitively priced in comparison to Europe. As a result, the subsequent servicing the customer is indeed a direct relationship between the project team and the subcontractor employed by the external customer and Polish IT company network of relationships is highly internationalised (*"our real network of relationships is larger than it seems despite the fact that there is no invoicing"*). There are however no end customers in Poland.

nSense Poland has a significant amount of autonomy in taking operational decisions. However, strategic planning, due to the fact that partners are linked, is the domain of the Group's management board (the Polish CEO is a member of the board). As a result, elasticity is maintained at an operational level whilst at the same time activities are coordinated, and cohesion in the growth of the group and its constituent entities is ensured. nSense Poland is engaged solely in delivering projects and does not carry out any marketing activities. This has allowed the Polish entity to quickly increase its level of specialisation. As stated by the COO of the nSense Group: "*within the last year, the whole relationship has changed however. Now the Polish team has grown a little bit (...). So now their skills are so good that they are also adding a lot of extra value added (...).*". nSense Poland within structure is perceived as a development centre for the whole Group ("*On the internal side you could call it a resource pool of the skilled consultants that we use internationally.*"). The Polish branch differs from the other branches in terms of its significant cost advantages, the ability to acquire new human resources as well as their rapid development. A strong relationship has developed between nSense Poland and the other members of the Group, characterised by significant behavioural (social) and economic factors.

ANALYSIS OF RESEARCH RESULTS – DISCUSSION

Whilst analysing the rapid internationalisation of the Polish IT Company, it should, however, be noted that this is not a born global company. In fact the company was created ("born") as a "purely local" company. Its owners did not have international competencies, knowledge or experience. They did not operate on the international market, but with great difficulty expanded their operations on the local market. It was a coincidence ("bit of luck") as well as a strong ability to take advantage of market opportunities and social networks, along with knowledge and technical competencies which allowed the company to begin operating on the international market.

The dynamic business relationship growth phenomenon described as part of the empirical illustration was linked to the growth from being a local company to a highly internationalised company and part of an international group in only two years. Particularly important from the perspective of the aim of the article is the analysis of contributing factors and specifically the particular economic and social variables forming the relationships strength and dynamics of the business relationship in the internationalisation process.

From the perspective of network relationships dynamics in conjunction with the analysis of rapid internationalisation it is possible to notice a confirmation of the aforementioned theoretical starting points regarding internationalisation, life cycle of relationships as well as the development of relationships strength.. It is important to stress that the boundaries of identified phases were sometimes blurred and therefore difficult to determine i.e. during cooperation with nSense Group testing stage overlapped relationship development with this partner. Nonetheless adoption of such a division has allowed the analysis of the influence of variables in dynamic terms. Based on previous observation the following factors are dominant for the phases of the Polish IT company's internationalisation:

- the prior phase, establishing contacts with the Danish partner on the Polish market, facilitating the initiation of the internationalisation phase – the importance of social networks and interpersonal contacts,
- the initial, testing phase, directly after establishing contact with nSense – the importance of economic factors, a necessary condition for moving on to further development; however during this phase there were carried out many different

transactions with other foreign entities, but in the end the IT company focused on most important and beneficial actor – nSense Group,

- the relationship development phase, decisive for the significant acceleration and duration for moving on from being a “purely local” to “highly internationalised” – the importance of social (behavioural) factors,
- additionally, at each of these stages the importance of mutual satisfaction should be stressed.

At the beginning developing a strong interpersonal relationship with a Danish partner and then his business contacts and social networks were key for the Polish IT company starting its internationalisation process. It is necessary to point out at this stage, a relationship on the Polish market was a deciding factor for internationalisation (contact with the Danish partner, who was the so-called link to the Danish market, was established on the Polish market thanks to the IT company’s local operations). The skill and the ability of the IT company’s owner to grasp market opportunities were also of significant importance. In discussing this phase, the following statement made by the COO of the nSense group would appear pertinent: *“in all entrepreneurial companies there is an element of a surprise and an element of just a coincidence”*.

During the next phase of the internationalisation’s, relationship’s development (initial phase, testing), economic variables were a key success factor. This includes competitive prices (*“the price is ¼ of that which we have in Denmark”*) as well as the high level of professionalism and service quality. Achieving tangible economic benefits allowed shifting focus from local to foreign markets but also proved to be a new opportunity for the development of the Danish partners. Also, from the perspective of the Group, establishing cooperation with the Polish partner was tied to specific benefits such as access to cheaper, highly qualified specialists, which is a significant growth factor due to the size of the Scandinavian market which is characterised by a limited supply of this type of labour.

In the relationship’s development phase, social (behavioural) factors influenced the rapid growth rate. Aside from strictly business issues, strong informal interpersonal relationships were quickly formed between actors (*“we quickly became friends with nSense’s management”*). This facilitated a growth in trust as well as led to the greater engagement of actors during the cooperation (*“We got to know each other well and we were sure that we could continue to work with them and that this isn’t something which will fall apart in 6 months.”*) A favourable atmosphere, good communication as well as cohesion in terms of the values adopted by both sides also led to the strengthening and acceleration of the development of the relationship (*“Due to the fact that the atmosphere in the company which was and still is (...) this is something which means that we really wanted to be a part of this.”*). The mixture of these factors (trust, commitment, communication, mutuality, satisfaction, convergence of goals and norms) meant that talks were started regarding founding a company called nSense Poland.

On Figure 3 the network relationships dynamics of the IT company and the development of the relationship resulting in rapid internationalisation is presented.

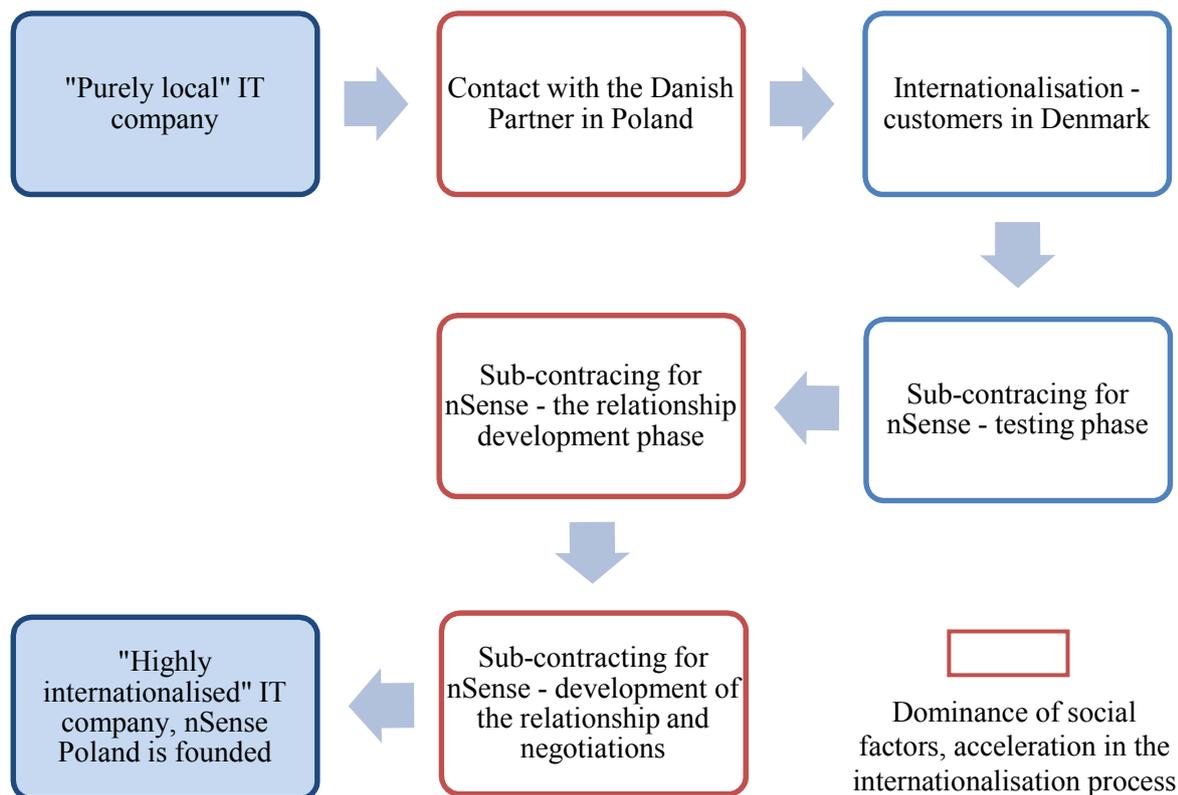


Figure 3. Network Relationships Dynamics and the Development of the Relationship Strength Resulting in Rapid Internationalisation – the Importance of the Social Factors

The rapid growth in the relationship and internationalisation was possible as a result of the presence of both social and economic variables, namely variables determining the strength of the relationship (*“without one and the other, it would not have been able to do business”*). Economic factors constitute a necessary foundation and stimulus for continuing a relationship without which the relationship and its development would not exist. International comparative advantages as well as access to specialised human resources constituted a certain basis for the relationship. However, social factors constituted a milestone in the internationalisation process and relationship development, which were decisive for such a rapid acceleration in the internationalisation process. As a result of a high level of trust and affective commitment, in the final phase of the development of the relationship, social factors dominated the approach based solely on economic calculations (calculative commitment). As stated by the CEO of nSense Poland, such a rapid internationalisation process was the result of *“definitely non-business issues”*, trust and interpersonal aspects. The quality of the services provided and the possession of unique knowledge were the conditions for establishing a cooperation (*“it wasn’t that we became friends and started doing business, because we had to have that knowledge”*). After such a rapid internationalisation, the nSense Group branches entered in to the maturity phase of relationship development and the relationships among them should be considered very strong, as they are based on both economic and social variables. The inclusion of nSense Poland in the Group ensures its cost-advantage over competitors as well as access to specialised human resources. The significance of Polish human resources together with additional factors tied to nSense Poland’s geographical location has a direct impact on calculative commitment, organisational learning, product development and the achievement of operational efficiencies at the Group level. Actors function as part of the Group based upon strong interpersonal ties (*„we are a feelings driven company”*), which results in mutuality, a high level of trust and engagement of entities, as well as affective commitment and informal

regulations regarding business issues. As a result of these conditions, the dynamic development of resources and competitive advantage of the whole group is possible. However, a key factor responsible for the success as well as the future development of the relationship is to ensure efficient and effective communication between actors.

CONCLUSIONS AND FURTHER RESEARCH

The article presents the case of a Polish IT company which based upon a dynamic development of strong business and social relationships achieved the transition from a local network to an international network in just two years. This process was the result of a specific combination of conditions among which the development of strong relationships between actors played a key role. The subject literature clearly points to the need for both social and economic variables to exist in order to develop strong relationships. However, researchers concentrate to a lesser extent on the dynamics of this phenomenon as well as the order in which these variables appear in reference to the internationalisation process.

The main contribution of the paper is the application of the concept of relationship strength and network relationships dynamics to the analysis of the course of the rapid internationalisation process. Developing strong relationships based on coupled social and economic factors allows an entity to leapfrog from a local to an international network as part of the internationalisation process. Moreover, the adjustment concerning resources base and specialisation scope results in establishing a new network picture.

Described process of change was illustrated by the overlapping phases of a relationship's development from "purely local" to "highly internationalised" were identified based upon the results of the study. Based on the literature analysis and the data which was collected, the following regularities characterising the implementation of this process were identified:

1. The decision to expand operations on to international markets is the result of increasing competitive pressure and directly results from the necessity to find new sources of income for a company. However, the decision itself is not based solely on economic calculations, nor does it result from applying a planning approach to the internationalisation process, but is founded on an evolutionary search for business opportunities.
2. Each subsequent phase of relationship development is associated with a significant increase in the competitive potential of a company. The initiation of the next step is a consequence of a recombination of a company's resource base and the building of a new image of the network, achieved as a result of the activities of the preceding stage. Thus, observations confirm the phased nature of the development of relationships as adopted in the subject literature. However it does not mean the implementation of stages model of internationalisation as a company develops several relationships simultaneously.
3. At the phase of building a relationship with an international reach, the results achieved in each case exceeded the costs tied to cooperation. This leads to the consequential development of bilateral mutuality, commitment, trust and, finally, the increase in satisfaction among entities. These results suggest that creation of appropriately strong business relationships may lead to the systematic increase in satisfaction among actors and constitute a factor stimulating the development of business. This observation differs from the theoretical concept which was presented (see figure 1: The Dynamics of Relationships in a Business Network), where achieving mutual satisfaction is an activity ensuring the restoration of the existing development potential of a company.
4. The dynamics of a relationship are the result of external factors, including the interactions with other actors in the network as well as conditions at the macro-environment. The external conditions in the case study acted as a stimulant for the process of rapid

internationalisation. Economic factors (international comparative advantage in terms of operational costs as well as the supply of specialised human resources) and social factors (interpersonal contacts, complementary organisational cultures as well as consistency in terms of the norms and values adopted by both actors) all turned out to be beneficial for the internationalisation process. Hence the indicated observations confirm the positive impact of relationship strength on the company's internationalisation process, including the importance of the simultaneous presence of social and economic variables for the development of a relationship.

5. Social (behavioural) factors constitute a factor significantly influencing the acceleration and intensification of company's internationalisation process. These are milestones for the internationalisation process and the development of relationships, decisive for the rapid acceleration of the internationalisation process. The tempo of the internationalisation process is set out by the ability to discount business opportunities resulting from developing social relationships. However, economic factors constitute a solid basis and necessary condition for a relationship to continue, without which the relationships and development would not take place. In this respect, it is key for both social and economic variables to coexist as is their dynamic and systematic development.
6. The ability to operate on a foreign market was possible by gaining access to the specific knowledge and contacts resulting from cooperation with a Danish partner, which allowed the company to reduce the level of risk. Thus these actions reflect the assumptions of the Uppsala model, namely the desire to minimise psychic distance and the importance of knowledge. These activities can also be analysed from the perspective of inward connections, i.e. the role of activities in the domestic market for embarking on an internationalisation process. Other relationships developed at the local market also have an impact on the dynamic development of the nSense Poland, although the company does not have any sales in Poland. One of the company's important assets is its cooperation with Poznan University of Technology, where one of the outcomes of this relationship is the potential to informally recruit new employees. Hence the relationship on the local market translates into economic factors determining the development of relationships, network dynamics and rapid internationalisation.

The research presented above is not free from certain limitations resulting from the specific nature of the qualitative research. It is therefore essential to further verify the results. This requires further studies involving a larger group of companies of all sizes and to broaden the scope of entities belonging to other industries to see to what extent our findings are specific for companies within the high-technology industry and to what extent they can be the basis for generalisation. In order to further verify the results it would also be necessary to carry out quantitative research.

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