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# **SOCIAL NETWORKS AND NETWORKING FACILITATING INTERNATIONALIZATION**

**Experiences of two Finnish fashion companies**

Master's Thesis  
in International Business

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# **1 FINNISH FASHION INDUSTRY AND NETWORK DEVELOPMENT**

## **1.1 Why fashion is important**

Fashion is a global, exciting, dynamic and creative business. For some fashion retailers, operating in foreign markets can be essential to their reputation as it contributes notably to their overall turnover. (Hines & Bruce 2007.) In some cases, the internationally gained turnover exceeds the turnover created in the domestic markets. This can be explained by the small size of home markets as for example in the case of Swedish Ikea. (McGoldrick & Davies 1995.) Many large fashion retailers such as H&M, Mango, Ralph Lauren, The Gap and Zara have noticed the appeal of their products, brand image and merchandizing methods and have exploited these advantages through the development of comprehensive international store networks. For these retailers the speed of expansion, the wideness of their foreign market coverage and contribution of foreign turnover to their total sales has been great. International activity by retailers includes also the sourcing of goods for sale, the operation of shops, the use of foreign labor, usage of foreign capital and the adoption of ideas. (Dawson, Larke & Mukoyama 2006.)

There is a trend towards the concentration of fashion retail, so that the market is served by specialized chains and large department stores among others. Small and medium-sized firms, in order to compete profitably, should therefore improve their managerial and professional performance. (Hines & Bruce 2007.) Small businesses, however, face the issue of limited tangible and intangible resources, especially in regards to international aspirations. Small businesses yet play a significant role in the global economy and can all together provide up to 80 percent of economic growth in the future (Morrison et al. 2003) as they form the vast majority of businesses operating worldwide (Reijonen & Komppula 2007).

In many societies the textile and clothing industry has an important role in the economy as it provides employment and creates consumption (Hines & Bruce 2007; Dawson et al. 2008). Not only are the fashion and high-end industries a significant part of the creative economy, but they also represent European cultural heritage and know-how. Fashion is formed from complex and interdependent value chains from manufacturing and design to the distribution and retail of fashion goods. The fashion industry supports indirectly almost 850 000 companies and five million jobs, in addition to the three million jobs in supply chains, thus, proving to be a significant part in the EU economy. (Overview of the European fashion industry 2013.)

In Finland, the term fashion industry has not gained as much attention as in other European countries. As the textile and clothing industry has its focus on technical features in production and manufacturing processes, the core in fashion business is to create intangible value by marketing emotions and experiences and finding new innovative distribution and marketing channels (Lille 2010). In 2010, the Finnish fashion clothing exports amounted to almost 250 million euros. However, in the same year, the amount of exports of Swedish fashion clothing was almost five-folds, amounting to nearly 1200 million euros. Finnish fashion manufacturers are facing greater competition with the rising prices for raw materials and other manufacturing costs which furthermore limits export opportunities. (INNO-PILOTTI 2013) In 2011, the fashion and textile exports slightly increased and amounted to 300 million euros (Salonoja 2013).

However, this is far from the previous decades, as in the 1980s exports amounted almost to 500 million euros (Von Alfthan 2012). The collapse of Soviet Union in 1989 affected to a large extent to the decrease of clothing exports. Nevertheless, the cost levels of Finnish industries increased in the late 1980's were considered to have a larger impact on the decrease of clothing and total exports eventually leading to the recession in the beginning of 1990s. (Sutela 2005, 7-9.)

The knowledge and utilization of design has increased in many ways in Finland. After Helsinki was nominated as the World Design Capital for the year 2012, the design industry has gained not only an understanding of the possibilities of design but also much needed international attention (World Design Capital Helsinki reaches its objectives 2012). Design is one of the most important platforms of exporting Finnish know-how to the world, so it should be utilized and exploited as so. Finnish design and the internationalization of design need a strong and united vision to succeed (Wevolve 2012). The industry is still in its infancy therefore a lot needs to be learned. In the series of interviews conducted as a part of growth workshop organized by Finpro with design SME's and entrepreneurs, the following issues were discovered regarding internationalization (Saku Koskinen, interview 25.2.2013):

- limited resources
- insufficient knowledge of business practicalities and markets
- unclear brand image and offering.

Of the issues mentioned above, insufficient knowledge and branding were most problematic intra-organizational issues. Gaining access to the target market specifics and for example feasible distribution channels were also one of the main concerns in regards to actual target market activities. Moreover, for especially design and fashion, country based information was not sufficient enough for entry operations. Germany is one of the prominent markets for future operations. However large German design cities

such as Frankfurt and Berlin have a distinctive ethos and market specifics increasingly affecting what kind of style and design can succeed. (Saku Koskinen, interview 25.2.2013).

Which channels and activities should Finnish designers then use to export their design know-how? In this regard, networking and collaboration with the right partners are highly important. In addition, support from public organizations is seen necessary. (Wevolve 2012.) Currently there are several independent entities promoting Finnish design and creative industries such as Design Forum Finland and Design District, Creative Finland and projects such as mentioned above. However, there does not seem to be any larger public organization or institution or entity offering information or assistance in managing design business companies.

## **1.2 Empirical findings on internationalization from the (social) network perspective**

Business relationships have been in the center of various studies over the world. The research has previously focused more on how business is transacted between companies and institutions, but over the past decades, the continuity and complexity of interaction has grown in interest. (Håkansson & Snehota 1995.) There have been both conceptual and empirical studies concerning the network approach to internationalization (Fletcher 2008). Järvensivu (2007), referring to the findings of Araujo and Easton (1996) states that even up to ten different schools of network studies can be identified.

The conceptual process of internationalization has been a central part in many studies (Johanson & Wiedersheim-Paul 1975; Nordström 1991; Johanson & Vahlne 2003). Internationalization can be considered as a direct and logical process (Nilsson, Dicken & Peck 1996) consisting of motives to internationalize, choices of operation modes based on the motives and the target countries with different market potential and business practices. Some view internationalization as a learning process in which knowledge on markets' special characteristics accumulates, and it can be used as an advantage in the future operations (Gabrielsson, Eronen & Pietala 2007). This study will however focus on the empirical findings that relate to firms economic and internationalization activities.

Dubini and Aldrich (1991) argue that networking can be displayed both in the actions and structure of a firm as well as in the actions of individuals in the firm. Therefore, the networks of the individual are effective parallel to the network of the organization: *“taken together, these two processes affect the fate of entrepreneurs and their companies”* (Dubini & Aldrich, 1991, 312). In other words, the dyadic relationship of

personal and organizational networks should be taken into consideration when studying network effects.

Individual networks have been recognized as important in the field of business studies. Recent studies have been focusing on business activities going back to the 13<sup>th</sup> century merchants and to the effect of their individual networks. Similar studies were conducted in 19<sup>th</sup> century by Swedish historians. (Axelsson & Agndal 2000.)

Bell, Crick and Young (2004) found in their study on 15 knowledge-intensive versus 15 traditional manufacturing small businesses that the latter tended to be less motivated and more cautious for internationalization and reactive towards international opportunities. Therefore various industries should be included in the study on SME internationalization in order to, besides creating generalizations, unfold existing differences in internationalization patterns, paths and motivations.

Moen, Gavlen and Endresen (2004) found that networking can lead to continuous growth and to the development of international markets. Furthermore, some evidence (Babakus, Yavas & Haahti 2006) suggests that foreign networking effects overcome domestic networks effects. A study on a sample of Finnish, Norwegian and Swedish manufacturing SMEs found that foreign networking had a positive impact on export performance. However, networking within the home-market did not seem to affect internationalization. (Babakus et al. 2006.)

In another study by Järvensivu (2007) it was found that common goals, beliefs and shared values between organizations, and the individuals within the organizations, affected the overall success of strategic networks. Complementing these findings, Valkokari (2009) argues that the success factors in bilateral business relationships are similar to those in business network relationships. Network relationships are affected by the participants, their motives and aspirations as well as by the ongoing communication, and much like business itself, network development requires investments and time which should result in future profits.

The role of networking in relation to internationalization has also been recognized. Sasi and Arenius (2008) studied the role of networks, and in particular social networks in the internationalization process of Finnish information and communication (ICT) companies. They found that companies in their early stages of internationalization had great benefits from dyadic relationships. However, significant international growth was gained only within those firms that managed to create new ties to their existing network. Multilateral and inter-related networks therefore facilitated internationalization. They could not, however, verify if there were any causal relationship between firm type and the level of internationalization of its network. Collaborative network relationships have been examined in exchange network theory perspective but also from the individual's perspective. Still, despite the existing findings and amount of studies, the requirements for network collaboration and utilization remains unclear. (Valkokari 2009.)



Ojala (2009) studied the internationalization of knowledge-intensive SMEs. Specifically, important relationships and mediators were found crucial in developing networks within the target market. It was also found that proactive attitude towards networking and network development was beneficial in internationalization. However, as the study was concentrated on Japan, they stress that the results may well be applicable to the region only.

The findings of a study on Swedish firms (Awuah, Gebrekidan & Osarenkhoe 2009) suggests that internationalization can be the result of actions taken by a party not belonging to the firm's perceived network. In the two multiple case studies, individual actors with their interconnected networks had significant influence on important decision-making regarding for example foreign target market and entry modes. Therefore the internationalization of a firm can be induced and influenced by external individual actors in addition to foreign partners or partners from the existing domestic network.

Studies on small and medium-sized enterprise networking derive from entrepreneurial studies. These studies focus not only on business networks but also emphasize the importance of personal social network relationships. (Valkokari 2009.) Jack, Moulton, Anderson and Dodd (2010) found in their study on Scottish entrepreneurial collaboration network, that over a long period of time, the networks evolved from more 'utilitarian' towards more 'affectionate'. The results also implied that the role of social interaction gained more emphasis in the development of the network operation due to the fact that networking is a social process. Therefore, the nature of the relationship seems to change over a long period of time to less business-oriented and more sentimental.

With the notion on intentional networking activities, research from the automotive industries (Peters, Johnston, Pressey & Kendrick 2010) expands the network studies to include the nature and purpose of the inter-firm interactions. Firms were joining networks to have access to knowledge which was used to serve their customers more effectively. Collaboration even with competitors was found to increase overall firm performance. Thus, knowledge gained from network collaboration seemed to increase competitiveness.

A study on New Zealand based SMEs by Chetty and Stangl (2010) it was implied that diverse network relationships had a connection with rapid internationalization and innovation. The study indicated that network relationships have great impact on the future and sustainability of a firm. Especially for high-tech companies, network building and development is crucial in the dynamic business environment. The study concentrated on a specific geographical region and niche industry, suggesting a further need for investigating other industries and regions as well.

A study on Finnish technology-based SMEs in emerging technology areas (Kalm 2012) shows that increased activity with network actors is positively connected with firm growth. It was also suggested that firms benefited from increased activity with prospective actors from diverse networks and not only from the immediate relationships. This moreover emphasizes the need to realize the interconnectedness of networks and importance of active network development.

Kauppinen and Juho (2012) studied the collaborative actions of two entrepreneurs and their social acting. The international opportunities were created through the learning and co-creation of knowledge in everyday operations but internationalization was not actively pursued. However, networking created a knowledge platform through which international opportunities developed.

Internationalization in the fashion industry has not been studied on a large scale: Empirical research has been focusing on larger retailers and their problems in on-going processes of expansion and supply chains (Salmon & Tordjman 1989; Bandinelli, Rinaldi, Rossi & Terzi 2008), whereas SME fashion internationalization has focused largely on pre-internationalization stage. For example, Hutchinson, Fleck and Lloyd-Reason (2009) mapped the initial barriers of internationalization of the small and medium-sized fashion retailers in the UK, as evidence on actual international operations were scarce. One of their main findings in the study was that internal barriers were greater than external barriers. As earlier noted, the study stressed that the main issues were that many owner/managers lacked the vision and market knowledge as well as skills in business operations.

Salimäki (2003) studied the international competitiveness and internationalization of Finnish design companies. The study aimed at creating successful strategies for design companies to achieve significant sales and major market position in the West European markets. Design itself was seen as a competitive element to achieve operational success. Bandinelli and his colleagues (2008) studied the new product development process in the Italian fashion industry particularly focusing on business organization, process management and knowledge management. The findings supported the importance of intra-organizational collaboration between functions and the importance of manufacturers and suppliers as a vital factor in the fashion industry. In addition, they found that smaller fashion retailers were not obliged to define and transcript all internal processes. Therefore, knowledge was more embedded in the individuals working in the firm, than the firm processes or structure.

Kuitunen (2012) studied design-intensive Finnish SMEs but focused on the branding through the social media. Marketing capabilities were found to provide insights on how to develop brand recognition and brand value. Salonoja (2013) studied the differences of Finnish, Swedish and Danish business environments from the financier's perspective. She found that the Finnish fashion ecosystem was comparatively under-developed:

there is a strong pool of design know-how and talent yet companies fail to grow and expand internationally due to insufficient skills of managers and a general lack of financing. Swedish fashion markets had more organized finance, culture, human capital and market domains creating growth in the industry, whereas the Danish fashion industry had public support and policies significantly improving the development of the industry. (Salonoja 2013.)

Fashion industry networking studies can mainly focus on the social networks, as institutional and infrastructural networks were found less important (Guercini & Woodside 2012). Social networks can offer valuable information and resources which can further encourage organization and individuals in developing their networks. Social capital studies have mostly been focusing on the ties inside the firm but extra-firm relationships should be studied as well (Seppola 2004).

The empirical studies of internationalization from the network perspective are mainly qualitative case studies (Kalm 2012) which implies that there is a need of quantitative studies as well. Laine and Kock (2000), however, encourage conducting qualitative research to gain a deeper understanding of the internationalization phenomenon in SMEs. It is also encouraged to study in what ways co-operation between enterprises can enhance the internationalization process. Others (Babakus et al. 2006; Sasi & Arenius 2008) also suggest that as the findings cannot be generalized due to company, industry and regional limitations. Thus, further studies should be conducted in order to gain fuller understanding of the network effects on SMEs.

Evidently there is a consensus on the notion that network relationships and networking improve firm performance and facilitate internationalization. To summarize, network relationships and networking can improve firm performance and facilitate internationalization. Especially regarding foreign networks, increased networking activity can have a significant effect on firm performance and growth. Furthermore, individuals have a critical role in business networks but these roles have not been seen as important in the earlier network research. In the beginning of the network development, the nature of the relationship has been found more utilitarian. As time goes by and the parties invest time and effort, the relationship transforms to more affectionate. Especially when entering new markets, the existing network relationships as well as network development has been found vital for growth and success. The main findings suggest that networking effects should be prevalent within the fashion industry as well. The most relevant findings are listed in Table 1 (See full list of findings in Appendix 1):

Table 1 Main findings from the earlier empirical studies on networking effects and fashion business development

<i>Author(s)</i>	<i>Purpose</i>	<i>Method</i>	<i>Main findings</i>
Dubini and Aldrich (1991)	Examines the networking strategies of entrepreneurs, including their use of personal and extended organizational networks	Qualitative case study, N=10	Social or personal networks of entrepreneurs can be used to create value and for information acquisition: better understanding of personal networks will help in determining how extended networks are created and strengthened over time
Seppola (2004)	To explain experimental market knowledge acquisition in international business networks	Survey: N=280	Actors develop business relationships through exchange, markets must be seen as dynamic networks; main constructs of relationships are commitment and cognition (a positive influence on experiential business)
Babakus, Yavas and Hahti 2006	Develop and empirically test the relationships between perceived environmental uncertainty, domestic and foreign networking export performance	Survey: N=257, Finnish, Swedish and Norwegian managers in manufacturing	Large firm size and foreign networks positively connected to internationalization. However, domestic networking seemed unimportant for internationalization
Hutchinson, Fleck and Lloyd-Reason (2009)	Exploring the initial barriers of internationalization of UK based fashion and design SMEs	Qualitative case study: N= 6	Internal barriers of entry (lack of knowledge, skills, management) were greater than the external barriers such as governmental interventions or support and advice
Kalm (2012)	Describe inter-organizational network relationships and the effect of network relationships in relation to firm growth	Survey: N=53	Increased activity between networks and network actors positively connected with firm's growth; low impact of relationship activities on public-sector actors and networks
Salonoja (2013)	Explore the current state of the Finnish fashion ecosystem: examination of the reasons for its underdevelopment from a financier's approach	Qualitative case study: Comparison on Finnish, Danish and Swedish fashion environment	Finnish fashion ecosystem is relatively underdeveloped: lack of business skills and collaboration among the fashion companies and entrepreneurs; Finnish public and private domains are less organized

### 1.3 Purpose of the study

The need for successful international market development is particularly important for smaller firms from a limited domestic market (Coviello & Munro 1997). Many industry experts believe strongly that the Nordic design and fashion companies can tackle the challenges of internationalization and ever-increasing pressures of global competition best together (Nordic Fashion Association 2014). This said, Figure 1 clarifies in greater detail the structure of this study and the relevant research issue.

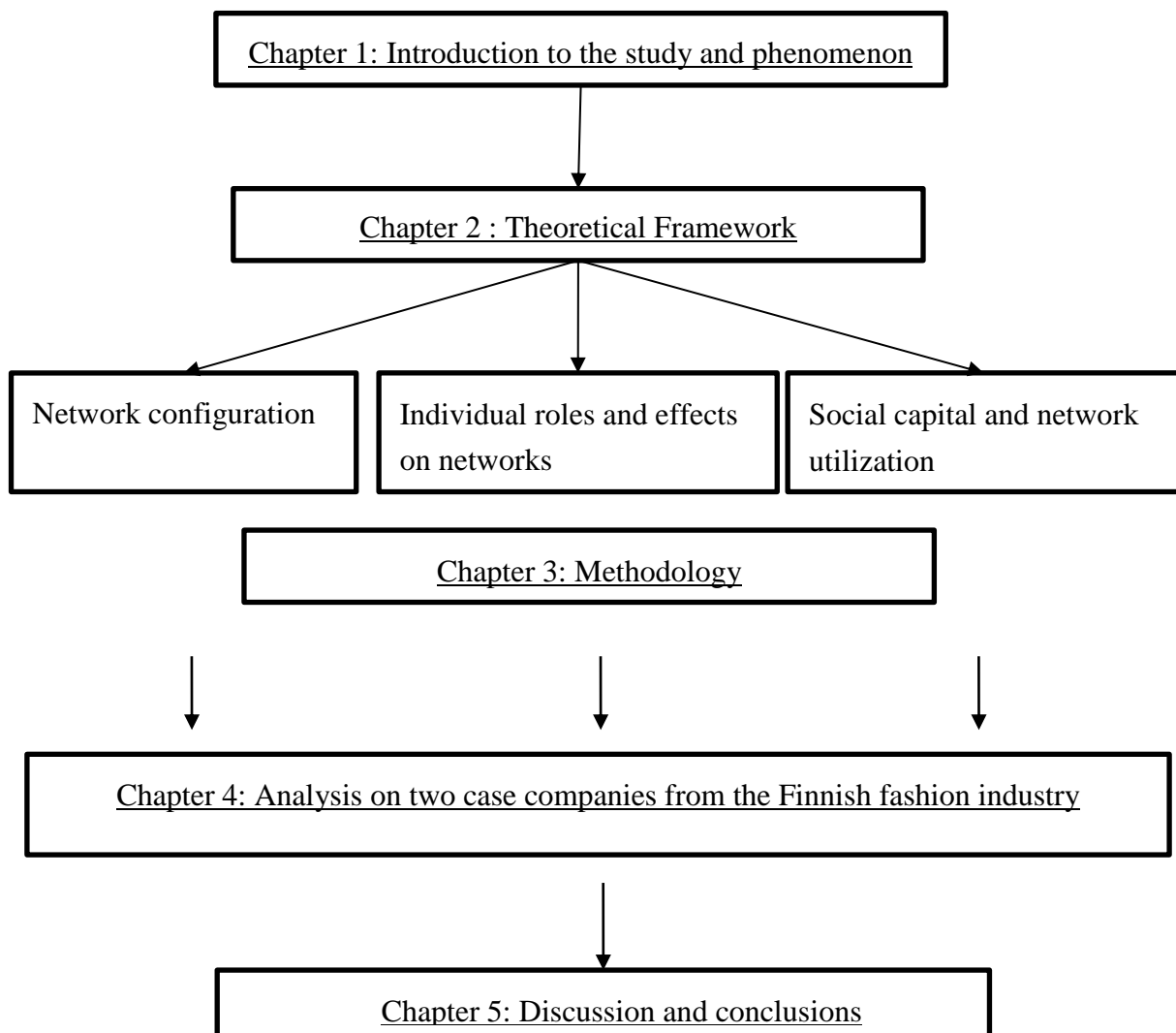


Figure 1 Structure of the study

As networking has been found beneficial for organizational growth and learning as well as a facilitator for internationalization, the research question of this study is as follows “*How do the social networks facilitate the internationalization of Finnish fashion companies?*”. The research questions are further divided into 1) What are social networks, 2) What roles do individuals have in networks and 3) How networks

are utilized for internationalization? In addition, the concepts of social capital in network will be discussed in relation to network utilization. The study will contribute to the academic literature by providing new information from an industry less examined as well as possibly creating new insights on the utilization on social networks. The study aims to explore the current (perceived) social networks and how they are managed. Managerial implications of the study could therefore provide better knowledge on network effects and utilization.

## 1.4 Key definitions

**Fashion** as a term is often vague. It can be described as something that is connected to an object or phenomenon changing over time and related to individual preferences. It can also be defined as momentary and elusive. (Barnard 1996; Crewe 2001.) The word **design** is often considered as the actual designing or planning of a certain product yet design should be encompassed as a wider concept (Wevolve 2012). **Designer products** have often a pricing premium as they are made from superior materials and high quality, can demand greater amount of human capital and have distinctive style or form of design. (Bandinelli, Rinaldi, Rossi & Terzi 2008).

A **network** is the set of actor and relationships connecting these actors (Kalm 2010). **Networking** is the actual activity of acquiring new contact to the existing network and creating new relationships. Network contacts can be also called as nodes and the connecting relationships as links. (Hoang and Antoncic 2003; Kalm 2010.) A **social network** can be described as a collection of individuals or social entities that are associated by a set of socially substantial relationships and contacts to reach objectives by mutual sharing of resources, information or for example expertize (Saher, Khan & Khan 2012). Scholars studying social networks often use the concepts network organizations or organizational networks to describe the continuing interaction of individual actors within this network structure (Valkokari 2009).

**Social capital** is embodied in relationships between people or embedded in the social structures between people (Seppola 2004). Putnam (1993) refers to social capital as the features of social organization such as networks and norms facilitating the coordination and cooperation of mutual benefit. It encompasses resources that lie in the ties between individuals, entities and networks. This socially constructed knowledge is also referred to as social capital emphasizing the importance of the social relationship as the source of knowledge creation. (Kianto & Waajakoski 2009.) Others (Nahapiet & Ghoshal 1998) also recognized social capital as means for creating new intellectual capital and, furthermore, argue that companies with dense social capital networks create organizational advantage.

## **2 THE COMPOSITION OF SOCIAL NETWORKS**

### **2.1 Theoretical framework of network configuration**

Network has become the buzz-word in describing the modern organizations and companies. Networks can be comprised from the smallest to the largest enterprises, regional districts such as Silicon Valley as well as from emerging industries, such as biotechnology or renewable energy. Most commonly, network refers to an observed pattern of organization, yet it also expresses what organizations must become if they wish to succeed in today's business world: a network of contacts. (Nohria 1992.)

Networking as a concept does not only focus on the organization level, but is much used in analysis of individuals. Networks consist of the established relationships that an entity has. It can refer to relationships with suppliers and customers, competitors and all the organizations and institutions. These relationships can furthermore facilitate and leverage operations in international markets and support in areas where a company or individual has a lack of skills. (Coviello & Munro 1995.) Companies often have a set of important business relationships specialized or concentrated on certain markets. These relationships can, in case of good cooperation, even extend far beyond their original network boundaries to any direction. (Blankenburg-Holm, Eriksson & Johanson 1999.)

The issue of interpersonal connectivity got public attention in the early 1970s from social studies on individual employment. The studies proved a relevant feature worthy of business studies as well: the main finding was that the weak social ties between people were actually more productive for personal gain than were the close personal relationships. (Barabási 2002.) Granovetter (1973) expressed the phenomenon with "Ego" who is surrounded by simplified social structure: Ego has a group of friends that are mostly non-redundant, in other words essential. In addition, Ego has a tight group of friends who know each other and are in contact with each other. All of Ego's contacts however have their own personal close and distant relationships in their own networks, differing from those of Ego. (Barabasi 2002.) Ego's close contacts have only a restricted amount of knowledge and resources, as they spent most time together. Exposure to outside information is limited. Non-redundant contacts and networks on the contrary share a whole new pool of knowledge and resources not yet mobilized for actual use.

Erdős and Rényi (1970) had discovered similar patterns in their studies on individual's connections. The world comprises of individuals who were marked as nodes. Every time these individuals, nodes, meet each other, a new social linkage was created between them. From all of these encounters, a wide network of acquaintances could be configured, forming a graph in which one could follow the connections between different individuals. From this point of view, all people are connected

somehow by someone to each other, and only one link per node was necessary to make the full network configuration. However, the limitation of this study was that if there was even one link missing, the full configuration would collapse and disperse into separate networks. The model is fairly simplified and in itself does not take into a consideration any relational aspect of an interpersonal relationship. The model also suggests that relationships or linkages are created on a random basis which disregards the possible relational or aspirational nature of network development. (Barabási 2002.)

Network analysts share a model of action where individuals within the network are considered as intentional by their behavior. Individuals have both social and economic motives and their behavior is affected by the networks of relationships they are involved in. (Nohria 1992.) Comparative analyses of organization's networks focus more on establishing generalized variables about the relationships. However, comparative analysis does not reveal much about the actual configurations of relations, which determine and create the real network structure. (Nohria 1992.)

Nohria (1992) claims that individual actions are motivated by the pursuit of one's own identity. This view is based on the work of philosophers but has been taken up in the social and economic sciences stating that action is motivated by the identity of a person, more clearly (Sen 1985). The debate on network construction has nevertheless focused elsewhere. In the center of the debate is the impact of relatively closed networks, where important contacts know each other versus networks with structural holes comprising of individuals mostly unacquainted with each other. (Moran 2005.)

Burt (1992) argues in his structural hole theory, that in the situation where one's contacts are unknown to each other they are more prone to offer a variety of information and resources. On one hand, this perspective emphasizes the utility-maximizing and rational nature of individuals. On the other hand, individuals have limited possibilities based on their position in the network and act according to that position. (Dimaggio 1992.) In other words, even utility-maximization has limits based on the individual position in the existing network.

An individual has a set of acquaintances (weak ties) that are not socially involved with each other and a set of close friend (strong ties) more closely in contact. The closely involved individuals comprise a densely knit clump of a social structure. Simultaneously each individual has their own more low-density networks of contacts. As stated, everyone is connected to each other in some way: all individuals from different networks create the larger networks where connections, both weak and strong, tie individuals together. (Barabási 2002.) Figure 2 below clarifies the network structure with the weak and strong ties:



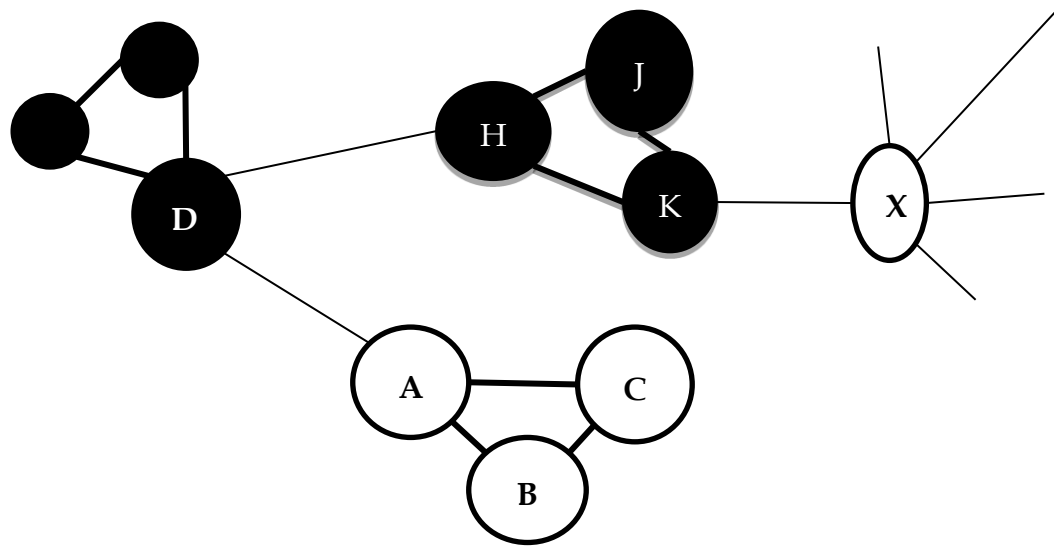


Figure 2 The Weak vs. Strong ties

The individuals that are connected by the weak ties can be called non-redundant (Burt 1992). The power of the weak ties stems from the fact that without the weak ties, the individuals in the closely knit social cluster would not have any connections, and thus access to information, trends and resources, to the other social clusters (Moran 2005). The ties act as a bridge to the “*outside world*” (Barabási 2002, 48). The non-redundant contacts are disconnected, and have a hole between them, yet they are connected through a third contact (Burt 1992). In fact, despite having one’s own low- and high-density networks, one can benefit from the various networks of others. In other words, even though individual B does not have his own relation to individual D, he can access D through his relationship with A. Furthermore, the social cluster of ABC could socialize with the more distant cluster HJK, through the connections of D, even though they have no personal contact with H, J or K. (Moran 2005.)

The benefit of structural holes stems not only from their existence but also from their amount. Therefore for network optimization, one should maximize the number of non-redundant contacts in the network in order to maximize the structural holes per contact. With this rationale, two networks of equal size but the other with more structural holes will provide more benefits. The weak ties bridge together otherwise unconnected groups of individuals and are more likely to carry additional, unique and valuable information. The individuals in the networks can also act as brokers for information and new connections and therefore exert some amount of control over information dissemination and usage. (Moran 2005.)

The structuralistic conception of social capital centralizes in the benefits stemming from the compilation of an individual’s network of contacts. Individuals having sparse

networks of contacts with lesser connections with each other are argued to benefit the most. This is due to the fact that for example from a managerial perspective, having sparse social networks provides access to privileged information and greater control over it. (Moran 2005.) Contacts from different social network spheres with little to do with each other will most likely have diverse information and know-how, accumulating to a larger pool of knowledge. Indifferent to whether the information is hear-say or hard data, the fact that having a greater set of information per se can help in finding discrepancies and inconsistencies as well as aid in decision-making. This should also create value in boosting the company sales, as access to valuable information should provide better opportunities and different perspectives should also increase task innovation. (Moran 2005.)

Structural holes can be empirically measured. Cohesion criterion states that contacts are redundant in the extent that they have a strong relationship indicating the absence of a structural hole. This would refer to relationships like father-son, siblings, long-time partners or for example people in tight social context. Redundancy by cohesion would mean that there is easy access to all contacts in the network when the ties are strong. A presumption is that the likelihood of information flow is equivalent to the strength of the relationship, which can derive from frequent contact and emotional closeness. Another empirical indicator is structural equivalence, which refers to the similarity of the network contacts. Even though there would not be any relation between the individuals themselves, if they are structurally equivalent, they have the same access to the same resources of information and, thus, are redundant. Of the two, cohesion is said to be more trustworthy. (Burt 1992.) Nevertheless, the point of interest is not measuring the reach of the contacts but identifying who belong to the network, therefore network density is disregarded in this study.

Some oppose the idea of weak ties bringing about the benefit of social capital but state that the greatest benefit derives from the tightly knit social structures. The dense networks where everyone is connected and thus cannot avoid of being noticed are the basis for the strength of social capital (Coleman 1988). Social norms encouraging exchange and the existing sanctions available create mutual obligations to the extent that favors are done freely without any accounting (Coleman 1990). This also generates a solid group identity with cooperative routines known to all.

There is hardly any form of economic activity that would not require any social collaboration of individuals. Even though people would work on to satisfy their individual needs, workplaces, as an example, can and do connect individuals to a larger social context. (Fukuyama 1995.) The shared identity and understanding is also likely to facilitate the transfer of intangible resources and tacit knowledge (Moran 2005). Human beings get satisfaction from being connected to others, which derives from the human desire for recognition. This has always been one of the greatest motivators in human

progress previously displayed in military as well as economic advancements and achievements. Therefore economic activity is a crucial part of social life and knit together in norms, rules, moral obligations, shaping the society (Fukuyama 1995), and here, networks.

Coleman (1988) refers to this as the closure argument, which is supposed to do two things in the close network. Burt (2000), on the contrary to his earlier work, also noted the importance of close networks. Firstly, the access to information becomes increasingly much easier as one can resort to the close connection rather than resorting in finding out needed information from the variety of sources. Information is often of less quality if it passes through several intermediaries. Therefore markets where networks operate with secure direct connections create better results. Secondly, a closely-knit network facilitates sanctions thus it is less risky to trust other within the network.

Coleman (1988, S103) stresses this by referring to an example of rotating-credit association:

*“Without a high degree of trustworthiness among the members of the group, the institution could not exist – for a person who receives a payout early in the sequence of meetings could abscond and leave others with a loss. For example, one could not imagine a rotating-credit association operating successfully in urban areas marked by a high-degree of social disorganization – or in other words, by lack of social capital.”*

The social structure is created from the personal attributes and behavior. This structure can furthermore be utilized to attain own interest and goals. (Coleman 1998; Burt 2000).

Economists argue that the benefit of social capital arises in these relationships because the social groups (networks) have agreed to co-operate over a long period of time, motivated by their self-interest. From this view, as the co-operation is based on a mutual contract and with self-interest in mind, trust is not a necessity, as the contracts offer certainty over mischief and, thus, even strangers can enjoy network benefits. Furthermore, unlike suggested above, the network might be culturally independent, without common norms and rules. (Fukuyama 1995.) Yet, to support the findings of Coleman (1988), Fukuyama (1995) continues that despite this self-interest, most effective organizations and networks are based on communities of shared ethical value, as mutual trust is the basis for all successful activities.

To explain the closure argument, Figure 3 illustrates the network configuration based on strong ties:

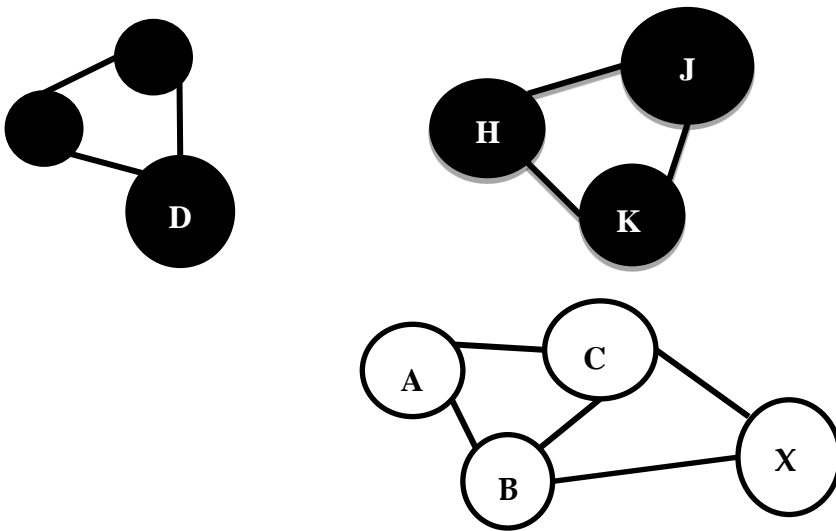


Figure 3 The network structure of strong ties

Unlike the advocates of the structural holes theory, in the social capital theory, value and knowledge creation accumulates and surfaces from the network of tight strong ties. As for example, even though A does not have a relationship with X, this could be developed as X is a close connection with C. As A trusts C and they have a mutual commitment to the relationship, C is a reference for co-operation with X. Moreover, C is obligated to X, as if X would deceive A, C would lose trust and also be in jeopardy of losing the faith of B if he would find out. X is likewise obligated to perform well by his relationship with C, and is sanctioned if he fails to fulfill his tasks.

Granovetter (1992) proposes that trust is more likely to exist between individuals with mutual friends as by the threat of sanctions. If one deceives his friend, he feels remorse over the occurrence if his friend finds out about it. Furthermore, the feeling of remorse is even greater when the betrayal of a long-time friend is known by mutual friends as well, which might result in losing one's face and hurting reputation. Therefore each individual can feel confident that they can trust one another when cooperating. (Burt 2000.)

The model has been called as a reinforcement cycle that increases commitment and builds trust over time. New partnerships are often created based on references from old partners who are well-positioned in the network and have good information and value of ties. (Burt 2000.) This is claimed by some (Baum, Cowan & Jonard 2010) one of the reasons why firms tend to operate with a tight set of actors rather than a vast network. Yet bringing together some parts of the networks with structural holes would create opportunities to control resources that are achieved by connecting these networks.

Not only is the closure argument relevant with respect to social capital but there are other factors as well suggesting that a dense network facilitates trust due to norms and

sanctions (Burt 2000). Holm and his associates (1999) argue in favor of a similar causality in network relationships. They conceptualized a causal chain of network connection through mutual commitment and dependence leading to value creation. Exchange partners (companies or individuals) benefit when both parties coordinate their activities to emphasize and increase interdependence which creates trust and higher commitment and leads to relationship value, which can result into increased economic performance.

Accordingly, Anderson and Weitz (1992) suggest that on a company level, commitment to a relationship is much influenced by the perception of the other partner's commitment. For example by making pledges, the party can demonstrate commitment to which the other party shall respond in a similar way, therefore increasing commitment.

The table below sums up the main contents of the two models:

Table 2 Main features from the opposing network configuration models

<i>Model of Network Configuration</i>	<i>Structural Holes</i>	<i>Closure</i>
Strength of ties	Value creation by -Non-redundant contacts -Vast amount of relations - Information variety and amount - Gatekeeping and control	Value and benefit from - Close ties - Small number of contacts - Mutual commitment - Interdependency - Trust and loyalty - Information quality

Network configuration is one of the biggest issues under debate in the literature. This refers to the question of what type of structure seems to be the best and brings about the greatest benefits to the network. When social capital is discussed with models of network configurations, the debate is often two-fold. (Burt 2000.) On one hand, it is strongly believed that the network benefits from strong ties within a tight network based on trust and reciprocity. On the other hand, it is also believed that the network benefits rise from weak ties that create a vast amount of resources and information available. There is also a tendency on focusing more on the form of network pattern (structure) than on the content of these networks ties. (Nohria 1992.)

To a large extent, the relationships in a network are fairly stable but new ties can occur and develop and over a longer period of time, change inherently the old network patterns. (Nohria 1992.) Business relationships are interdependent, and therefore, the connectedness inherently affects the relationships. Generically speaking, the term 'being connected' can be translated as what happens in a relationship has some affect to what happens in another relationship. However, connectedness refers to situations where

relationship affects or is affected directly by what is going on in another certain relationship.

Each relationship is embedded in some sort of a larger entity and in addition is connected to some other relationship incoherently. This view implies that whatever happens in a relationship might be actually external to the relationship itself. (Håkansson & Snehota 1995.) This said, and to simplify the terminology for further on, the term social network and relationship will be used when discussing about business relations operated by the individuals. Business networks and relationships will therefore only be used while referring to intercompany relationships at the company level. The role and effect of individuals shall be discussed more thoroughly in the following section.

## **2.2 Individuals and their roles in networks**

Networks comprise of a collection people, organizations or other entities involved in a set of socially significant relationships such as cooperating in information sharing, and contacts to efficiently reaching mutual goals in knowledge creation or in resource collection (Saher et al. 2012). Social networks and the fact that the networks comprise of the recurring relationships between individuals (Nohria 1992) are increasingly important to companies of all sizes but especially to entrepreneurs. Moreover, the international entrepreneur studies identify social networks as one of the most significant parts of internationalization (Shirokova & McDougall-Covin 2012).

Entrepreneurs can use social networks for market entry opportunities or to access new technologies, information and resources. Networks provide firms the means to establish trust and cooperation with greater efficiency. For some industries, networks and contacts can provide the necessary references for future success in the market. (Robinson & Stubberud 2010.) All organizations are basically social networks and they should be examined and analyzed as such (Nohria 1992).

The idea and interest in networks is everything but new. The concept of network has had a significant role in broad academic fields, such as sociology, psychology and anthropology starting from the 1950s. Considering organizational behavior studies, its roots are even more back in history: already in the early 1930s, some studies were concentrating on the informal networks of relations in organizations. (Nohria 1992.) Companies, especially in smaller size, tend to participate in and develop networks to acquire necessary knowledge and resources. Particularly international markets seem to be hard to reach and many companies face difficulties in acquiring and utilizing resources. Hite and Hesterley (2001) suggest that on the early beginning of the firm, entrepreneurs create their networks from existing personal social networks. New ties

will be developed and they can be transformed into organizational networks providing previously non-existent channels for resource and information exchange.

The infrastructural networks between organizations and individuals can be a vital source of information, communication and influence but they can also be easily dispersed i.e. they might not be productive, if not carefully chosen. (Hallén 1992.) Nohria (1992) presents three major reasons for the rise of the network concept as a subject for academic interest: 1) new competition created by small entrepreneurial firms or regional districts, such as Silicon Valley have emphasized the strength of lateral and horizontal linkages between firms, 2) new information technologies have facilitated new ways to distribute, produce and organize operations, transactions and power on organizational networks and 3) the matured analysis of networks as an academic discipline has increased the amount of interest towards organizations as networks, as evidenced by studies from various fields of sciences.

The interconnectivity of firms in a network setting, in other words its relationships with customers, suppliers and other actors, is important in explaining international behavior. Inter-firm relationships have been found to be the one of the main driving forces in internationalization for example by Majkgård & Sharma (1998). In addition, as contrary arguments towards the traditional explanatory models of internationalization, the infrastructure of individual's networks of connections offer an explanation to more sporadic and random international behavior. Individual networks can well enable activities and act as opportunity networks. Therefore, individual networks should be explored in order to gain a deeper insight about their role in firm operations and internationalization. (Axelsson & Agndal 2000.)

Relationship can be described as “*mutually oriented interaction between two reciprocally committed parties*” (Håkansson & Snehota 1995, 25), irrespective of whether it is individuals or organizations. Mutual commitment and orientation stem from previous experiences, as the relationships arise from the interdependency of outcomes (via a sequence of acts and counteracts) (Håkansson & Snehota 1995). Business relationships are voluntarily created and develop by the companies and become a vital element, both enabling and constraining activities. The development is often embodied by some activity links, resource ties or actor bonds between organizations. Once the link is created, it requires co-alignment and active nurturing by both parties.

A business network relationship can be seen solely as an outcome of the actions of the two companies involved, or as a by-product of a broader context. In the former case of evolving in ‘isolation’, the focus will be on the particular features of the two parties or for example the nature of their interaction. According to this view, the organization's environment must be seen as network of other organizations. (Nohria 1992.) The latter view focuses more on the notion that individual relationships are a part of a larger

entity. No matter what size or industry a given company represents, there will always be some actors with whom a connection or relationship will have to be maintained or developed. (Nohria 1992.) The social bonds of people from different companies interacting with one another are important factors in the creation of trust and confidence. Individuals may interact in the name of the company they work for and its' (business) network but individuals have also other relevant networks and thus various other social bonds (Håkansson & Snehota 1995).

Several scientific studies imply strongly that personal contacts have a significant role in the business world, as they can affect sales performance, innovation development and for example customer commitment (Halinen & Salmi 2001). Nohria (1992) suggests that the behavior and attitudes of individuals in the organizations is best explained by their position in the wide network of relationships. Therefore, knowing the position of the individual relative to others in the network might explain why the individual performs in specific ways. For example an understanding of what kind of monetary authority in relation to others an actor has might prove to be more predictive measure of future actions than knowing how many products it owns. However, the issue of individuals and their impact and role in business and internationalization has yet to see more examination: the hypothesis is that if networks affect domestic business activities, they should have some effect on international ones as well. (Axelsson & Agndal 2000.)

Personal contacts can be seen as the initiator in business relationships and they can also be a significant factor in the evolution of business relationship. As there has been much emphasis on studying the positive effects of personal relations, focus should also be in the negative effects of personal relations to the development of business relationships. Personal contacts are the center of business interactions therefore they should also be managed and controlled as such. However, often while discussing about business relationships, social bonds, or in other words personal relations, are identified as their own entity to separate the person-centered and company-centered relations. The former refers to personal history, family and friends, and the latter to relations created from tasks with a variety of firms and organizations. Nevertheless, both can be used for company and private purposes (based on the willingness and ability of the individual to use them). (Halinen & Salmi 2001.)

One can identify different roles for personal connections in business relationships. The following division by Turnbull (1979) divides the personal connections into six roles with different objectives. The four task-oriented roles that serve a distinct organizational objectives: 1) information exchange role, 2) assessment role, 3) role of negotiation and 4) adaptation and crisis insurance in addition to 5) the social role and 6) ego enhancement role. The information exchange role refers to the transfer of intangible information between individuals. Information is exchanged face-to-face and this facilitates building of trust and respect. The assessment role refers to the interaction



where a contact can assess its own competence by objective facts and personal judgment, which is important, for example, in evaluating suitability of an actor to a certain project. The negotiation and adaptation role is limited by the complexity or simplicity of the individual's skills. Some contacts are utilized in the event of a crisis or a large problem that cannot be dealt with regular channels, as known as the crisis insurance role. The social role refers to the natural development of relationships based on similar interest, hobbies and such. The ego-enhancement role refers to acquiring contacts in order to enhance the status in the eyes of others. (Leek & Turnbull 2004.)

These roles are the key features of personal contacts in business relationships, and can help in determining the 1) importance of the link, 2) origin of the link, 3) quality of the link, 4) availability of the link, and 5) reach of the link. The different role determinants encompass the following features presented in Figure 4:

**The importance of the link**

- A bridge (more or less critical)
- Of marginal importance (several interchangeable links)
- Critical as provider by itself

**The availability of the link**

- On-going or active
- Warm
- Dormant( possible to mobilize)
- Dormant( unlikely to mobilize)
- Impossible to mobilize

**Category or origin of link**

- Contact from work place
- Other professional contacts
- School/Club contacts
- Family, extended family
- Life history

**The reach or context of the link**

- Geographic reach
- Industry reach
- Network reach

**The quality of the link**

- Broad
- Narrow
- Deep
- Shallow
- Usefulness for task

Figure 4 Personal relationship roles as link determinants

Although the importance of personal relationships has been acknowledged, they tend to be difficult to manage. Individual information networks do not operate well under organizational control. Especially the non-task relationships are hard to build up

systematically, since they most often emerge sporadically and are under the control and planning of the individuals, not the organizations. (Halinen & Salmi 2001.)

The individual roles help in evaluating the value of the contact (link) to the company. Therefore the different roles should be recognized within the company in order to fully utilize the potential benefits of the contact. One can also assess individuals according to their personal characteristics in order to find the role of the individuals in regards to the company.

Social network is built upon a set of personal relationships originating from different reasons. They can therefore be utilized for different purposes, and most importantly can be used to maintain, enhance and develop the business relationships and networks the individual participates in. (Håkansson & Snehota 1995.) Whether it is the matter of networks between companies or individuals, the network both constraints actions but is at the same time shaped by them. As mentioned above, the position of a network actor might enable or constrain actions, but it does not mean that the position within the network is static over time.

### **2.3 Social capital utilization in networks**

Social capital has fast become a central concept in various academic fields, such as business, political science, and sociology (Burt 2000). The concept of social capital has been adapted to various ranges of social phenomena from its influence on national economics to smaller regions and human capital, but most importantly concerning this study, to its effect on the economic performance of firms (Nahapiet & Ghoshal 1998). Social capital is appreciated as it can create potential benefits in various aspects of social wellbeing from educational to national matters. This can also be seen from the fact that the unit of analysis in social capital studies' cross-over individuals, teams, organization and nations. (Zheng 2010.)

Originally, social capital was discussed as a concept in sociology: it was described as an asset of individuals and communities (Zheng 2010). Thus, the term also encompasses the significance of social capital to individuals, as it has been referred to as the set of resources inbuilt in family ties and in communal social entities useful for the development of a child (Loury 1977). Furthermore, the concept of social capital as a term has surfaced in community studies where it is strongly emphasized that the role of strong interdependent networks of personal relationships are important for a given community. These relationships, built over time, provided the basis of trust, cooperation and collective action in communities. (Jacobs 1965.) Granovetter (1985) claims that especially with the modernization of the economy, the embeddedness of economic behavior in social relationships has grown to become more autonomous than in

premarket societies. From this point of view, it has been claimed that the desire of individual gains is the underlying factor steering the economy and economic actions. Yet again, it can also be claimed the opposite, that social relations are the epicenter of all economies, creating economic actions and behavior. (Granovetter 1985.)

Social capital can be both private and public good, as it can be traded among individuals as goodwill (private good) and also as favors done in without the demand of reciprocity within a network (Putnam 1993). Social capital is neither as tangible as physical capital nor as intangible as human capital but tightly bound in the organization, development and strategy of a firm (Moran 2005). Furthermore, physical capital is created in the exchange of material to enhance production whereas human capital refers to the exchange of skills and capabilities between individuals to improve their abilities. (Coleman 1998.)

Burt (2000) states that social capital can be referred as a metaphor, explaining that the people who do better are better connected. Some scholars limit the term to refer to the relationship networks' structure while other also includes the conceptualization of social capital to the list of accessible resources gained through such a network (Nahapiet & Ghoshal 1998).

Resources can also derive through the available connections or contacts like Granovetter's (1973, 1363) "*weak ties*" or "*friends of friends*" resulting in for example gaining special access to information and opportunities. According to Bourdieu (1986) the main concept of social capital theory is that networks of relationships work as a resource in social interactions, providing the members in the network a collectively owned capital which can be used for as 'credit' in accordance to individual needs. In other words, the capital is embedded in the various networks of contacts. In effect, it can raise obligations from feelings of gratitude and respect. Accordingly, it can originate from the institutionally guaranteed rights of a family member. Nevertheless, the most debated issue among scholars is the definition of social capital (Zhen 2010). Still there seems to be a consensus in the view that social capital is a valuable asset and that its value derives from the access to resources from the individuals' social relations and networks (Moran 2005).

Social capital has despite its discussed benefits received critique as Field (2003) argues. Notably, Light and Dana (2013) add that especially concerning entrepreneurship, excessive amount of social capital can reduce objectivity, impose mental conformity and in worst cases inhibit exit from partners and alliances. In other words, social capital binds parties together and might inhibit creativity. Additionally, in spite of the seeming agreement on the importance of social capital, there are disputes and debate over some aspects of it (Zheng 2010). One point of disagreement is the mechanism through which social capital has its impact. One part of this debate is whether or not network structure alone is sufficient as the object of exploration or

theorization of social capital's benefits. Especially when studying of the effect of social capital on the performance of a firm, it is questionable whether studying only who knows who without considering how well they know them is enough. Another issue concerns the way social structure affects the firm performance. (Moran 2005.)

To bring together the different definitions of social capital it is necessary to use a broad definitional framework concentrating on social capital as a focal structure (Zheng 2010). Following the study of Nahapiet and Ghoshal (1998), here the focus will be on the three clusters of 'structural, relational and cognitive dimensions' of social capital. These dimensions are relevant for this study, as they offer a view of the role of social capital in the creation of intellectual capital (Nahapiet & Ghoshal 1988). Even though the dimensions are analytically considered as separate entities, in reality various features and attributes are interrelated.

Structural dimension of social capital refers to the attributes of the social system and the network as a whole. It encompasses the collection of linkages between individuals and entities, in short the complete set of connections between actors within a network. (Nahapiet & Ghoshal 1998.) Burt (1992) describes the structural dimension simply as who you reach and how you reach them. The aggregate configuration of relationships, more clearly the network structure, has been debated among scholars in relation to the question of what kind of a structure is the best (Moran 2005). This issue will be discussed more thoroughly later on in the study. The cognitive dimension of social capital refers to the resources encompassing shared interpretations and systems of meaning. It encompasses also the understanding of shared codes and language (Nahapiet & Ghoshal 1998).

Relational dimension of social capital refers to the type of personal relationships people have with each other that have developed over the years. The dimension focuses on the aspects that affect individual's behavior, such as trust and friendship. Individuals fulfill social motives, such as approval through and with these personal relationships. This indicates that depending on what kind of personal and emotional attachments and individual has towards his network, networks affect the future actions of individuals. Individuals deeply emotional towards their company have developed to personal attachment. Despite the fact that other career opportunities might provide better income, the attachment obliges the individual to stay in the company. Yet again, an individual with the same position within the network but with less emotional attachment might as well follow his career ambitions and move on to another company and new social structure with ease. (Nahapiet & Ghoshal 1998.) The assets of the relational dimension that can be created and used for benefit include trust, trustworthiness, norm, sanctions, obligations and expectations (Burt 1992).

How can social capital then be put into action through networks? Hite (2005) suggests that social network ties enable social leveraging processes, and therefore

develop other social components, such as personal relationships, social capital and dyadic components. Sociality, an attribute of personal relationships, should, thus, increase social activities and possibilities in meeting new contact and have a positive effect on brokering activities. Affect, which is another attribute of personal relationships influence the willingness of partners to broker each other to new ties. These both factors combined increase the overall value of social capital through network activities.

On the other hand, brokering each other to new ties brings about opportunities to create new ties and to socialize, therefore increasing structural embeddedness. Through leveraging processes of interaction effort (attribute of dyadic interaction) and obligations of ties (attribute of social capital) individuals can on purpose create obligations towards each other. If the other party will commit more effort in helping another, say seeking and delivering information, it can be expected that this effort shall receive reciprocal activities. (Hite 2005.) Quite naturally, obligation and rules of reciprocal activities encourage partners to balance their relationship by paying back the favors received. The process of dyadic interaction and personal relationship create the ease of interaction and affect. Since these resonate, economic interaction will follow, as both sides feel ease of interaction, and enjoy a high level of quality communication, confidence and sense of mutual understanding. The active management of these social leveraging processes should therefore affect the type and extent of embeddedness.

## **2.4 Summary of the theoretical framework**

There seems to be evident benefits to be derived from networking which implies that there is a definite need for individuals and organizations to develop and nurture their existing networks (see Chapter 1.2). However, as the network configurations are different, so does the focus of this development and value creation. The main goal here is to explore what kind of personal social networks exist in and between individuals and how they affect and are used for business purposes. As individuals are the primary actors in business relationships and therefore also the main actors in business networks, the focus of the social network configuration will be based on their personal networks of the interviewees. The framework of the analysis is presented in Table 3.

The network configuration models from Chapter 2.1 act as the framework for the first research question i.e. the analysis of what types of structures the personal networks can represent. The point of interest is to investigate how the personal social networks are related to the company operations and performance. Moreover, the personal roles and their impact on business relations, discussed in Chapter 2.2, will be examined to determine how much and what kind of implications they might have for the company performance. The third research question will clarify how the networks are utilized and

what features are underlying this utilization, as discussed in Chapter 2.3. In the final chapter, the findings of this study will be evaluated in the light of the existing literature.

Table 3 Theoretical and empirical framework of the study

<i>Theoretical background</i>	<i>Theory chapter</i>	<i>Research question</i>	<i>Themes</i>
Models of network configuration and connectedness	Chapter 2.1	What are social networks?	Network structure Connectivity/embeddedness Contacts: amount Contacts: distance and type
Individual's roles and effects on business	Chapter 2.2	What roles do individuals have in networks?	Quality of the relationship History of the relationship Values and beliefs Roles
Network utilization	Chapter 2.2 and 2.3	How networks are utilized for internationalization?	Business development Cooperation Internationalization

## **3 METHODOLOGY OF THE STUDY**

### **3.1 Research method and approach**

A research method is a strategy for moving from the philosophical assumptions to the research design and data collection. The goal of qualitative research is to create in-depth knowledge of a particular phenomenon. Qualitative research is especially suitable for exploratory studies on new or unfamiliar scientific topics. (Hirsjärvi, Remes & Sajavaara 2004; Myers 2009.)

By tradition, case studies have been connected to qualitative methods of analysis. Therefore, case studies by definition refer to holistic approaches of comprehensive examination of a phenomenon, to the utilization of certain types of evidence, to qualitative data collection methods and to the ‘fact’ that the research examines a particular example. (Gerring 2007.) In a case study, the researcher studies an existing phenomenon or an entity within a particular environment or setting using a variety of information from different sources. Each case study and unit of analysis should be either similar to those in previous studies or deviate from them in a clear manner. In classic case studies, the case is an individual or a company (Yin 1994). Yet, a case study can also consist of an entity or an event, such as a program, an organizational change or an implementation process. (Syrjälä, Ahonen, Syrjäläinen & Saari 1994).

The goal for this study is to explore and gain information of the social networking phenomenon within the selected business field. Especially as individual’s role has been rarely examined in the networking studies, a case study method was deemed appropriate and useful for the purposes of this study. A case study is especially suitable as an information acquisition strategy when researching the ‘why’ and ‘how’ of human behavior, experience and opinions (Metsämuuronen 2005).

Case study results are additionally used in practice for future improvements and changes (Metsämuuronen 2005) implying that there are opportunities also for this study to conceal relevant matters for business purposes. Yet again, the case study method’s disadvantage is that the results can be hard to generalize from one or few examples to a larger population (Yin 1994) In addition, the case results might end up being different from what was anticipated (Yin 2003) which must be taken into consideration when deciding upon the appropriate data collection method.

### **3.2 Case and data selection**

Qualitative studies aim at understanding or explaining certain phenomena. This is why often only a single case can be enough for conducting a successful study. (Saaranen-Kauppinen & Puusniekka 2006.) The data selection is guided by the theoretical framework (Eskola & Suoranta 1998) and the selected cases should be based on a well formed decision and suit the purpose of the study (Tuomi & Sarajärvi 2002).

Guidance for appropriate case selection was sought from Finpro and Suomen Muotikaupan Liitto, as they have first-hand experience, connections and up-to date information from the fashion industry. The recommendations included four different companies of which one was disregarded as their focus was on medical clothing and one because the researcher got no response for her initial contact. Smaller businesses seemed more suitable for the study than larger companies, such as Marimekko or L-Group with their complex and dispersed networks. In addition, in small companies it is easier to identify the key personnel.

The selected companies are introduced in more detail further on in this study. Only one person per company was selected for the interviews as the companies were small (1–8 employees in both) and as they were in the main managerial position (owner/founder) with relevant power in the company. In addition, the owner/manager can be regarded as an elite informant and should be able to provide necessary and valid information for the study (Gillham 2000).

### **3.3 Data collection and analysis**

Two expert interviews were conducted in order to get better insight on the study topic and to help the selection of relevant themes from business perspective. The first expert interview was held in the beginning of the research project and second one after case company representatives had been interviewed (see Table 4). An expert consultant from Finpro, Saku Koskinen, was interviewed in the beginning of the research project to have information on the current issues in fashion business entrepreneurs and the Finnish fashion business, in respect to internationalization. Koskinen had been active in managing workshops and other internationalization-oriented courses for entrepreneurs. This was beneficial in clarifying the Finnish fashion business field from the perspective of internationalization.



Table 4 Expert interviews for additional insights

<i>Interviews</i>		
Date	25.2.2013	29.11.2013
Specialist / Organization	S. Koskinen / Finpro	T. Aalto / Globe Hope
Duration	45 minutes	60 minutes
Main topics	Finnish Fashion industry, fashion entrepreneurs, issues in internationalization (from the entrepreneurs' perspective)	Finnish Fashion industry, opinions on the findings from conducted interviews and additional comments on the topics

Globe Hope was originally considered to be one of the potential case companies. However, the company representative interviewed was not the owner but only operative manager. Aalto's experience in the firm gave valuable insights yet the interview had to be disregarded as a case company. Therefore, her interview was considered as an expert interview and is used later on in discussion of the findings of this study (see more in Chapter 5).

Interviews were used here to collect the data and the material was analyzed and interpreted to fulfill the purpose of the study (Hirsjärvi & Hurme 2001). Semi-structured interviews were seen as the best choice for data collection. Such interviews are built on incomplete scripts in which the researcher may have prepared some questions beforehand, but improvisation is required (Myers & Newman 2007). Semi-structured interviews can also reveal unexpected topics and issues but they also provide the interviewees a chance to express their own thoughts more freely (Hirsjärvi et al 2004). In this study, the interview framework was structured on themes based on the theoretical framework. The interview framework, thus, allows certain amount of freedom to move within the particular set of topics, not necessarily limited to a certain detailed structure.

Themes are often build from the data by finding common or differing objects in the data but can also be derived from the theoretical background or a constructed framework (Saaranen-Kauppinen & Puusniekka 2006). However for the purpose of this study it was more appropriate to build up themes from the existing literature and to see how well the findings correspond with the earlier empirical findings. Based on the themes of the study, the researcher will try to find answers to the research questions. In addition, also new themes and topics can be derived from the interviews (Saaranen-Kauppinen & Puusniekka 2006). For the included relevant themes derived from the theoretical literature see Table 3.

The analyze process is much affected by the purpose of the study i.e. whether the focus is on the data itself or on how the data is conveyed or communicated. This determines how detailed the coding of the data should be. (Saaranen-Kauppinen & Puusniekka 2006.) In this study it was deemed useful to code the interviews word-to-word to ensure that all relevant information was captured. All interviews were coded into text format. The final amount of material to be analyzed amounted to 32 pages. The data was analyzed by NVivo qualitative data analysis software. The themes were inputted as nodes under which the quotations were organized and divided. NVivo was also used to detect most commonly used terms and words to validate the selection of themes. Some answers were included in several node categories as they answered to several issues simultaneously. Citations were used, sparingly, to demonstrate and validate different findings and arguments.

The case study analysis will follow the structure of chapter two, thus beginning from an evaluation of the network structure, followed by the analysis of individuals' roles and effects in the network. Finally, the issue of how network is utilized will be examined. The themes derived from the existing literature (see Table 3) were applied for the analysis for comparative uses as well.

### **3.4 Evaluation of the trustworthiness of the study**

Validity refers to the extent to which the researcher can access the knowledge and experiences of the interviewees and how meanings can be drawn from the data (Saunders, Thornhill & Lewis 2010). Validity can be divided into **external and internal validity** which determine the quality of exploratory research.

External validity refers to the generalizability of the study. High generalizability suggests that the empirical results can be predicted to be similar if the study is replicated on another setting. (Yin 2003.) This study was conducted on an industry less studied and was, thus, more interested in finding a starting base for further research. The findings were compared to earlier empirical literature to discover possible similarities and to find novel information. Individuals' effect was evaluated based on the existing theory on individual roles and attributes. Furthermore, two choices for the two main case companies were well described to facilitate the replication of the study.

Internal validity refers to how well the results explain or describe the phenomenon. Single case might be conducted as a prelude to further study or to conduct a pilot study. (Yin 2003.) Including two companies, the researcher wished to find either similarities or differences, that would create content to the academia and to initiate further research on the subject. In addition, the aim was to examine how well the earlier findings cohere with the context of this study.

There are several rationales for using a single-case study design. Relevant to this study is the use of a representative case in which the objective is to capture the circumstances and conditions of a common situation. (Yin 2003.) In this case, the two companies were considered as model examples of Finnish design companies.

The reliability was enforced by operating with a semi-structured interview built on themes deriving from the earlier literature.

### ***3.4.1 Limitations of the study***

This study focuses on social networking activities in the fashion industry and how they are perceived by the company owners. Therefore, the case presented here can be reliably limited to apply only on this particular industry. Also the analysis was focused on small companies thus larger companies may be subject to other issues than explored in this study. This study solely focused on the fashion industry in Finland. The results cannot be generalized to other countries or regions as such. Networking being a social activity, national and cultural differences may apply.

The empirical research relies on the information from the personal interviews. Thus the personal experiences and opinions influence heavily on the gathered data (Koskinen, Alasuutari & Peltonen 2005). The quality of the data is affected by possible false information and for example how different issues are considered important. In addition, the interviewees had different educational background (arts vs. industrial engineering and management) which can explain, at least, some of the differences in the data.

## 4 SOCIAL NETWORKING AND INTERNATIONALIZATION OF FINNISH FASHION COMPANIES

### 4.1 Case description: Company A

Company A was founded in 2011 to support Finnish small designer brands in their marketing and business activities. The product category includes apparel for women and children, interior design products and small gifts. The main concept store is located in downtown Helsinki where the daily activities are run by two founders among the financial and administrative tasks. The founders had their own personal interest particularly in handmade products and crafts which were the underlying reasons of behind the creation of the company. The company ideology lies in sustainable production and consumption which guides the designer selection and product categories. In addition, the company promotes zero waste and recycling philosophies that aim for reusing resources in production. In 2013, sales revenue amounted to 157 000 euros increasing a little over 70 percent from the previous fiscal year. The operating income amounted to 7 000 euros resulting in a net income of 6 000 euros. (Yritystele 2014.)

At the moment, the company serves international customers via a web store delivering products all over the world. Nevertheless, the majority of sales accumulate from the Finnish market. The most recent international event was a pop-up store in collaboration with and built in the IvanaHelsinki showroom during the New York fashion week. Their main goal for participation was to gain international recognition and sales opportunities (Indiedays.com 10.01.2013).

#### 4.1.1 Network configuration

The network of Company A is based almost completely on the personal network of the founder, as she is the main person taking care of the concept store and its daily activities. Company A's owner found it hard to identify any certain larger entities in the network:

*"Joo tota, mun on vaikee erotella yritystä ja ihmistä toisistaan. Et mä tota, mielummin piirrän ihmisiä, niinku minä keskelle, niin sitte tässä niinku lähellä on muita ihmisiä."*

[Free translation by researcher: Well, I find it hard to separate the people from the company. (To my network) I would rather draw people around me to different distances]

Therefore, the network of Company A was drawn by the founder by identifying the company in the middle of the figure and accompanied with several other dots, some closer some further from the epicenter, representing individual contacts outside the company. Figure 5 below illustrates the network of Company A:

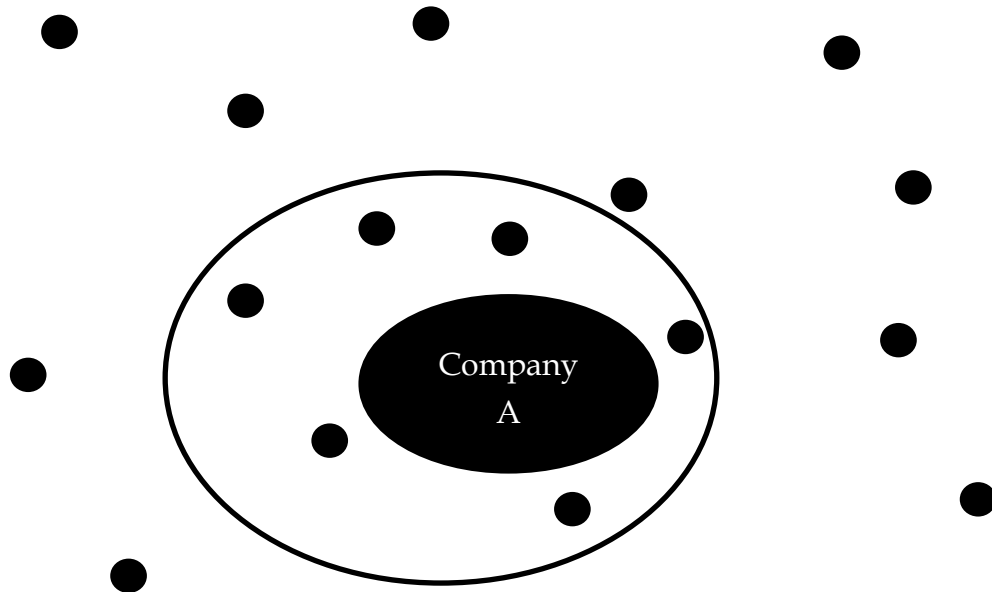


Figure 5 Network of Company A

The dots inside the circle closer were people with whom she had a close relationships, mostly described as friends or close friends. In the figure this comprises a handful of people (See Appendix 2 for full illustration).

The circle of friends (in Figure 5) is comprised of individuals of different occupations and histories. There was no specific distinction or clustering of occupations, age or family connections mentioned:

*"...et lähipiiri on aika tiivis. Ja sit siihen kuuluu erilaisia tyyppejä."*

[My network of close contacts is pretty dense. And the contacts have different backgrounds.]

Some of the contacts were known for a longer period of time, whereas others were based on a couple of years of acquaintance. They had different paths of how they become close, in relation to through whom or what the relationship was built upon. What was a common feature for all the contacts was the deeper nature of the relationship. These contacts were invited to the founder's home and time was spent

together also on free time. The owner described these contacts as a group of trustees (“*luottoporukka*”).

To define certain groups of contacts, the owner mentioned bloggers, designers, customers, press and colleagues from the industry. With customers, the owner wished to create an experience which would be remembered and shared with others. For communication, Facebook and other social media channels were the primary means for reaching out. The owner had previously worked in the industrial side and she could notice clear difference in the means of communication:

*”Tommoset ammatilliset verkostoitumiskanavat on yleisesti käytössä mut sit ku mä sirryin tälle alalle niin oikeestaan kaikki verkostoituminen menee Facebookin kautta.”*

[I use professional networking sites in general. However, after I moved to fashion business I mostly network via Facebook.]

Facebook as a medium was highly important as it offered worldwide communication possibilities and also a way for the customers to communicate with the company.

Considering the amount of contacts, the founder did not specify any certain amount of close or distant contacts, but referred it as

*”Et mun on vaikee kuvitella et kenenkään lähipiiri voi olla avaruuden kokoinen.. Osaan mulla on hyvin tiivis henkilökohtainen suhde, et tyyppi käy niinku mun kotona tai, et me ollaan henkilökohtaisesti ystäviä, tai tunnetaan muuten.”*

[One cannot have a countless friends... With some I am very close, he or she is a good guy, they visit to my home or we are just close friends.]

The amount of designer in the company has increased from the initial 40-45 designers to the current listing of 123 designers. Especially after the pop up store event in New York, there has been several contact requests towards the company from designers, asking to be included in the business. Yet new designers are not automatically taken in but they have to 1) be different or unique compared to the already existing products, 2) meet the corporate value criteria (this shall be discussed more thoroughly in the upcoming sections) and 3) be commercial, in other words, sell.

*”No pitää olla siis tunnistettava oma muotokieli ja semmonen punanen lanka siinä omassa tekemisessä, joka on niinku erottuva, mutta niinku toimiva ja jolla mä nään että on kysyntää asiakaskunnassa.”*

[The brand has to have a distinctive design and craftsmanship, an idea behind it. It also has to have commercial potential.]

The amount of designers in the network was increased rather carefully yet networking to find new prominent designers and brands was more actively pursued. Designers are not bound by any payments to be displayed in the store. The only reason for dropping out a designer is if the products do not success commercially.

With regards to proximity of the contacts, it was found that contacts residing in Finland were considered closer. The issue of nationality was not relevant for Company A. Physical proximity facilitated face-to-face communication was preferred over communication via different technologies, as it was perceived more authentic:

*...Vaikka on olemassa kaikki teknologia, mikä näennäisesti lähentää ihmisiä, mutta kuitenkin hymiö ei oo koskaan sama ku hymy. Et ei se niinku tavallaan henkilökohtainen kanssakäyminen voi koskaan olla samalla tasolla ku jonku teknologian kautta, koska se karsii osan siitä ihmiskontaktista pois.*

[Despite all this existing technology that is artificially bringing people together, you can never replace a smile with a smiley (emoticon). Personal interaction is always much more special and real compared to communicating via technology.]

In order to create real relationships, real life physical contact and communication was seen as a basis for any relationship.

For intra-network connectivity, it is rather clear that in a small city such as Helsinki, within a certain industry such as designer products, common acquaintances exist. Some of the now close friends were introduced by a common contact from a business perspective:

*Meidän yhteinen kaveri oli meihin molempiin yhteydessä ja vinkkasi että "hei teidän pitää ehdottomasti tavata, että varmaan syntyisi hyvää yhteistyötä".*

[Our common friend was in contact with the both of us and encouraged us to meet each other. She was certain we would find great cooperation projects.]

Finnish people working in the same industry and that were close to the founder tend to be rather proactive in discussing possible projects and tipping of good contacts. Yet it was found hard to really pinpoint who knew who and through which person, despite receiving for example, contact requests with references to third parties, it was found difficult to reveal all the underlying connections.

Additional network opportunities are derived from the participation on the Design District Helsinki (DDH) organization. The owner became a part of the Design District board of directors in the on-going year. Other members are the boutique, restaurant and

small business owners from the designated design district in Helsinki. The main goal of the organization is to promote the area and Finnish design. Other notable contacts from the DDH would be the CEO of Finnish Design Forum, an organization actively promoting Finnish design in many forms, both abroad and domestically.

The network structure seemed to be comprised of closely-knit relationships in relation to how most time was spent and activities conducted. The owner seemed to value the existing relationships. The links were based on trust and commitment. Yet, as introduced in as a feature of close networks, the founder indicated a fear of losing face or obligation.

No evident ties to the public sector were found. This was mainly due to the fact that the public sector financing for the fashion industry is limited and hard to attain. The owner had extremely bad experience from applying for funding. This was based on the negative attitude shown by the public servant both towards the industry as well as the owner herself. She felt that the public sector had no faith in the fashion and designer industry or in the possibility of fashion industry creating revenue.

#### **4.1.2 *Individuals in networks***

A group of individuals were referred to as friends or close friends. The owner was in close contact with these individuals in other matters besides business. Furthermore, the close relationship facilitated asking favors and help as it was not considered as an obligation but more so as a natural thing due to the nature of the relationship. Closest contacts (friends) would be considered as critical in their importance. This is due to the fact that they will most often be included in various new projects, will most likely be asked for assistance and favors and easily mobilized and activated if necessary.

The (perceivably) more distant contacts were found to be dormant (but still possible mobilize). For example, the project in New York allowed all Finnish designers, according to their own will and capabilities, to participate in the project. This somewhat applies to, for example, press and bloggers as well, since they are invited to press events and such. Still, the way they will respond and act is decided by them. As the relationships do not encompass as affectionate characteristics as the close ones, there is no feeling of obligation either. As the owner found it hard to determine or define intra-network connections, these could be the dormant links, the utility of which is determined after reactivation.

The individuals had different occupations which affected how they participated in the business. Some individuals had a variety of roles:



*”No Outihan on esimerkiksi monessa roolissa, et hän esimerkiksi stailaa meidän näytökset, tekee meidän ikkunat, eli se on myös tavallaan mukana liikkeen visualistina, ja sit se on myöskin bloggaaja, ja sit se on myös Palonin suunnittelija. Ja sit se vetää meillä kursseja.”*

[Well, Outi has several roles in the company: she is the stylist of our fashion shows, the visual manager of the concept store and blogs about our products. In addition, she is one of the designers and conducts different workshops.]

This relationship had originally started by a friend who had tipped of a good business project. As the relationship evolved, it was found natural to incorporate this person to various other relevant projects, such as in-store designing, work shop projects and so forth. Despite the increased business related activities and embeddedness in that sense, the nature of the relationship was a stronger determinant for increasing cooperation than pure business needs.

In another example from a more narrow occupational perspective, a business relationship between the company owner and a blogger had by chance evolved into a deeper friendship. However, the blogger has no contact with or was not connected to Company A beforehand:

*”A:n kautta olemme ystävyystyneet. Ja sitä kautta että hän on tullut meidän tapahtumiin, ja sitten ollaan tutustuttu henkilökohtaisesti”*

[We became friends through the cooperation. In addition, she had attended some of the company’s events and now we have a personal relationship.]

The relationship was not used for fulfilling utilitarian objectives. Regarding the motives for cooperation, the owner said,

*“... se perustuu ystävyYTEEN”*

[It is all based on friendship.]

Favors, such as taking pictures to a blog or invitation to special events, were no longer considered as favors per se but rather as natural behavior. And this particular relationship was distinctively referred to as friendship in order to make a distinction from regular acquaintances. There was also found reciprocal behavior in the relationship.

Contacts were critical in the sense that they were personally less or more important. They were not evaluated vis-à-vis tangible or intangible assets to be extracted. If there were positive effects concerning business possibilities, for example new contacts or network expansion, it was a merely surplus of the relationship.

New network contacts evolved sporadically and via several persons. Facebook accumulated customers and people interested in the company. However, significantly affecting contacts did not derive from certain individuals or groups.

The core values of the company culture comprised of sustainable production and consumption. While discussing the designer selection process, it was found that not only did Company A seek for certain type of designers but also the designers themselves had a feeling of their products belonging to Company A:

*”Suunnittelijat jotka muhun ottaa yhteyttä, niin kokee et Paloni on heille se oikea paikka, myyntipaikaksi heidän tuotteille. Että tossa myymälässä ne pääsee oikeuksiinsa, oikeessa ympäristössä.”*

[The designers who contact me feel that this is the right place for their products to be displayed.]

It was speculated that possibly a reason for longer partnerships might be affected also by this shared ideology and values.

*”...mä oon pitkään seurannut alaa, ja independent suunnittelijoita ja tämmösii käsintekijöitä. Ja mulla on sitä alaa ja niitä ihmisiä kohtaan, ja niiden tekemisiä kohtaan, ja sitä osaamista ja intohimoa kohtaan niinku henkilökohtainen kiinnostu.”*

[I have been following the fashion industry for a long time and been searching for independent designers and designers with skills in crafts. Personally, I admire their knowledge, skills and passion that they have towards their work.]

Similar values and beliefs help in sustaining relationships and building long-term commitment. Designers are not obliged to pay commission other than from sales, which decreases furthermore the perceived risk of cooperation with Company A.

Misbehavior and communication can leave a strong mark on not only to the individual but also to the institution he or she presents. In the example of Company A, the Finnish public sector and a certain supporting organization are still perceived highly negatively due to an occurrence dating back two years. At the time, the owner was applying supportive funding to the current business by presenting a completed business plan with appropriate details. However, she was faced with disbeliefs:

*”...olin haastateltavana tunnin, ja mä toimitin sinne liiketoimintasuunnitelman ja viiden vuoden laskelmat ja muut materiaalit ja tän haastattelun jälkeen käsittleija totesi että hän voisi harkita säälistä.”*

[I was interviewed for an hour and I provided them with a business plan, estimates of sales for the next five years and other material they requested. AT the end of the interview, the interviewer told me he could consider my plan out of pity.]

Many entrepreneurs' business might be dependent on public support. However, the fashion industry and fashion entrepreneurs were lacking the respect and support from the public sector which complicates the creation of businesses.

#### **4.1.3 Network utilization**

As stated above, individuals in the network have been useful and utilized in the company's daily business in varying tasks from styling the store to getting tips for new projects and contacts.

The most significant benefit of the New York event was the gained media coverage in Finland and abroad, reaching approximately seven million people. The event created media hype so that Company A began receiving rather than applying for invitation to events, trade shows and other industry fairs. It increased their brand recognition and awareness to the extent that introduction was no longer necessary:

*"...mun ei tarvi alusta lähtien selittää itseäni jokaiselle uudelle ihmiselle, et mun ei tarvi myydä itseäni aina uudestaan tai Palonia ajatuksena et kun mä sanoin mistä mä oon niin ihmiset tietää jo mistä on kysymys."*

[I do not need to explain myself, my company or my ideology when I meet new people anymore. When I tell who I am and what I do, people know what I represent.]

The initial idea for co-operation with IvanaHelsinki derived from a conversation with a designer working for Company A. The designer had cooperated herself with IvanaHelsinki before and was content in their work together. Hearing this, the owner decided to contact IvanaHelsinki directly to discuss about future project possibilities. This was a strict business-only meeting. Without the designer, this idea would not have been cultivated at this certain period of time and place.

The owner was recently selected to the board of Design District Helsinki. The organization has a large role in boosting Helsinki's image as a design city. Participation for the owner meant greater possibility to affect how Helsinki and the design industry are developed:

*“...et mä haluan olla mukana siinä mitä Helsingissä tapahtuu ja olla mukana rakentamassa sitä kaupunkikulttuuria, joka ohjaa ihmisiä näihin putiikkeihin...”*

[I want to be a part of the street culture and help in organizing events that would guide people to these (Design District) boutiques.]

In addition, the owner wanted to promote the same ideology as the store embodies to improve or in the very least affect general consumption behavior:

*”Että siis haluaa ajaa ihan ylipäättään ja siis tän alueen ja semmosen tiedostavan kuluttamisen asiaa.”*

[In general, I wish to promote the idea of conscious consumption and this area (Design District).]

The owner felt that the company received credibility in the industry and the hype created leverage for them to use in future projects and event participations. This was important particularly in the effort to make real impact on the fashion scene in Helsinki. Despite having great ideas, one needs to prove the opinions are worth carrying out. The owner believed that without the so called credibility factor from the New York experience and exposure, it would have been harder to get to this point:

*“...neuvotteluasema on parempi.”*

[My negotiation position is better.]

Accordingly, due the hype, individual designers received more attention, as they started under Company A's selection and gained further exposure to a larger audience from the pop up store event. The overall objective of the pop up store event was to increase the visibility of small Finnish designers. Naturally this then secluded non-Finnish brands from the event.

#### **4.1.4 A summary of the main findings in Company A**

The network of company A resembles a bundle of closely-knit ties. Individuals connected through ties have various roles from employed designer, staff, artist and many more. The relationships are yet not defined by their occupation or by the (possible) intangible or tangible content they can provide but by the nature of the relationship. It seemed that friends come first, what they do or who they know comes second.

Individuals do have an effect on the business and the owner's network. It seems that there is some interconnectivity, at least between the closer contacts. However, the

networks of more distant contacts were harder to recognize. Therefore the distant network contacts and their personal networks were not yet mobilized.

In the Table 5 below, the findings are summarized in respect to the theoretical background.

Table 5 Summary of main findings in Company A

Network Configuration	Structural holes	Closure
		x
Individuals roles	Roles	Features
	Social role, also information exchange roles	Trust and commitment, sharing information and knowledge
Network utilization	Medium	Where?
	Close contacts mainly	Business projects, new business innovation, international opportunities

Network utilization was generated through the utilization of personal skills and know-how. Vast network was mobilized in larger projects and on a sporadic basis.

## 4.2 Case description: Company B

Company B was founded in New York in 2000. The products were initially sold to downtown New York boutiques approached by the designers. International sales began already in the coming year as HP France, a larger retailer, decided to include company B in their selection and import the brand to Japan. In 2003, the company opened a branch in Paris, France to focus more on European business as well. Trade shows were the main selling platform at the time, as they provided direct contact with larger retailers and a wide audience. The main office and showroom have resided in downtown Helsinki from 2006.

All products are designed in Finland and manufactured in Spain and Portugal by selected suppliers. In addition, the supply chain includes leather and component producers located in Europe. Company B aims at creating products in an eco-friendly manner. In their words, this means localizing production to Europe and creating sustainable products that would last for a long period of time. Attention is therefore in the environmental and ethical factors in the assessment of resource availability and sustainable production.

International customers are served via web store and distributors varying from large department stores to specialty stores and boutiques in over 25 countries. The company

offers four different lines of products with one flagship line. As of now, the majority of its revenue accumulates from the Finnish markets. In 2012, the company's turnover amounted to almost 1.5 million euros improving from the previous year by over 65 percent. The net income for the fiscal year amounted to 112 000 million euros. (Taloussanomat 2013.)

#### 4.2.1 Network configuration

The owner described several larger groups as the cornerstone of her network as presented in Figure 6. The groups were divided as following (see original illustration in Appendix 3):

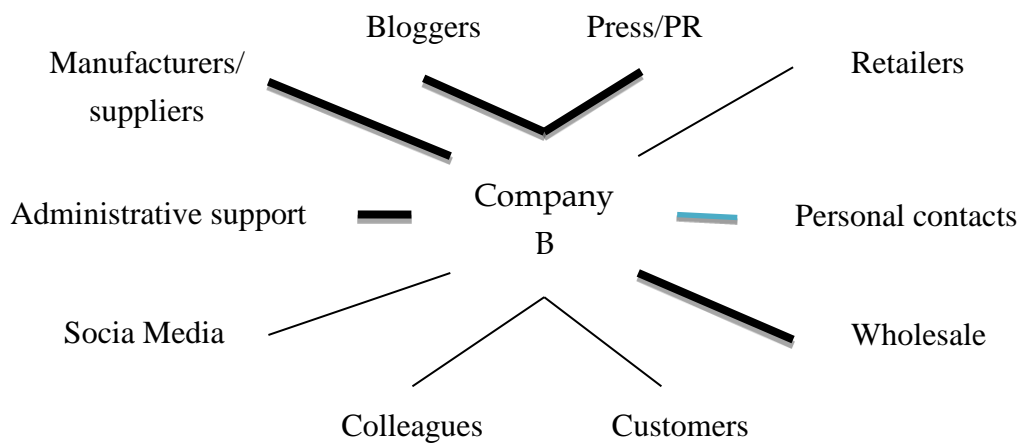


Figure 6 Network configuration of Company B

Personal contacts are marked in blue as they were seen as a separate entity irrelevant to business. Groups connected to company B with thick dark lines were considered to encompass larger amount of personal contacts in relation to other contact groups. Therefore this difference shall be adhered first.

Administrative contacts consist of three people with whom the owner felt they have a closer relationship. However reasons for the closeness vary:

*"...yksi heistä on tuo konsultti, joka on ollut jo pari vuotta mukana konsultoimassa ja hän ymmärtää tän bisneksen ja myöskin muut samantyyppiset bisnekset. Et hän on ollut meidän kanssa tekemässä budjettia, ja meillä on myös täysi luottamus häneen."*

[One of them is the consultant who understands the business and has been with us for several years. He also advised us on budgeting and we trust him 100 %.]

The person discussed in the citation above was already familiar to the company and the board membership felt as natural sequence due to their common history. The other two board members were active towards company B but had their own personal interest to participate in the company:

*”Ja sitten toinen henkilö on yksi yksityinen henkilö, joka miettii sijoittamista eli liittymistä yritykseen mukaan. Kolmas henkilö on sellanen hallitusammattilainen, joka itse otti meihin yhteyttä ja joka oli nähnyt meidän pitchauksen jossain tapahtumassa ja sitä kautta tuli mukaan.”*

[There is another person who wanted to invest in the company. In addition, the third person had a professional history of company governance and wanted cooperate with us.]

The board members were trusted by their skills and expertise. In addition, willingness to invest in the company implies readiness for long term commitment.

The owner had many personal contacts to bloggers and press media. Previously, blogging cooperation was more sporadic and unintentional. However, as the brand gained recognition, it was seen extremely important to create contractual agreements to meet business objectives. Two bloggers were identified among a group of approximately ten bloggers that had a significant impact on business. The other was an acquaintance from a long period of time due her interest in the company and its products. The other was favored due to her personal style that fitted well with the company image. However, the main reason for them to be considered as the best bloggers is mainly related to their commercial success:

*”...me seurataan miten ja kuinka paljon bloggaajien sivustoilta päätyy esimerkiksi meidän sivuille tai nettikauppaan, niin nää kaks on ne joiden kautta tulee eniten sitä liikennettä meidän esimerkiksi nettikauppaan.”*

[We follow and track how much traffic accumulates from the blogs to our website and web store. These two were the ones that accumulated the most traffic out of all blogging sites.]

The two bloggers derived most traffic through their blogs to the company’s website and web store. Especially since all bloggers have a signed contract, it was necessary for the bloggers to have a positive impact on the company business. Most press releases and events are organized by a PR agency, with which business has been conducted already

in 2004. They returned to the PR agency as they had already a history together, and the PR firm had solid knowledge on industry specifics. It was also recognized that doing PR activities internally is a waste of time.

Three of the main product lines have been produced by the same manufacturer since the establishment:

*”Koska laatu on hyvä, hinta on hyvä ja kaikki tulee ajoissa, ja se on avointa se yhteistyö et ei oo mitään ongelmia.”*

[If the quality and price of the products are good, communications flows smoothly and items are delivered in time, there are no problems in cooperation.]

The owner felt that during the years of cooperation, the manufacturer has learned to understand what B wants in quality and materials. In addition, the vital matter of delivery punctuality was a great factor in maintaining the relationship. Long common working history had created a sense of trust even during difficulties and errors. In addition, if there had been problems, they have been well communicated and dealt with. Main attributes of a manufacturer and supplier were therefore good quality, time management punctuality, and trustworthiness.

However, manufacturing of the fourth main line was ceased within the past year. The main reason was a lack of trust:

*”No siis suurin syy on se et hän oli niin paljon myöhässä, ja sitten laatuongelma.. Mut siis se epäluottavuus. Eli sen takia et kun hän on niin paljon myöhässä niin eihän siitä mitään tuu.”*

[The most significant issue was that the deliveries were late and there were some issues with the quality of the products, i.e. we could not trust him anymore. If all the items are late it will not do.]

In addition, as the manufacturer was rather small and located in East Asia, communication was found difficult due to physical distance and difference in time zones. The manufacturer was responsible of producing the majority of items to be sold. Missed delivery schedules and insufficient orders affected not only company B but also all wholesale and retail clients waiting for their orders to be completed.

A new manufacturer was eventually found via a contact from most likely the same industry:

*”Tää oli varmaankin, X:n kautta tää tuli, varmaan sitä kautta et messuilla on tavattu tai ollaan löydetty nahka ja sitä kautta valmistaja.”*

[It was probably some acquaintance of X (the other owner) that he met at a trade show. Probably he found a leather (product) he liked and found the manufacturer.]



During new product development, new manufacturers and contacts are actively sought after:

*"...toki me tehdään myös työtä silleen et me etsitään näit tavarantoimittajia jos meillä on uusi tuote, niin silloin etitään niitä yhteistyötoimintojen kautta tai mennään paikan päälle.. sit on tällasia paikallisia nahkafirmoja jotka tietää ja heidän kauttaan. se oli varmaan messukontakti."*

[In the process of creating new products we do actively search for new suppliers by ourselves or with the help of an agency. There are also local leather associations and companies who are good contacts for this purpose. It was probably a trade show contact though.]

The manufacturer resides in Spain, which has decreased the physical distance and facilitated communication. The cooperation has, so far, been positive as the product quality and deliveries have met expectations.

According to the owner, hand bag designing and manufacturing industry with products especially made in leather, was rather concentrated in terms of networking. Already while being in New York, the owner had recognized that despite the size of the city, the line of business and people in it was limited:

*"Et se ala on aika rajattu (nahkalaukkuvalmistajat). Et jos me oltais jossain naistenvaatetuksessa niin se vois olla vähän eri, et se laukku ja se nahka rajaa aika hyvin."*

[The industry (leather hand bag manufacturing) is pretty limited by number. If we were doing business in women's apparel, it might be very different.]

Close nature of the industry network facilitated network expansion and search for particular contacts.

Despite having foreign sales via a web store and international retailers, most business accumulated from the Finnish markets. Finnish customers purchase vast quantities of products and are also most easily reached by the owners and other company representatives:

*"No sanotaan jos joku tuo sulle sen tilaisuuden tarjottimella niin siihen on helmpompi tarttua."*

[Let's say it this way: if someone provides you an opportunity on a silver platter, you will most likely take it.]

According to the owner, personal communication and face-to-face contact had a greater impact on the customer relationships.

The same trend was seen even in the early 2000s when the company was still in the development of clientele in Finland: the owner would come to Finland for a couple of weeks, meet potential buyers face-to-face and carry products with her. This proved out to be more effective than trade show sales:

*”Et viikon matkalla Suomeen tuli enemmän tilauksia kuin messuilta.”*

[One week’s business trip to Finland created more opportunities than a whole trade show.]

Sales and related communication was perceived as complex depending on the nationality. Of the contacts, Japanese clients were easy to work with as they showed their interest openly and due language barriers, often closed deals quickly. As in her words

*”...henkilökohtaisesti on helpointa myydä japanilaisille, kun se on sellasta aika suoraviivaista.. jos he tykkää tai on kiinnostuneita jostain tuotteista niin he tilaa ja siinä eit arvita mitään sen kummempia myyntipuheita.”*

[The easiest clients are the Japanese as it is pretty straightforward. If they like it, they will order it and you do not have to come up with over the top sales pitches.]

American clients were perceived as daring as they were prepared to buy an unknown brand and on the spot. However, American clients were fickle and eventually changed their mind and, therefore, did not generate any sales. French clients were found to demand a lot of time and effort. The business relationship was harder to develop in the first place and it was not sure whether it would lead to anything concrete. The owner explained that from her Finnish perspective, it takes too much time to get to the point. With Russian customers, language barrier was found as the largest obstacle in addition to administrative issues regarding shipping and handling. Cultural similarities therefore had a great impact on these relationships.

To facilitate issues mentioned above and for sales promotion, the company has cooperated with sales agents. The owner considered agents to be the best medium for increasing personal communication locally:

*“Et tää on se mitä me haluttais tehdä enemmän ja nimenomaan agenttien kautta eri maissa.”*

[We would love to have agents more in number and in all the countries we are operating in.]

Currently, there are agents operating on behalf of the company in Belgium, Denmark, France, Japan and Norway. The agent in Germany was dismissed due to the lack of clients and problems of delivery from B's side. An important attribute of the agents in addition to the ability to create sales and promote the brand, is the deep knowledge on the market specifics.

Wholesale clients were considered as close since they were most known for a long period of time. One of these wholesale clients was found to be the Japanese distributor who also acted as a direct contact to a different market area. They were also the first real business-to-business clients.

Customers were the bundle of clients from all markets served directly or indirectly. It was found out that the company holds a register of regular customers. These customers are communicated more often and with specialized messages including offerings, information concerning upcoming events, products and so forth. However, they are not seen as personal contacts by the owners. Personal contacts were separate family members and friends that had no link to the company.

Colleagues are important for networking as well as for sharing experiences and the latest news. However, it was found that business related specifics were not discussed with friends working in the same line of business. This implies that friends and business is kept a part from each other.

The use of social media in marketing is not managed by the owner but by an employee. However, engaging in the various social media channels including Facebook, Twitter, Pinterest and Instagram was seen as a crucial part of the company communication and interaction, especially with consumers.

#### **4.2.2 *Individuals in networks***

For the individual level, the owner perceived personal contacts as a distinctive group outside of other relevant network contacts. The personal contacts consist of family members and friends not related to actual business.

The Japanese wholesale partner and agent-like is an example for company B of cooperation at its best. The Kyoto-based concept store representatives visited Company B's flagship store. At the time, the Japanese origin sales staff member was present and explained the products and underlying concept to the representatives. With the Japanese the process of buying is very different than with other retail or wholesale clients. Japanese representative visits company B's office regularly and gives insight on what works in the Japanese market and on how business is going in Japan:

*“X kertoo meille mikä toimii Japanissa, saadaan suoraan tietoa miten siellä sujuu ja tällästä.”*

[X tells us what works and does not work in Japan so we get direct information from the market.]

Recently there was also a Japanese intern visiting Finland in order to familiarize herself and her company with the concept of Company B and to increase knowledge on the products. This was found to have increased interpersonal trust and commitment:

*“Et siinä on tosi paljon henkilökohtaista sidosta.”*

[There is a lot of personal attachment in the relationship now.]

This type of interaction and forms of cooperation was welcomed to other market areas as well.

Also in the terms of the administrative support, the business relationships were accompanied by more casual activities such as joined lunches or dinners. This was seen to facilitate the development of the relationship to cover also softer elements. Creating a sense of trust in the relationship outside the business hours creates similar feelings also in business related matters.

The Japanese contacts seem to be of high value to the company. This is due to their reach to market otherwise unreachable and to their ability to provide deep insight in relation to business operations. In short, these attributes make them critical for company B. Yet so is company B a valuable asset to the Japanese. Since the relationship has been cultivating during several years, there seems to reside mutual trust and commitment which should decrease the need for conformity. For mutual benefit, one party should not try to take advantage of its position.

Other perceivably closer relationships seem to be on-going and easily activated if needed. Interestingly, the owner had remarked that as Finland is comparatively small, all industries share the attribute of interconnectedness.

### **4.2.3 Network utilization**

Concrete examples for using network for the company's benefit would concentrate mostly on network expansion. Trade shows have provided both international and domestic platforms for networking or both production and sales contacts. However, it is necessary to be proactive in networking as for example in Finland it seemed that people were a bit reserved:

*”Helposti ihmiset tarvii täällä sen pienen kehoituksen tai rohkaisun henkilökohtaisen kanssakäymisen kautta ottaa yhteyttä.”*

[In Finland, personal contact is the way to activate people.]

Creating business was another matter. Originally, the bags were designed and manufactured on the side of their daily jobs as designers for other companies. Therefore, sales were created by meeting with boutique owners and offering their products to be displayed. For example, an international opportunity arose by chance as a boutique declined the offer to display the products it offered another option:

*“Et he ei ollut sinne liikkeeseen sanomassa joo, mut haluaisivat laittaa esille omassa showroomissaan missä on tilaa. Et he halus et me tehtäis ihan mallisto, ja sit se lähti siitä rullaa.”*

[They did not wish to display the products in the boutique but they offered a spot in their showroom elsewhere. They encouraged us to make a full line of products and that is when everything started to move forward.]

By creating a full line of products, the Japanese distributor was eager to import the product to Japan. Due to this development already in the early days of the company, operating and networking internationally has not posed any problems as a concept:

*”Ja sit se oli niinku aina et myytiin ulkomaille, et oli vaan muodollisuus miten lähetetään ja millä valuutalla.”*

[We have been selling internationally from the beginning so it was only a formality of which country we were exporting to and which currency was used.]

During the interview it was discovered that many new business relationships were the result of active networking. Particularly trade show contacts were found to occur in several instances when discussing how different contacts were detected, approached and finally included in the network. The main concept of trade shows is that designers participate for a fixed cost and customers show up and place direct orders from the designers. The reason for participations was word-of-mouth:

*”...siinä 2003, niin oltiin ymmärretty tai kuultu et pitäis mennä jonnekin messuille.”*

[In 2003 we realized that we should participate in trade shows.]

Company B increased trade show participation during 2003 as they experienced that this was among the best opportunities to gain both recognition and to increase sales at an international level. In addition, trade shows gathered other designers, manufacturers and suppliers to the same place, therefore offering a networking platform.

Attending fashion-related events, whether they would be trade shows or fashion flea markets provided also the opportunity to communicate with other designers. Especially international events were found harder participate due to their higher fees for

participation. Therefore some designers and brands would cooperate by applying for mutual funding and other financial support together as this was seen more feasible.

Some differences exist in cooperation in the Nordic countries. The owner stated that designers in Finland were more reserved than for example in Denmark or Sweden towards cooperation. Cooperation existed but it was comparatively harder to achieve. There were perceived hindrances for cooperation due to feelings of inequality:

*”Mut toisaalta sitten me tuotetaan mm. Event X, elikkä me myös ei olla aina tasavertaisia kilpakumppaneita vaan me tuotetaan niitä tapahtumia et meillä on vähän asema siinä.”*

[Some may feel that we are not equal competitors as we both participate in and produce fashion events.]

The owner felt that sometimes some designers or brands kept their distance to Company B due to their position as both as a participant and the organizer. Feelings of inequality or unfair positioning therefore might be a hindering factor in the cooperation of Finnish fashion companies.

Public sector had posed its difficulties for Company B. Over the years, Company B had applied funding from various sources and for various purposes, most commonly for trade show support. However, there was no fixed rate on what expenses would be supported and reimbursed. Since, for some international participation fees can amount to 8 000 euros, if half would be reimbursed, it would make a difference. The owner yet stated that receiving funding was not easy in Finland:

*”Suomessa raha on tiukassa, et rahoitusta ei kyl tosta vaan saa. Et rahoitusta esimerkiksi on varmaan vaikeeta saada mihinkään nykypäivänä ut varsinkin muotiala on varmaan pahin, et se on aika nihkeetä.”*

[It is really difficult to receive funding in Finland for anything nowadays. Nevertheless, especially the fashion industry is having the most difficulties in receiving funding.]

More of an issue was information. In order to find the necessary forms and applications, actual sources that provide different funding or available funds were hard and complex to find. There is no public organization or center collectively providing information for the needs of the fashion industry or individual designers:

*“...se on aika pirstaloitua, et jos sä etit jotain tietoa niin pitää monesta eri virastosta ja monesta eri paikasta etsii tietoo.”*

[If you are seeking information, you have to go to several offices and bureaus to find it.]

This does not only increase barriers to create and develop new business practices but also complicates the development processes and projects of the already existing companies. This may negatively affect fashion business development, as many designers do not have a business education that they could utilize. Relevant knowledge must be, therefore, currently acquired either by oneself or through networks. On the positive note, it was found that the burden of bureaucracy was less in Finland than for example in France:

*”Ja varsinkin Ranskassa niin siellä on niin paljon byrokratiaa et se hidastaa koko hommaa Suomessa melkein kaikki hoidetaan sähköisesti, ja se on silleen helppoo.”*

[Operating in France is incredibly difficult and time-consuming due to high levels of bureaucracy. In Finland, electronic services facilitates doing business.]

Nevertheless, in order to develop the industry, the public sector should be more organized and supportive towards the fashion industry.

#### 4.2.4 A summary of main findings in Company B

Table 5 summarizes the main findings from Company B in relation to the theoretical background.

Table 6 Summary of main findings from Company B

Network Configuration	Structural holes	Closure
	X	
Individuals roles	Roles	Features
	Information exchange , negotiation and adaptive, social role in some	Vast network with certain specific individuals, sharing information, long term (business) commitment
Network utilization	Medium	Where?
	Vast pool of contacts	Material and information acquisition, new client acquisition, expanding existing network

The network of Company B resembles a vast net of contacts in various geographical locations. Company B was more actively creating new network contacts, especially by participating in trade shows. Trade shows have been a vital part for new client

acquisition from the early days of the company and also considered as a good channel for gaining international recognition.

The owner of Company B separated personal contacts as a distinctive group from the other groups. However, the existence of personal contacts was recognized in the following groups: wholesale, manufacturers, administrative support, bloggers and press. The first three groups encompassed of individuals with high skills in their field and the relationships can be described as commitment intensive and affected by trust. There were personal contacts among bloggers and members of press but they were approached on a more utilitarian purpose when it concerned business. In comparison, these relationships were not found as affectionate as the others.



## 5 DISCUSSION

### 5.1 Discussion of the theoretical findings

This study focused on exploring the social networking environment in the Finnish fashion industry and how these networks are utilized for business purposes. The Finnish fashion industry and entrepreneurs have talent and know-how but the industry has not seen similar commercial success such as in Sweden and Denmark for example, as there are fundamental problems in managerial skills and lack of resources that hinder international development and commercialization (Salonoja 2013).

The main research question was identified as:

- How do social networks facilitate the internationalization of Finnish fashion companies?

In order to answer comprehensively to the questions, it was seen necessary to furthermore specify the research questions. Three further research questions were identified. Below I will briefly summarize how they were answered.

- What are social networks?

A network is the set of actors and links connecting these actors. A social network refers to the collection of individuals or other social entities that are connected and associated by a set of socially substantial relationships. Individuals reach objectives by mutual sharing of resources and information, and share a deeper meaning in the relationship. For the Finnish fashion industry, social networks are important and evident as many brands and companies are tightly connected to the designers themselves. The social networking environment is rather small as Finland is a small country. In addition, most fashion companies are located in Helsinki. The public sector is not well organized to support the industry which increases the need to rely on colleagues and other industry representatives.

On one hand, social networks are the collection of close contacts and relationships developed according to the entrepreneur's personal commitment. The smaller company seemed to rely more on personal relationships and considered them as the core of business relationships as well. The personal and business network was not separated but personal (social) relationships were often the actual business relationships. They encompassed mutual trust and commitment and were appreciated as so.

On the other hand, social networks can be seen more utilitarian and serving business purposes. The other company had distinctively separated personal contacts in their whole set of networks. The company had been operating over ten years and the business had expanded to over 25 countries in forms of retailers, wholesale clients and suppliers. Nevertheless, personal contacts were identified in business networks. These business relationships had similar attributes (trust, commitment, sharing of information) as did the social relationships. They have also been developed over a longer period of time.

- What roles do individuals have in networks?

In order to understand the meaning of social relationships and networks, the roles and features of the individuals need to be addressed. Individuals can create significant bonds between each other. These bonds, based on mutual feelings of trust and commitment developed over time. For example, friends have often similar values and beliefs and do favors and act reciprocally in the relationship. The more the relationship has value for both parties, the less risk is perceived in the relationship. Close contacts create common objectives and avoid misbehavior.

From the interviews, it was evident that individuals are limited in the amount of contacts they can manage. Important individuals, whether personal or business related, should therefore be recognized and managed as such. Roughly said, each individual can be assessed in relation to their potential value (assessment role).

On the contrary, having good relationships can benefit the entrepreneur on a personal level. It was discovered that some primarily business relationships had developed into a deep relationships. This social role of an individual can be the primary reason for maintaining and developing the relationship. In the interview it was also found out that contacts to individuals with a social role can also be utilized for business.

Good relationships can create significant benefits to the individual and to the business. Individuals may provide a vital source of information and resources as they have other benefits in mind besides their own. They can act as a bridge or a connection to new contacts, resources or sources of information otherwise unattainable. A long term relationship and build trust seemed to have lowered barriers to exchange and share information about market specifics (information exchange role). This furthermore increased the relational embeddedness of the relationship.

In some markets, such as Japan, it is necessary to use intermediaries in order to enter the market. This increases the feeling of dependency and, at worst, creates uncertainty. The deeper the relationship is, the less vulnerable the underdog feels. Having trust in the relationship can therefore decrease the perceived business risks and uncertainty.

Contrary to earlier literature, the nature of the relationships seemed to develop towards a more utilitarian connection as the business expands and evolves. The more

business operations increase in size and importance, the less important are the personal commitments affecting business choices. This was also evident in a third case from the fashion industry (Taru Aalto interview 29.11.2013). In this interview it was distinctively indicated that in spite of existing and underlying personal commitments or relationships in the business, all contracts and business propositions are tendered and best solution (from business perspective) is chosen accordingly.

- What can be achieved for internationalization from social networking activities?

From the interviews, it was found that social networks and social network contacts could be utilized in several ways.

First of all, as each person has their own set of networks, they could be a bridge to new networks and a pool of contacts. Especially a trade show seemed to be a lucrative platform for network development and expansion. Open communication and socializing with the contacts can enhance innovative activity and give insight to new development and cooperation opportunities.

Secondly, the social networks themselves have created a pool of talent that could be utilized for the business itself. Company A had personal contacts having unique skills in several areas. The individual could fulfill her own objective through the help of A and, therefore, the contacts benefit both parties.

Thirdly, social networking can create a potential pool of utilizable contacts. Active networking means creating possibilities for future objectives. Particularly as the other company operated in the hand bag industry, getting to know the right people and discovering connections in the existing networks proved to be of great importance.

Nevertheless, an existing network can also cause liabilities. In the second interview, it was found that one manufacturer had to be released despite their long history. In addition to their share of total production, they had a significant role in the company. As the manufacturer could not deliver the right products at the right time, the trust in the relationship began to decrease, and resulted in the extermination of the relationship. However, the replacing manufacturer was found via a common contact (and rather rapidly), emphasizing the importance and possibility of network utilization.

Fourth, the public sector should be organized to support the development of the fashion industry and entrepreneurs. International aspirations can be easily hindered by the difficulty of finding relevant information and by the lack of sufficient funding. Creating workshops, information centers and other administrative guidance can decrease barriers for an international entry. However, it was argued that entrepreneurs themselves should have some business knowledge or, at least, a business partner. In

order for investors to believe in a company and participate in funding it, there has to be a solid business plan based on realistic estimates of future business opportunities.

## **5.2 Managerial implications**

There was several positive attributes recognized from social networking for business purposes. The following list briefly summarizes the main findings that fashion entrepreneurs should consider in order to fully utilize their network potential.

Networks are interconnected in, especially, small markets such as Finland. By creating various connection and contacts, one can

- gain access to information and resource otherwise unattainable or hard to discover
- innovate and brainstorm new projects
- create new market possibilities
- increase the amount of cooperation projects.

International events and trade shows seemed to be the best networking platform for fashion companies. This increased the amount of brand recognition and awareness as well as the amount of international clients and eventually sales. The hypothesis from previous studies on the greater positive effect of international networking to international growth and sales seemed to be valid for the fashion industry as well. However, networking with domestic contacts created also the opportunity to go abroad. Therefore, domestic networking with a partner offering international possibilities can enhance internationalization.

## **5.3 Suggestions for further research**

To the researcher's best knowledge, social networking environment has not been applied to the fashion industry previously. There are several studies on networking and relationships but they have been mostly limited to technology and manufacturing industries. In addition, the role of individuals within these networks has been less studied, furthermore increasing the novelty value of this study. The study gives insight on how personal and business networks are managed, how they resonate and how they can be utilized for business development in this particular industry. This can help fashion entrepreneurs to recognize their social network structure and key contacts, the potential they encompass as well as how to develop networks in the future.

Previous studies have recognized the importance of networking and relationship development for business purposes. The phenomenon has been studied in various technology and manufacturing industries, yet there is a lack of research in the creative industries such as fashion and design in more detail. This study focused on the internal perspective of social networks and networking and thus was based on the experiences of a fashion company entrepreneurs and their work on their network configuration and exploitation.

Further research could be conducted on the network level so that several network actors would be included. The key contacts of a single company's network could be researched in order to find and compare perceptions of network relations and utilization within that particular network. This would provide greater details for example on the intra-network relationships and underlying dependencies. In addition, further research could be extended to comprise of several companies and, therefore, provide insight of the Finnish fashion industry network as a whole. Comparative studies could be done on a specific region or in different continents. These studies could also be helpful in explaining the questions of, for example, why Finnish fashion industry is not as successful and developed as other Nordic countries as discovered by Salonoja (2013).

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Appendix 1 Main findings from the earlier studies on networking effects and fashion business development (continued)

<b>Author(s)</b>	<b>Purpose</b>	<b>Method</b>	<b>Main findings</b>
<i>On networking effects</i>			
Dubini and Aldrich (1991)	Examines the networking strategies of entrepreneurs, including their use of personal and extended organizational networks	Qualitative case study	Social or personal networks of entrepreneurs can be used to create value and for information acquisition; understanding of personal networks will help in determining how extended networks are created and strengthened over time
Moen, Gavlen and Endresen (2002)	Examine entry forms and market selection of Norwegian computer software firms	Qualitative multiple case study: N= 5	Firm's network relationships are determinant with regard to which foreign entry forms they choose and to some extent, which markets they decide to enter
Bell, Crick and Young (2004)	Examine the attitudes and motivations for internationalization	Survey: N=30 Knowledge-intensive and manufacturing SMEs	Traditional' manufacturing companies less motivated and more cautious towards internationalization/innovative activities
Seppola (2004)	Explain experiential market knowledge acquisition in international business networks	Survey: N=280	Actors develop business relationships through exchange, markets must be seen as dynamic networks; main constructs of relationships are commitment and cognition which have a positive influence on experiential business



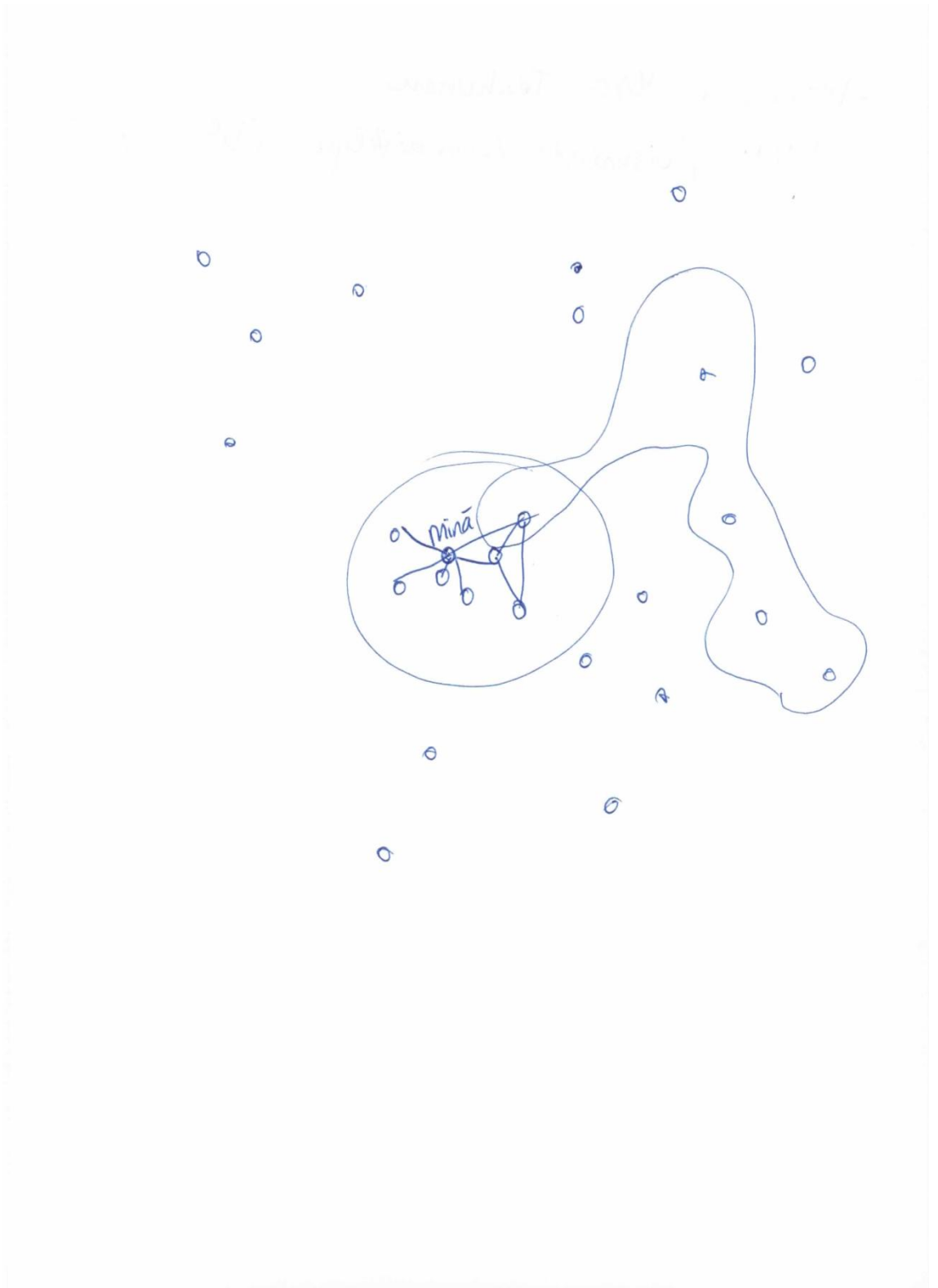
Babakus, Yavas and Haahti (2006)	Develop and test the relationships between perceived environmental uncertainty, domestic and foreign networking export performance	Survey: N=257 Finnish, Swedish and Norwegian managers in manufacturing	Large firm size and foreign networks positively connected to internationalization. However, domestic networking seemed not significant for internationalization
Järvensivu (2007)	Explore organizational values and co-operation in strategic networks: How strategic networks can be managed by value-driven objectives	Qualitative single-case study	Value-driven management is not applicable in strategic networks, as there was found positive, negative and no influence whatsoever, depending on individual situations of cooperation; networks are dynamic and situational in nature.
Sasi and Arenius (2008)	Level of internationalization and network effects	Qualitative case study: N=10 Finnish Information and communication (ICT) companies	In the 'beginning' of internationalization firms benefited most from dyadic relationships; multilateral and interconnected networks were found necessary for successful international activities
Fletcher (2008)	Explain the evolution of international involvement and network life-cycle	A longitudinal qualitative case study: N=1	Network embeddedness explained network development, encompassing networks beyond immediate relation to the case company
Awuah, Gebrekidan and Osarenkhoe (2009)	Study on extra-network actors and interrelatedness of networks	Qualitative multiple case studies: N= 2, Swedish manufacturing firms	Extra-network factors can affect SME internationalization and therefore network interconnectedness should be recognized and its potential evaluated

Chetty and Stangl (2009)	Examine how network relationships are used in the internationalization and innovation of small and medium-sized enterprises (SMEs) in the software industry	Qualitative study: N= 13 New Zealand based SMEs	Diverse network relationships facilitated internationalization and proved to facilitate better possibilities for innovation and rapid internationalization
Ojala (2009)	Examining the role of important networks and internationalization capabilities	Qualitative multiple case study: N= 8 Knowledge-intensive Finnish SMEs	In the Japanese market, it was necessary to have the 'right' network relations not necessarily a vast network of contacts
Valkokari (2009)	Examine how shared goals and visions are created within a network organization and examining network dynamics	A longitudinal case study on the network development	Firms need models for operating in networks and in matching their own with those of the network; future challenges arise from the increasing dynamic nature of networks
Jack, Moul, Anderson and Dodd (2010)	transformation and the change processes of entrepreneurial networks; how they emerge and develop over time	Longitudal multiple case study, mix method	Initial network structure shifts from calculative to affective ties and demonstrate the importance of social ties for the operation of a network. Networking was implied as a social process among others.
Peters, Johnston, Pressey and Kendricks (2010)	To examine why firms engage in inter-firm activities and networks	Qualitative case study	Firms join networks and increase collaborative activities for gaining knowledge

Finpro (2012)	Investigation on the competitiveness and capabilities of Finnish design SMEs	Work shop, seminar and several interviews	Main issues for internationalization and international activities due to limited resources, lack of managerial and operational skills and unclear brand and product offerings
Kalm (2012)	Describe inter-organizational network relationships and the effect of network relationships in relation to firm growth	Survey: N=53	Increased activity between networks and network actors were positively connected with firm's growth; low impact of relationship activities on public-sector actors and networks.
Kauppinen and Juho (2012)	To explore the internationalization of SMEs through expansive learning	Qualitative case study: N= 1	Socialization and collaboration in networking: international activities and opportunities were a 'side effect' of collaboration
<i>On fashion</i>			
Salmon and Tordjman (1989)	Examination of increased internationalization, particularly among large-scale companies seeking growth opportunities abroad	Qualitative case study	Companies seeking growth have two options: multinational and global growth; both these have positive impact on marketing
Salimäki (2003)	Study on the international competitiveness and internationalization of Finnish design companies	Mix-method multiple case study: N= 4	Traditional brand communication methods were found expensive and insufficient; entrepreneurs are a vital part of brand value creation and communication

Bandinelli, Rinaldi, Rossi and Terzi (2008)	Study on the New Product Development (NPD) process in the Italian fashion industry	Mix-method multiple-case study: N= 8	Suppliers have a strategic role in the fashion industry; NPD processes are internally collaboratively executed; larger fashion companies must have more precisely defined processes due to the larger amount of information and resources
Hutchinson, Fleck and Lloyd-Reason (2009)	Exploring the initial barriers of internationalization of UK based fashion and design SMEs	Qualitative case study: N= 6	Internal barriers of entry (lack of knowledge, skills, management ) were greater than external barriers like governmental interventions, support and advice
Guercini and Woodside (2012)	Study on the collaboration of the Italian leather manufacturers	Qualitative case study: N= 64	Collaborative actions and inter-firm relationships can help to achieve synergies that may be impossible to achieve otherwise
Kuitunen (2012)	Study on branding through the social media	Qualitative case study: N= 4 Finnish fashion SMEs in focus	Brand value was strongly communicated and connected to the owner
Salonoja (2013)	Explore the current state of the Finnish fashion ecosystem: examination of the reasons for its underdevelopment from a financier's approach	Qualitative case study; Comparison on Finnish, Danish and Swedish fashion ecosystems	Finnish fashion ecosystem is relatively underdeveloped: there seems to be a lack of business skills and collaboration among the fashion companies and entrepreneurs; Public and private domains less organized than in Sweden and Denmark

## Appendix 2 Illustration of Company A's perceived network



Appendix 3 Illustration of Company B's perceived network

