

Internationalization of Born Globals: A Business Model Perspective of an Internet-based Service Company

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Abstract

Objectives of Research

This study focuses in exploring how Internet-based Service Born Globals (ISBGs) evolve through their internationalization process, particularly during their early stages of internationalization. Special focus is placed in the main business model changes experienced by ISBGs during their internationalization stages and the main challenges driving these changes. The suitability of a theoretical framework developed with constructs from three main streams of research – Born Globals, Service Business and Entrepreneurship – is evaluated.

Method of Research

The empirical research is based on an in-depth, longitudinal, single case study of an Internet-based Service Born Global company from Finland. The study uses an analytical framework involving three main research streams, developed to enable a holistic perspective of the internationalization process.

Findings and Conclusions

ISBGs are subject to continuous adjustment of their business model components in their early stages of development, the most significant taking place once the company starts entering foreign markets. The main components requiring adjustments in the early stages of internationalization were the customer segments, channels, customer relationships, and the value proposition. The main factors driving the changes of the business model components were making invalid market assumptions about the customer segment, the lack of product/service-market fit, and the service-specific considerations related to the cultural and technical barriers. The seven development stages of ISBGs – R&D, Domestic, Entry, Starting, Development, Growth, Mature – and the four growth phases – Introductory, Commercialization and foreign entries, Rapid growth and foreign expansion, and Rationalization and foreign maturity – were found valuable models to understand the state and evolution of BGs. The use of a business model perspective to study the evolution of ISBGs was found a suitable approach due to its holistic perspective and its ability to represent the core components of the company and its inter-dependencies.

Keywords Born Globals, International New Ventures, Global Start-ups, Service Born Globals, Internet-based Services, Internationalization of Services, Business Models, Business Models Components, Development Stages, Growth Phases

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1. INTRODUCTION

1.1. Background

Born Global companies are an increasingly important phenomenon that has gathered the attention of academics, governments and business people in the past years, specially in small open economies (SMOPEC), like Finland. Their distinctive path to internationalization, their global entrepreneurial mindset, and their economic potential, among others, are some of the reasons why these companies are of interest to multiple sectors of society alike.

For the purpose of this study, Born Global companies (BGs), often referred to as International New Ventures (INVs) or Global Start-ups, will be defined as “business organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p.49).

Coming from an academic background in International Business, I share the interest for this new breed of global ventures, particularly for those focused in technology-based innovations which can offer numerous benefits through the use of everyday technologies, like the Internet and mobile computing devices.

The convergence of digital technologies and the increasing ubiquity of the Internet have exponentially enhanced the possibility to develop highly valuable services, with virtually no geographical restrictions, at extremely competitive costs. These factors have made of the electronic service sector one of the most important and fastest growing sectors, in the international trade of services (Clark & Rajartnam, 1999).

However, despite the benefits provided by the Internet, Born Global companies still need to face numerous challenges during their internationalization with very limited resources. Moreover, Service BGs are thought to face additional constraints related to the service-specific nature but little has been researched about it.

After studying the Born Global phenomenon during my Master’s degree studies, I have had also the opportunity of working for almost five years in technology start-ups that could be considered as BGs. There, I have managed to experience in person the intense challenges faced by the entrepreneurs and employees working in this kind of international ventures.

For this reason, given the privileged access I had to people, context information, and specialized knowledge related to BGs, the opportunity to focus this Master Thesis to the study of Internet-based Service Born Globals was unique.

This research is focused in an in-depth case study of a Finnish, Internet-based Service Born Global company (ISBG) over a period of three years: from the company inception until the termination of its operations, when it was operating intensively in over five countries. Particular attention is placed in exploring the evolution of the company along its internationalization process, in order to understand the main challenges and adaptations that the company was subject to during this period of time.

An analytical framework considering three main research streams was developed to enable a holistic perspective of the internationalization process. From the International Business field, the characteristics and development stages of Born Globals are used to analyze the company and its context along its internationalization process. From the Service Business field, the service-specific factors were considered, particularly those related to the use of electronic vehicles (e.g. the Internet) as the main channel for its internationalization. Finally, from the Entrepreneurship field, the Business Model construct, its core components, and some of its modeling tools were used to facilitate the understanding and analysis of the company and its business context. By Business Model, it is understood a simplification of “the rationale of how an organization creates, delivers and capture value” (Osterwalder & Pigneur, 2010, p.14).

1.2. Research Gap and Problem

Research in the field of Born Globals has provided valuable insights about the distinctive features and patterns that differentiate BGs from traditional international or global firms. However, due to the relatively novelty of the phenomena, little research has been done to have a comprehensive understanding of the development stages or growth phases that BGs undergo, the main challenges and opportunities faced at each stage, and their evolution as they move across stages.

Likewise, research in the field of BGs has placed little focus in studying Service companies, which face unique challenges when operating internationally due to their service-specific characteristics. Additionally, given the importance of the Service sector in modern economies, which conforms the majority of employments and GDP in industrial nations (Javalgi et al., 2007), and the significant role of electronic services in the internationalization of services (Clark & Rajartnam, 1999), a better understanding of the nature and evolution of Service BGs could have important managerial and practical contributions to help companies reach their mature stage.

For these reasons, this study focuses in exploring how an Internet-based Service Born Global evolves through its internationalization process, especially during its early stages of internationalization. While exploring these research gaps and problems, this research also aims to evaluate the suitability of theoretical constructs from the Entrepreneurship field – the Business Model framework – due to the entrepreneurial nature of ISBGs.

1.3. Research Objectives and Questions

This research aims to draw new insights about Internet-based service born global companies during their early stages of internationalization by exploring in depth a case company using a business-model perspective.

The study focuses on three main research objectives:

1. Exploring the challenges faced by Internet-based Service Born Global (ISBG) companies that lead them to make adjustments in their business model during their internationalization process.
2. Identifying ways in which companies can tackle these challenges and processes in a more effective manner.
3. Exploring the suitability of the business model perspective for studying the internationalization process of Born Global companies.

In order to address the main subjects of research, the following research question and sub-questions were formulated:

How the business model of ISBGs evolves during their internationalization process?

- a) *Which are the main changes experienced in the company's business model components during its internationalization process? (WHAT)*
- b) *Which are the main challenges and problems driving the need to make adjustments in the business model components? (WHY)*

1.4. Limitations

This study was limited to the study of a single case study from a Finnish Internet-based Service Born Global company, during its early stages of internationalization. The focus on a single case was determined by the relevance of the characteristics of the firm and the unique access to sources and context information, which enabled to elaborate an in-depth, longitudinal study. The time-scope in the early stages of internationalization was determined by the length of the life of the company, which operated officially from May 2007 to January 2010.

Given the use of a Business Model perspective to study the case company from a holistic perspective, the analysis of the evolution of each business model component does not provide an extensive comparison to the research focused in each of these elements (e.g. Channels, Customer Relationships, Market Selection, etc). On the contrary, the framework aims to explore the how the core company's elements evolved and why, rather than proposing what should have been done.

1.5. Method of Research

Given the novelty of the research phenomena, the complexity of its context, and its dynamic nature, a longitudinal case study was selected as the preferred research method.

Despite its shortcomings and critiques, case studies can be especially useful for studying research problems that have not been exhaustively researched, where complex relationships need to be identified and mapped, and when the phenomena is to be studied in a holistic approach over an extended period of time (Eisenhardt, 1989; Yin, 2003; Vissak, 2010).

In line with the essence of the case study as suggested by Yin (2003), this study aims to identify a set of decisions taken over a certain period of time, and explore the *how* and *why* of those decisions.

1.6. Research Design

This research was conducted considering the case study methodology recommendations by Yin (2003) and Eisenhardt (1989). The following section describes the considerations and processes used in the case selection, data collection and analysis.

1.6.1. Case selection

There was one case selected for this research project, which corresponds to a company that fits the definition of Born Globals used in this study, whose main offering was services, and that used the Internet as the core vehicle to produce and deliver its services.

The selected company also operated for a period of almost three years and had reached operations in tens of countries, more intensively in five of them. Additionally, the company reached the point of generating over 50% of its revenues form abroad and had always a global mindset from the its inception, according to some the criteria used in other studies of Born Globals (Luostarinen & Gabrielsson, 2006; Gabrielsson & Gabriesson, 2009) also used in this study.

Finally, as previously mentioned, the researcher had unique access to sources of information and context factors (people, documentation, experience, etc) as he worked for the company for the last 17th months of operations, which represented the majority of the period of its international operations.

1.6.2. Data collection and Analysis

Data was collection from multiple sources of evidence, including company documents, materials, personal observation, and interviews.

Two interviews were performed with the two co-founders of the company, which were in charge of managing all the company operations. Interviews were semi-structured

based on an outline of themes to cover determined by the research framework. Interviewees were able to talk freely about different aspects of the company operations at different stages of internationalization. The researcher covered the list of themes in the interviews and performed follow-up questions to elaborate or verify the interpretation of certain relevant facts.

The interviews were recorded and transcribed, and later on structured according to the theoretical framework.

The following list summarizes the research protocol used in this research:

1. Literature Review
2. Elaboration of the Theoretical Framework
3. Elaboration of the Case Study Questions/Theme Outline
4. Selection of the Case Company
5. Collection of data: Interviews, Documents, Materials, and Observation.
6. Writing of the Case Study according to the empirical data collected and the core elements of the theoretical framework.
7. Analysis of the findings based on the empirical data, the theoretical framework and research questions.

2. REVIEW OF LITERATURE

This chapter presents the main theoretical principles considered for studying the research problems and questions stated in the previous chapter. As the nature of the phenomena is complex and involves multiple disciplines, this section focuses on an extensive literature review of three main research streams, these being: International New Ventures/Born Globals, Services, and Business Models.

Despite the importance of all these research streams in shaping the theoretical framework presented in chapter this chapter, special emphasis is given to the international business dimension, where the study aims to provide its most relevant insights and theoretical contributions.

In this section, the main theoretical concepts used in this research are reviewed, covering the main authors in the field and the most recent studies. For each of the theoretical streams, the main concepts are introduced, discussing the similarities and discrepancies between different studies.

The relevance of each theoretical stream to the research is underlined, positioning the study also within each domain, highlighting gaps or areas approached by this study.

Finally, for each stream a theoretical framework is defined and used to analyze the empirical data and to draw insights that help advance the theory and managerial practices in each of the considered fields.

2.1. Born Globals

2.1.1. Definitions and Characteristics of Born Globals

In recent years, a new breed of companies that aim to compete globally from inception, in a relatively short period of time, has continued to grow, attracting the attention of researchers, business professionals and governments (Rennie, 1993; Oviatt & McDougall, 1994; Luostarinen & Gabrielsson, 1994; Gabrielsson & Kirpalani, 2004; Knight and Cavusgil, 2004; Kudina et al. 2008; Gabrielsson et al., 2011; Sasi & Arenius, 2012).

This new breed of companies, commonly known as Born Globals (BGs) or International New Ventures (INVs) (Oviatt & McDougall, 1994; Rialp et al., 2008, p.135), “seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p.49).

Despite the increasing growth of Born Globals in different types of countries, these kind of ventures were first identified in countries with small domestic markets (Knight and Cavusgil, 2004) where the pressures of globalization are intense and a global approach is more and more required to preserve a company’s competitiveness (Gabrielsson & Gabrielsson, 2003; Gabrielsson et al., 2005; Gabrielsson et al., 2011).

Another aspect that characterizes Born Global companies is that their path to internationalization often differs from other traditional patterns (Gabrielsson & Pelkonen, 2008; Rialp et al., 2008), like the process model suggested by Johanson and Valhne (1977) or the stages pattern proposed by Luostarinen (1979). These models suggest that companies commit resources and perform activities abroad incrementally, based on their increasing knowledge and experience. In contrast, Born Global companies have been found to jump over stages and even move backward and forward among them (Luostarinen & Gabrielsson, 2006).

In addition to the scope – having a global mindset from inception – and the faster pace of internationalization, there are two additional aspects that have been commonly used in previous research when comparing Born Global companies to other international or global companies: the share of revenue coming from abroad and the location of the major foreign markets (Luostarinen & Gabrielsson, 2006; Gabrielsson et al., 2011).

Based on the previous two aspects, a company has been considered to be “international” when a large source of their revenues (25%-50%) comes from foreign markets in their home continent, to be “global” when a large source of their income (25%-50%) comes

from markets outside their home continent. However, in the case of Born Globals, a lower degree of sales from abroad has been accepted in previous studies as long as these “had a clear global vision and were obviously on a global growth path” (Luostarinen & Gabrielsson, 2006; p.780).

Regarding the pace of internationalization, companies studied under these criteria have reached the “international” or “global” status usually in about 2 to 5 years from their inception (Rennie, 1993; Luostarinen & Gabrielsson, 2006; Knight and Cavusgil, 1996; Kudina et al., 2008; Gabrielsson et al., 2011).

Finally, another common characteristic of Born Globals is the extreme challenge they face to establish international operations in a relatively short period of time, with limited resources (i.e. financial, human, knowledge), competing in an ever-changing global environment, in a profitable and sustainable way (Knight and Cavusgil, 2004; Gabrielsson and Kirpalani, 2004; Gabrielsson et al., 2011).

2.1.2. Development Stages of Born Globals

As the study of Born Globals has advanced, there is a growing need to know more about the way these types of companies evolve. The importance of understanding the development of BGs resides in the possibility of identifying the main challenges faced in different stages, and together with these, the required activities and resources needed to effectively respond to these challenges.

Based on an extensive study of Born Globals in Finland, Luostarinen and Gabrielsson (2006) suggested seven stages of development based on the distinctive focus of the operations, the level of revenues generated, and the origin of those revenues.

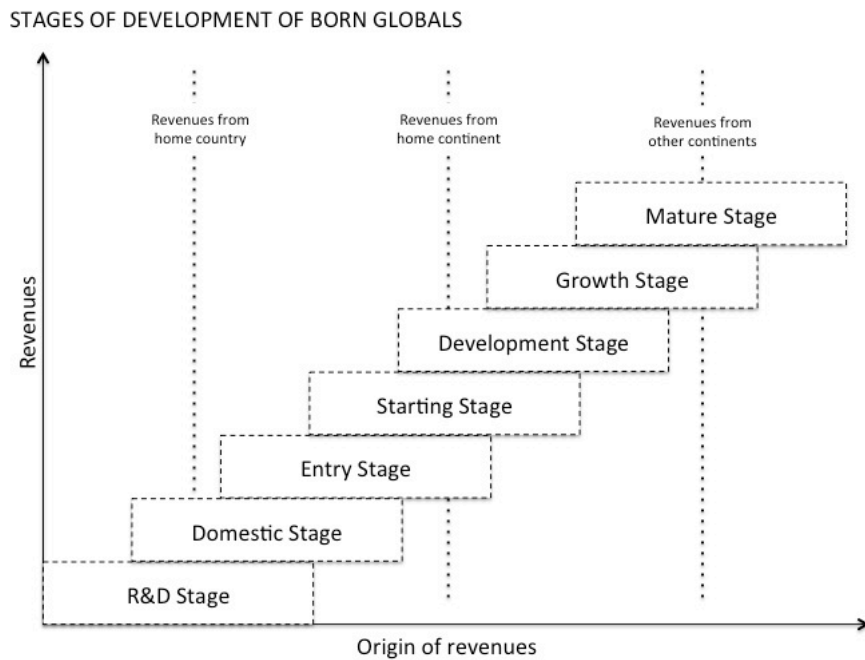
The following table summarizes the seven stages of development together with its respective share of revenue from international operations and the origin of the revenue.

Table 1. Stages of Development of Born Globals (Luostarinen & Gabrielsson, 2006)

Born Global Stage	Characteristics
1. Research & Development	No sales, global vision
2. Domestic Stage	Domestic revenues, global vision
3. Entry Stage	< 25% of international revenues, global vision
4. Starting Stage	> 25% of international revenues and < 25% of revenues from other continents, global vision
5. Development Stage	> 50% of international revenues, global vision
6. Growth Stage	> 25% of revenue from other continents, global vision
7. Mature Stage	> 50% of revenue from other continents

To facilitate the understanding of the stages of development, the following table provides a visual representation of their progression and the dimensions that define them:

Figure 1. Stages of Development of Born Globals (Adapted from Luostarinen & Gabrielsson, 2006)



*Adapted from Luostarinen & Gabrielsson, 2006.

In a more synthesized classification of the evolution of Born Globals, Gabrielsson et al. (2008) suggested three phases of development based on empirical evidence, as presented in the following table.

Figure 2. Development Phases of Born Globals (Adapted from Gabrielsson et al., 2008)

Phase of Development	Characteristics
1. Introduction and initial launch	<ul style="list-style-type: none"> - Limited resources and underdeveloped organizational structure - Advantage based on unique knowledge - Founders and creative individuals conform the core assets - Entrepreneurship and unique skills to develop unique products with global market potential - Growth dependent on channel strategy and networks
2. Growth and resource accumulation	<ul style="list-style-type: none"> - Develop organizational learning capabilities and gather knowledge acquired from channel and network members - Success depends on the ability to place the product/service on the market - Need to leverage resources from its channels and networks
3. Break-out	<ul style="list-style-type: none"> - Leverage on the organizational learning and experience - Re-configure its position in its network according to its global strategies

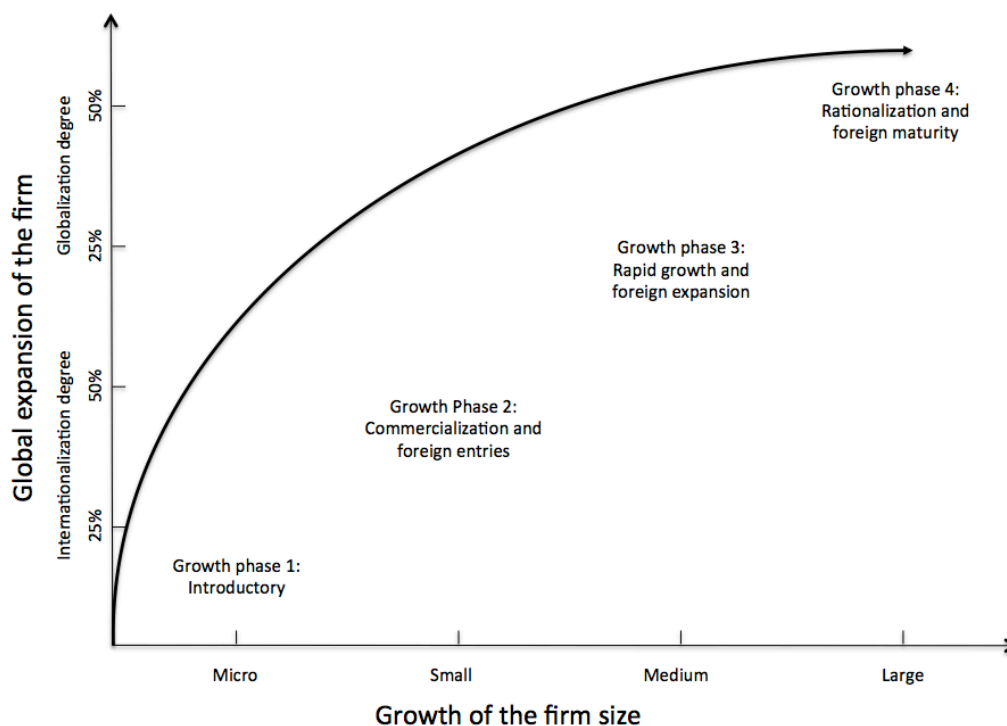
Moreover, Gabriellsson & Gabriellsson (2009) suggested four synthesized phases of evolution of Born Globals where not only the global expansion of the firm in terms of revenues and markets was considered, but also the growth of the firm size and the focus of its activities. In addition to including the firm size dimension, this classification also includes an additional phase for mature Born Global companies.

Figure 3. Growth Phases of International New Ventures (Adapted from Gabriellsson & Gabriellsson, 2009)

Growth phase	Characteristics
1. Introductory phase	- Developing a commercially acceptable product - Secure financing - Develop the market
2. Commercialization and foreign entries	- Enter to foreign markets - Increase revenue volumes
3. Rapid growth and foreign expansion	- Penetrate existing markets - Expand to new continents
4. Rationalization and foreign maturity	- Align operations and marketing to reach global synergies

To aid the understanding of the phases of development, the following table provides a visual representation of their progression and the dimensions that define them:

Figure 4. Growth Phases of Born Globals (Adapted from Gabriellsson & Gabriellsson, 2009)



For the purpose of this study, the seven development stages of Born Globals suggested by Luostarinen & Gabrielsson (2006) are used together with the four growth phases suggested by Gabrielsson and Gabrielsson (2009). The reason for this is that the parameters of both classifications can be overlapped and used in drawing relevant insights that can be more easily compared with other research in the field, where only one of these models is used.

2.1.3. Positioning of the Study Within the Stream of Research

The current study aims to provide new contributions to the Born Global literature by exploring in detail the early stages of development of a Born Global company from Finland, a Small Open Economy (SMOPEC), using a holistic analytical framework of increasing importance in the entrepreneurship field. The analysis of the phenomena from an entrepreneurial perspective which is highly relevant when studying these types of global startups as it considers elements that are particular to new organizations, like the search for a repeatable and scalable business model (Blank, 2010) or the creative approach to seek and exploit opportunities in other markets (Sasi & Arenius, 2012). Additionally, as Hedman and Kalling (2003) suggest, entrepreneurship research characterizes by its longitudinal and process-oriented nature.

Moreover, the study aims to draw new insights about the organization and development of service Born Globals, which have not been studied widely and are of increasing importance in the service-dominant economy of today.

2.2. Service Business

This section presents the definition and characteristics of the Service business to understand some aspects that can be considered particularly relevant for these types of companies. Furthermore, special attention is given to the nature of Internet-based services followed by some of the challenges faced by companies in the Service business when operating internationally.

2.2.1. Service Definitions and Characteristics

The service sector plays an increasingly important role in modern economies, accounting for more than half of the total employed population in most of the developed countries (Grönroos, 2000; Fitzsimmons & Fitzsimmons, 2008; Rust & Miu, 2006).

This growing participation in the economy has also been observed in traditional “product companies”, blurring the difference between “product” and “service” companies (Fitzsimmons & Fitzsimmons, 2008).

Traditional service marketing literature identifies four major elements that distinguish services from products (Fisk et al., 1993; Kotler, 2003; Lovelock & Gummesson, 2004),

commonly known as the IHIP paradigm. These are 1) intangibility, 2) heterogeneity, 3) inseparability, and 4) perishability.

However, a more recent stream of research (Lovelock & Gummesson, 2004; Vargo & Lusch, 2004) suggests that the elements suggested by the IHIP paradigm are not unique to services and new criteria should be considered as the basis for a new paradigm (ie. the non-ownership attribute).

For the purpose of this study, a couple of definitions with the traditional elements and some new complementary aspects will be considered.

Grönroos (1990) defines services as “an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”.

According to Grönroos (2000), services are still perceived in an outdated way as they are viewed as “something provided by a certain type of organization”. This view does not consider the strategic importance of services as a source of competitive advantage, which can be seen even in traditional “goods” or “product” companies.

On the other hand, Fitzsimmons & Fitzsimmons (2008) defines services as “a time-perishable, intangible experience performed for a customer acting in the role of co-producer”. This second definition highlights the importance of time-perishability and the role of the customer as co-producer of the service.

Additionally, Fitzsimmons & Fitzsimmons (2008) suggests six distinctive characteristics of service operations, which include the traditional distinctive elements plus two additional ones: customer participation in the service process and the non-ownership nature of services. Table 2 explains in more detail these characteristics.

Table 2. Distinctive Characteristics of Services Compared to Products (Fitzsimmons & Fitzsimmons, 2008)

Distinctive Characteristic	Description
Customer participation in the service process	Role of customers (active/passive) in the service process when interacting with the elements of the service system (human/physical/technological).
Simultaneity	Partial or complete, real-time creation and consumption of the service.
Perishability	As services cannot be stored, these can be lost if are not provided when required. Resources can be lost if service capacity is underutilized due demand fluctuations.
Intangibility	Services are based on ideas and experiences, difficult to protect, which rely on reputation and quality to build trust.
Heterogeneity	As each customer forms part of the service process, each interaction can result in a different outcome.
Non-ownership nature	Services consist mostly of a temporary right to use or experience a resource but do not usually involve the transfer of ownership.

2.2.1.1. Service Package and Processes

As Gummerson (1995) and Grönroos (2000) advocate, from a customer perspective, it is not goods or services what consumers look for, but rather offerings – of goods, services, information, and other components – which provide them benefits and value when using them. Based on this perspective, companies provide processes and resources which are waiting to be used by the customer in order to create value. The process where customers generate value is termed *service production*, and the process where the service is created is known as *service delivery*.

Similarly, Fitzsimmons (2008) defines these bundles of goods and services with information provided in a certain environment as “service packages”. Complementarily, he identifies five core features, which are: supporting facility, facilitating goods, information, explicit services and, implicit services. Table 3 presents these features in more detail.

Table 3. Service Package Features (Fitzsimmons & Fitzsimmons, 2008)

Service Package Feature	Description
Supporting facility	Required physical to offer a service.
Facilitating goods	The material purchased or consumed by the buyer, or the items provided by the customer.
Information	Customer’s information to enable an efficient and customized service.
Explicit services	The explicit benefits of the service consisting on its essential features.
Implicit services	The psychological benefits or extrinsic features of the service.

For the purpose of this study, as the study focuses in a service company, the terms value proposition, offering, service package or service, will be used interchangeably to refer to the bundle of components that provide value to the customer.

2.2.2. From Transactions to Relationships and Experiences

As services have gained considerable importance and growth in the economy, competition in the sector and customer’s demands have become more complex. In order to differentiate nowadays, companies need to find new ways to add value in unique ways. As Fitzsimmons & Fitzsimmons (2008) asserts, the service economy has moved from a transactional nature to one based on experiences and relationships.

Rust & Miu (2006) underline as well how this trend is reflected in current academic research about services, where there is a strong focus on customer relationship management and a “customer equity” perspective. This perspective suggests a paradigm shift from transactional to relational marketing, placing special focus on the value of continuing a customer relationship instead of individual sales.

The importance of this long-term value perspective is based on the assumptions that it is considerably cheaper to satisfy an existing customer than to obtain a new one, and that

satisfied customers become more easily loyal customers, which may lead to higher long-term revenue from a greater willingness to pay, frequency of purchase, and probability of purchase (Rust & Miu, 2006).

Fitzsimmons & Fitzsimmons (2008) identifies two main divisions in the so termed *experience economy* based on the expectations of the target segment, the levels of customer participation and interaction with the environment. These divisions are Consumer Service Experience and Business Service Experience.

The main difference between these two types of service experiences relies on the source of value creation. While consumer service experiences originate value by “*engaging and connecting with the customer in a personal and memorable way*”, business service experiences create value “*from the coproduction or collaborative nature of the relationship*” (Ibidem, 2008. P. 11). The following table summarizes the main features and differences between both divisions.

Table 4. Main Divisions and Features of the Experience Economy (from Fitzsimmons & Fitzsimmons, 2008)

Features	Consumer Service Experience	Business Service Experience
Function	Stage	Co-create
Nature	Memorable	Effectual (Producing the intended result)
Attribute	Personal	Growth
Method of supply	Revealed overtime	Sustained over time
Seller	Stager	Collaborator
Buyer	Guest	Collaborator
Expectation	Sensations	Capability

It is of the greatest importance for companies to understand the nature of their service experiences offered in order to plan and design the resources, interactions and processes that fulfill the client’s expectations before, during and after consumption.

2.2.3. Digital Services and the Internet (World Wide Web)

The evolution of information technologies (IT) has played a major role in improving services’ performance, especially due to its capabilities for managing information and facilitating communication. Among other benefits, these capabilities increase the potential for managing more and better customer relationships; enable a major degree of service customization; allow more effective targeted marketing; and gather real-time market information, both from customers and competitors (Rust & Miu, 2006).

With the emergence of the World Wide Web (WWW) in the 90’s, the adoption of the Internet started to spread across countries and sectors of society. Nowadays, it is a widely adopted technology around the world, especially in developed economies. About one third of the World’s population has access to the Internet, and in the past ten years,

the number of users has grown almost 450 percent (Internet World Stats, 2010). There are several factors influencing the fast spread of the Internet and revolutionizing how people use it more frequently in their everyday lives, such as:

- Increasing ubiquity and connectivity to the Internet derived from the expansion of communication networks and diversified access channels (e.g. Cable, DSL, Fiber/LAN, Mobile/Wireless)
- Increasing speed or capability to transfer large volumes of data in different formats (e.g. text, video, audio)
- Increasing accessibility through different types of devices (e.g. PCs, laptops, mobiles, tablets, handhelds, TVs)
- The penetration of the Internet on different sectors of the economy/society (e.g. government, education, business, entertainment, communications, leisure)
- Improved ways for finding information (e.g. search engines, portals, blogs, directories, web addresses)
- Continuous development of convergent technologies, especially in the telecommunication sector (e.g. TV, Internet access, Phone, Mobile)
- More user-friendly platforms that enable users to interact and socialize with other users or services, while creating and consuming content simultaneously.

These factors continue to provide new business opportunities for both, goods and service companies trying to take advantage of the seemingly timeless and borderless market space. As Starr (2005) highlighted, the WWW has become the most powerful marketing, customer service, and information-distribution tool as it provides cost-effective service delivery, twenty-four-hour availability, and the possibility to present information instantly and automatically in any language.

Evolution of Internet-based Services

In the late 90's, there was an enormous trend of companies trying to take advantage of the promising possibilities enabled by the Internet. Unfortunately, a big part of these companies failed to use the Internet successfully as a primary platform (*online-based*), and a few others started using it as a secondary channel (*click-and-mortar*) with moderate success. The cultural and organizational challenges faced by this first overoptimistic wave of "e-businesses" resulted in a speculative crisis commonly known as the "*.com bubble burst*".

During the "*.com era*" companies were mostly concerned about raising venture capital and generating revenues, but not in a very profitable way. Companies often undertook massive marketing costs and price cuts, which maximized the amount of transactions but kept little customer retention (Earle & Keen, 2000). As Earle & Keen (2000) suggest, transaction-based businesses did not create the necessary value for keeping the customers coming back. Instead, companies should become relationship-centered,

developing appropriate business processes behind the Web site that help in building relationships, collaboration and community.

A few years after the .com bubble burst, the lessons learned from the first wave of e-businesses, the evolution of web standards, and the ongoing development of technologies which enabled a more flexible and social web (O'Reilly, 2005; W3C, 2010), led to a new wave of Internet services termed Web 2.0 services.

According to O'Reilly (2005) the Web 2.0 is about using the web to deliver services, where companies can use technologies to leverage serving the long-tail markets, over multiple devices, harnessing the collective knowledge and input of users, to continuously add value and keep developing the service, by using this unique data to differentiate, build network economies and increase switching costs (Shapiro & Varian, 1998; Combs, 2000).

Some relevant examples of Web 2.0 services are You Tube (online video platform), Flickr (photo sharing), last.fm (music sharing), Wikipedia (crowd-sourced encyclopedia), Blogger (blogging platform), Delicious (Social bookmarking), Facebook (social network) and Twitter (micro blogging). Most of these Web 2.0 services have a social component, which is consistent with the trend of developing services built on relationships, collaboration and community.

As digital services continue to spread with the growth of the social and mobile web, digital interactions are becoming more and more important for service delivery (Stickdorn et al. 2010, p.80).

2.2.4. Internationalization of Services

The growing importance of services in the global economy has been highlighted in the past decades in numerous studies and reports (Clark et al., 1996; Grönroos, 1999; Knight, 1999; Pauwels & de Ruyter, 2004; Javalgi et al., 2003). Many of the factors that contributed to the globalization of industrial goods companies, like the reduction of trade barriers and the rapid evolution of information and communication technologies, have also enabled the globalization of service firms (Javalgi et al., 2003, p.185).

However, the distinctive features of services (i.e. the involvement of the customer in the service process, intangibility, inseparability, etc.) have generally conveyed additional challenges to the internationalization of service firms when compared to the internationalization of industrial goods companies (Javalgi & Martin, 2007).

As new technologies evolve and are adopted by consumers and companies, new possibilities arise to enable interactions and to deliver certain services to international markets with efficiency (Lumpkin & Dess, 2004). The ubiquity of the Internet reduces the barrier of the physical distance, but as services are profoundly people-centered, the

challenges of the cultural or psychic distance (e.g. language, electronic literacy, etc.) between the supplier and the customer remains (Pawels & de Ruyter, 2004; Clark et al., 1996; Grönroos, 1999).

Even when many could argue that any Internet-based services could be international/global by nature because their “accessibility” from any device, the use of the Internet as a service platform is subject to the nature of the service, the geographical physical limitations to perform such service, local regulations compatibility of payment methods, consumer preferences, and cultural aspects. As Grönroos (1999, p.293) asserts, “regardless of how much of the service can be produced in a back office on the home market, some of the service offering is always produced locally”.

The study of international services has been limited and scattered, and internationalizing service firms often rely on theories developed for the manufacturing industry (Clark et al., 1996; Knight, 1999; Javalgi & Martin, 2007). Thus, the importance to provide additional insights into the internationalization of service companies from different perspectives (e.g. business model framework), considering aspects that are particular to services, and to digital services in particular.

Clark et al. (1996) propose a meta-classification of international services based on who or what crosses an international boundary – which is a key element of the international dimension of services –, identifying four types of services: 1) contact-based services, 2) vehicle-based services, 3) asset-based services, 4) object-based services. The following table summarizes the four types of international services and its characteristics.

Table 5. Classification of International Services (Clark et al., 1996)

Issue	Contact-based	Vehicle-based	Asset-based	Object based
What crosses the national boundary?	People	Electromagnetic signals	Capital, organizing principles	Objects
Critical boundary crossing factors	Immigration/visa policy	Transborder data flow policies	Foreign investment policy	Trade policy
Critical barriers to trade	Mobility	Transmission	Investment	Trade
Critical transaction variables	Culture communication	Transmitter / receiver availability	Equal treatment policies	Country-of-origin effects
Comparative strength	On-the-spot interaction and adjustment possible	Theoretical ease of worldwide access	Permanent presence	Indistinguishable from goods
Comparative weakness	People more difficult to move across boundaries for economic reasons than objects, etc.	Limited to information / communication-based services	Permanent presence puts service providers at whim of host government	Easily copied

Based on this classification of services, Clark et al. (1996, p.15) defines international services in general as “deeds, performances, efforts, conducted across national boundaries in critical contact with foreign cultures”. Additionally, he proposes an adjusted definition for each of the four types of services, from which the one corresponding to electronic services is highlighted, given the scope of this study:

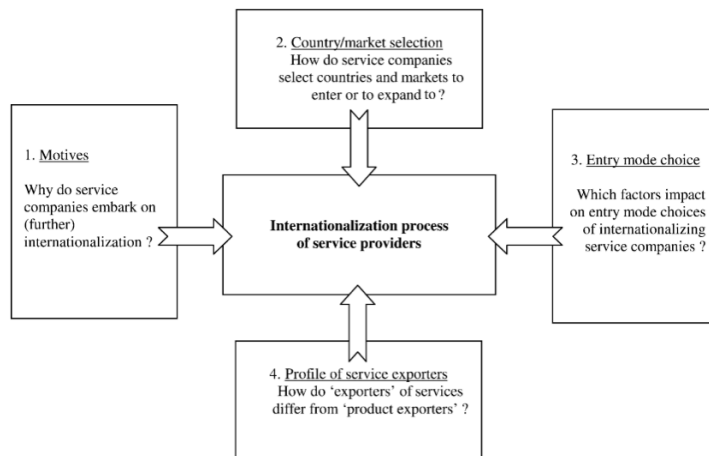
“International vehicle-based services are deeds, acts or performances with location joining properties (allowing service producers to create the effects of their presence without actually being present), transacted across national boundaries via an instrumental framework.” (Clark et al., 1996, p.15).

Furthermore, in addition to stressing the significance of vehicle-based services as “the most important, and certainly the fastest growing, sector of the international services trade”, Clark & Rajartnam (1999, p.302) defined four parameters associated with the framework or vehicle, which determine the delivery of the service. These are: 1) its carrying capacity – e.g. data transfer capacity, 2) access limitations – e.g. licenses, tools, contracts, 3) the need for specialized equipment to access the vehicle – e.g. telephone, computers, and 4) its development pattern.

2.2.5. Positioning of the Study Within the Stream of Research

Knight (1999) concludes, after an extensive literature review of the international service marketing literature between 1980 and 1998, that research in the field is largely fragmented. In an effort to classify the existing research into relevant topics to better understand the internationalization process of service providers, Lommelen & Matthyssens (2005) suggest four areas of research: 1) internationalization motives, 2) country/market selection, 3) entry mode choice, and the 4) profile of service exporters.

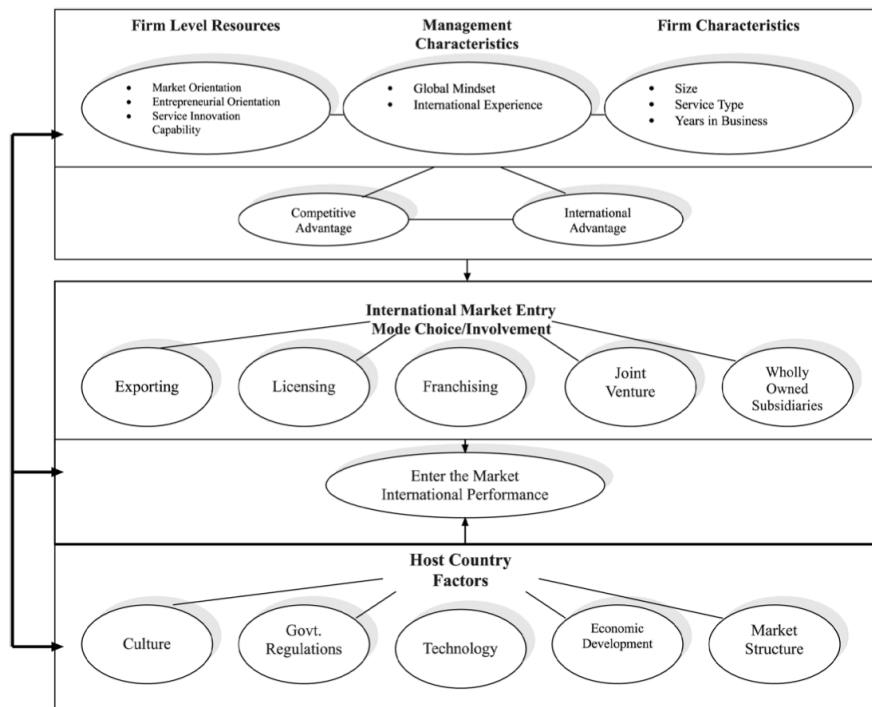
Figure 5. Areas of Research on Internationalization of Services (Lommelen & Matthyssens, 2005)



Similarly, Javalgi et al. (2007), provide a conceptual framework to avoid the “conflicting viewpoints about the applicability of existing theories” and “to better understand the key components influencing the internationalization of service firms”. This framework considers six key elements: 1) firm-level resources, 2) management characteristics, 3) firm characteristics, 4) competitive and international advantage, 5) the degree of involvement/risk, and 6) host country factors.

The following figure illustrates the conceptual framework proposed by Javalgi et al. (2007), which aims to serve as a guide for future research about the internationalization of services.

Figure 6. Conceptual Framework to Study Internationalization of Services (Javalgi & Martin, 2007)



Given that this research is based on an in-depth, exploratory case study of a Born Global service firm, it aims to provide additional insights to the four areas of research proposed by Lommelen & Matthyssens (2005), providing more clarity to the internationalization process of service providers. Additionally, the holistic nature of the business model framework and the consideration of the business context factors during the internationalization process, are consistent with the research framework suggested by Javalgi et al. (2007) and should help to contribute to develop the theory about internationalization of services.

2.3. Business Models

2.3.1. Business Model Definitions and Characteristics

The term business model is a relatively young concept that came into mainstream use in the mid-90's, with the surge of the "dot.com" bubble. Some authors (Osterwalder et al., 2005) argue that the concept surfaced during this time because of the increasing possible configurations of business operations managers started to experienced, due to the intense development of information technologies and the decreasing cost these provided.

Despite the growing use of the business model term in the managerial world and the increasing academic research from different scientific fields, a unified perspective of what a business model is and which are its main components has not been reached.

In its most general level, Osterwalder et al. (2005) started by looking at the meaning of the words that conform the "business model" concept. Hence, a model was defined as "a simplified description and representation of a complex entity or process". Furthermore, Osterwalder et al. (2005) highlighted that the "representation" element involves the process of conceptualization, conformed by the objects, concepts and their inter-relationships.

On the other hand, Osterwalder et al (2005) defined the word business as "the activity of providing goods and services involving financial, commercial and industrial aspects".

In other words, to set the ground for the definitions proposed by different authors, it would be appropriate to keep in mind that the "business model" concept aims to simplify the essential parts, processes and relationships of a business, using some kind of representation.

Timmers (1998) defines business models as the architecture for the product, service and information flows, including a description of the various business actors, their roles, benefits, and sources of revenues.

Magreta (2002) described the business model as "a story that explains how the enterprise works", with a coherent narrative where also the numbers add-up.

A few studies (Shafer et al., 2005; Pateli and Giaglis, 2004; Osterwalder et al., 2005) have developed integrative frameworks where previous research has been analyzed, in order to build the common grounds in which future research in the field can be developed.

In one of these synthetized approaches, Shaffer et al. (2004) define business model as "a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network".

Chesbrough (2007, p.12), highlights that “every company has a business model, whether they articulate it or not”, and that “at its heart, a business model performs two important functions: value creation and value capture”.

Regardless of the differences among these definitions –mostly due to their different level of detail–, most of these highlight the same principles. However, more significant differences are observed when determining the main business model components and their inter-relationships, explored in the following sections.

2.3.2. Utility of the Business Model Construct

Businesses are complex entities in themselves, which operate in changing environments and whose performance depend on the effective use of resources, activities and positioning within their value network – i.e. suppliers, customers, partners, competitors, etc. (Afuah, 2004).

Moreover, international, global, and Born Global companies add increasing layers of complexity to the understanding of the business, to managers and employees overall.

Therefore, the use of concepts and tools which enable to simplify and visualize the core aspects of the firm and its operations could be of great help for these global start-ups which have the need to act fast and make the most of their limited resources.

As different studies suggest, “business models can be powerful tools for analyzing, implementing and communicating strategic choices” (Shafer et al., 2005, p.200).

Morris et al. (2006) identify at least five major strategic uses of a business model that can bring significant value to different stakeholders, as summarized in the table below.

Table 6. Strategic Uses of Business Models (Morris et al., 2006)

Strategic use	Description
Improve logical consistency and communication	Ensure a logical and consistent approach to the design and operations of the venture and facilitate its communication to stakeholders
Platform for innovation	Facilitate the identification of the key variables and possible alternative configurations
Evaluate economic attractiveness	Serve as a tool to evaluate the economic implications of the configuration choices and leverage resources from stakeholders (e.g. investors, partners, etc)
Guide for ongoing operations	Provide strategic and tactical insights to guide everyday operations and decision
Improve responsiveness, innovation and facilitate change	A model map can facilitate the identification of necessary modifications as conditions change, helping to reduce risks and identify opportunities

2.3.3. Core Business Model Components

As some integrative studies demonstrate (Pateli and Gialis, 2004; Osterwalder et al., 2005), there has been a sub-domain of research focused on decomposing the business model concept into its essential elements, commonly referred as components, functions, attributes, building blocks, or pillars (Pateli and Gialis, 2004; Shafer et al., 2005; Osterwalder et al., 2005; Morris et al., 2005; Chesbrough, 2007).

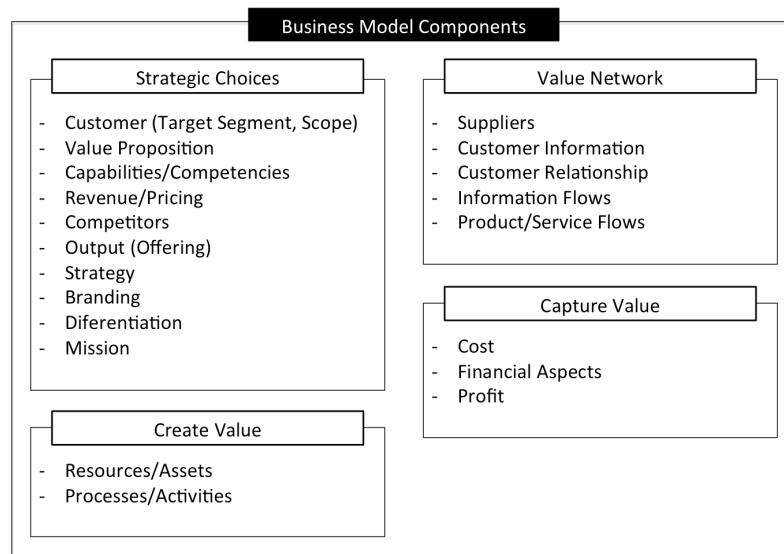
This section discusses the most commonly accepted elements of a business model by using a top-down, hierarchical approach, where the business model is decomposed into core components and sub-components.

As a result of the integrative study developed by Shaffer et al. (2005), a business model framework is proposed consisting of four core components and twenty sub-components, based on the previous research in the field. These core components are the company's "strategic choices", its "value creation" and "value capture" processes, and the "value network" where the firm operates.

The "value creation" and "value capture" consist of the core activities and resources required by the company to produce and deliver their offer, in a financially sustainable way. The "value network" consists of the interactions and positions of the company within its value network, where the value creation and capture take place. The "strategic choices" are the decisions taken by the company regarding the path to follow, the focus of its activities and resources, and its positions within the value network.

The sub-components and their classification into the four core components can be observed in the following figure.

Figure 7. Business Model Components (Shafer et al.,2005)



Using a slightly different approach, another integrative study developed by Osterwalder et al. (2005) proposed four pillars –or core elements– and nine building blocks – or sub-components.

The following table summarizes the pillars and building blocks proposed by Osterwalder et al. (2005), which are developed a bit further later in the chapter.

Table 7. Business Model Pillars and Building Blocks (Osterwalder et al., 2005)

Pillar	Business Model Building Block	
Product	Value Proposition	A company’s bundle of products and services.
Customer Interface	Target Customer	Segments of customers a company wants to offer value to.
	Distribution Channels	Means of the company to get in touch with its customers.
	Relationship	The links a company establishes between itself and its different customer segments.
Infrastructure Management	Value Configuration	The arrangement of activities and resources
	Core Competency	The necessary competencies to execute the company’s business model.
	Partner Network	The necessary cooperative agreements with other companies to efficiently offer and commercialize value.
Financial Aspects	Cost Structure	The monetary consequences of the means employed in the business model.
	Revenue Model	The way a company makes money through a variety of revenue flows.

While both of the integrative perspectives proposed by Shafer et al. (2005) and Osterwalder et al. (2005) include similar elements for a meta-conceptualization of business model, Osterwalder’s framework offers a more synthesized and descriptive approach focused on the essential business elements and its relationship, which serves as the conceptual link between strategy, the business organization, and its systems (Osterwalder et al., 2005, p.10).

Furthermore, as both authors agree that business models and strategy are two different but related concepts, the framework proposed by Osterwalder et al. (2005) – which excludes strategy as a component or sub-component of the framework – provides a clearer distinction between the terms.

To illustrate the differences stated between the concepts strategy and business model, Shafer et al. (2005) compares the business model to an architectural plan, which reflects an approach to represent the strategic choices and their operating implications made by stakeholders during the design process. Similarly, Osterwalder (2005) sees the business model as a “system that shows how the pieces of a business concept fit together, while strategy also includes competition and its implementation”.

2.3.4. Tools and Methodologies to Understand Business Models

As discussed earlier, a sub-domain of research has been focused on developing methodologies and tools to design business models (Pateli and Giaglis, 2004; Osterwalder et al.; 2005).

Within this sub-domain of research, Osterwalder and Pigneur (2010) developed a tool that helps to transfer the business model ontology into a more visual representation, termed as the “Business Model Canvas”. The advantage of this model, as Pateli and Giaglis (2004) state, is that “a pictorial design is arguably the best mean to communicate information and achieve in-depth insight”.

The business model canvas is conformed by the nine building blocks proposed by Osterwalder et al. (2005), with a couple of minor adjustments: a) the use of a terminology more frequently understood in the managerial world, and b) the re-organization of “core competencies” and “value configuration” components, into “key activities” and “key resources” components, which still encompass the same elements with a slightly different approach.

The following table lists the business model building blocks or components, according to the visual representation method proposed by Osterwalder and Pigneur (2010).

Table 8. Business Model Components (Osterwalder & Pigneur, 2010)

BM Components	Description
Value Propositions (VP)	The bundle of products and services that create value for a specific customer segment.
Customer Segments (CS)	The groups of people or organizations an enterprise aims to reach and serve.
Channels (CH)	The way a company communicates with and reaches its customer segments to deliver a value proposition.
Customer Relationships (CR)	They relationships a company establishes with specific customer segments.
Key Activities (KA)	The most important things a company must do to make its business model work.
Key Resources (KR)	The most important assets required to make a business model work
Key Partnerships (KP)	The network of suppliers and partners that make the business model work.
Cost Structure (C\$)	All the costs incurred to operate a business model.
Revenue Streams (R\$)	The cash a company generates from each customer segment.

The business model canvas includes the nine previously mentioned components and places them in a structured diagram that helps to visualize the core aspects of each component and the relationships among them in a logical way.

For example, the figures below illustrate how the building blocks are positioned within the diagram and how their relationship can be interpreted on a general level:

Figure 8. Positioning of the Business Model Components in the Business Model Canvas (Osterwalder & Pigneur, 2010)

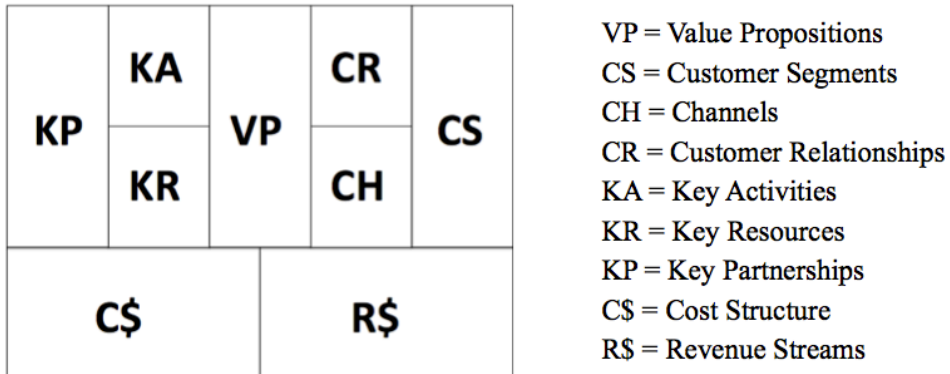


Figure 9. Relationships Among Business Model Components in the Business Model Canvas (Adapted from Osterwalder & Pigneur, 2010)

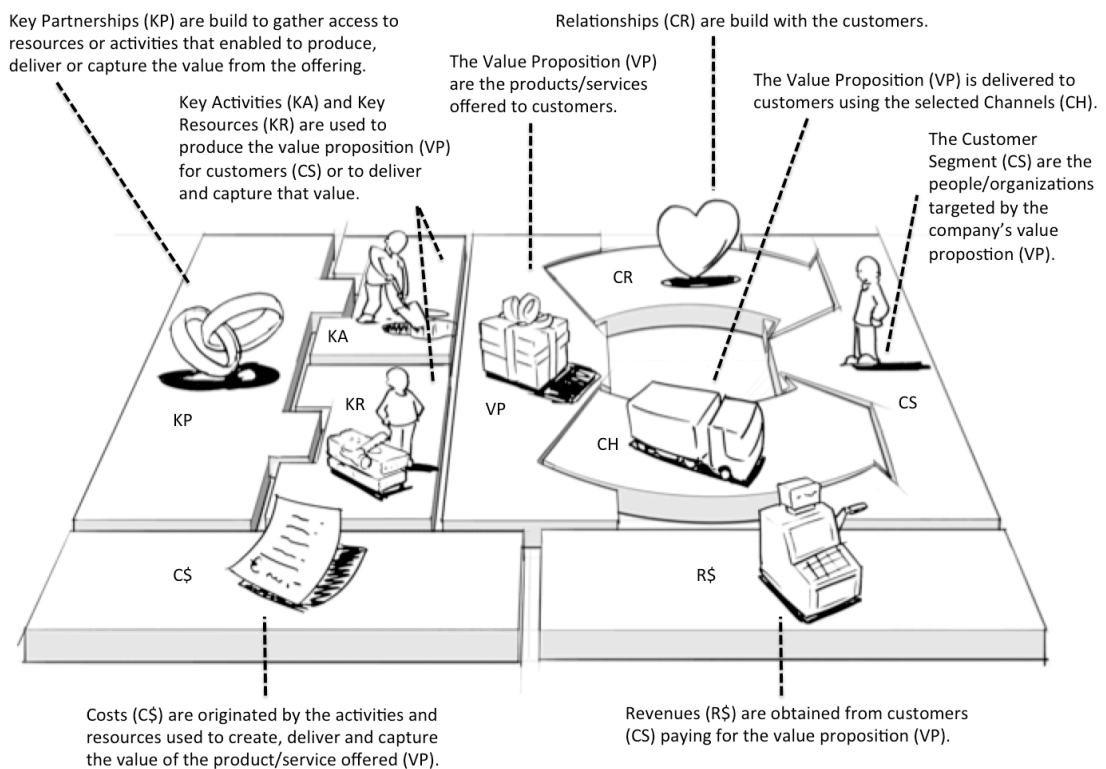


Diagram source: www.businessmodelgeneration.com

2.3.5. Dynamic Nature of Business Models and its Environment

Another sub-domain of research – change methodologies – identified by Pateli and Giaglis (2004), indicates that multiple studies focus on the need to understand better the dynamic nature of businesses as “these are subject to external pressure and thus subject to constant change” (Osterwalder et al., 2005, p. 10).

Moreover, they highlight the importance of adding a longitudinal dimension to business model frameworks, “to cover the dynamics of the business model over time and the cognitive and cultural constraints that managers have to cope with” (Hedman and Kalling, 2003, p.53).

Also, they mention that “an organization’s business model is never complete as the process of making strategic choices and testing business modes should be ongoing and iterative” (Shafer et al., 2005, p. 207)

In order to understand the logic of a business model at a certain point of time – and the strategic choices that reflects – it is also important to understand the business environment that surrounds it.

Also, as some authors suggest, in the highly competitive and rapidly changing environment observed nowadays, the innovation, reinvention, and optimization of business models can serve as a source of sustainable competitive advantage (Voelpel et al., 2004; Chesbrough, 2007; Yip, 2004).

For this reason, in order to deepen the understanding of the business model canvas, Osterwalder and Pigneur (2010) suggest to include in the analysis of business models at least four highly relevant context areas, which are: 1) Industry Forces, 2) Market Forces, 3) Key Trends, and 4) Macroeconomic forces.

For each of these areas, there are a series of elements, which are worthwhile to consider, and which are contemplated in the analytical framework used in this research. These elements are presented in the following table:

Table 9. Main Business Model Environment Areas of Analysis (Osterwalder & Pigneur, 2010)

Business context area	Factors
Industry Forces	<ul style="list-style-type: none"> - Suppliers and value chain actors - Stakeholders - Competitors (incumbents) - New entrants (insurgents) - Substitute products and services
Market Forces	<ul style="list-style-type: none"> - Market segments - Needs and demands - Market issues - Switching costs

	- Revenue attractiveness
Key Trends	- Technology trends - Regulatory trends - Societal and cultural trends - Socioeconomic trends
Macroeconomic Forces	- Global market conditions - Capital markets - Economic infrastructure - Commodities and other resources

It is important to emphasize that these factors do not represent an exhaustive list of elements surrounding a company's business environment, but these do help to elaborate a very comprehensive picture of the most relevant and common external aspects influencing business strategic choices.

2.3.6. Positioning of the Study Within the Stream of Research

As the business model phenomenon has been studied from different disciplinary perspectives, and given that the focus of each study is also determined by the objectives of the researcher, Pateli and Giaglis (2004) developed an analytic framework that would help to organize existing and future research. Based on this framework, eight sub-domains of research have been identified, namely: a) Definitions, b) Components, c) Taxonomies, d) Conceptual models, e) Design methods and tools, f) Adoption factors, g) Evaluation models, h) Change methodologies.

The following table summarizes the sub-domains of research in the Business Model research stream and their focus:

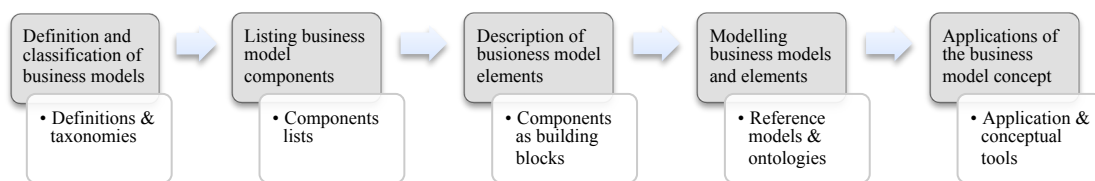
Table 10. Sub-domains of Research of Business Models (Adapted from Pateli and Giaglis, 2004)

Sub-domain	Focus of research
Definitions	Purpose, scope, primary elements and relationship with other business concepts
Components	Decomposition of the business model concept into its fundamental elements (ontological analysis).
Taxonomies	Possible categorization of business models into typologies based on unique features
Conceptual models	Organization of business models from different perspectives, including representational models of elements and inter-relationships
Design methods and tools	Development of methods, tools and languages to design models
Adoption factors	Factors that affect the adoption of business models and implications of business model innovations
Evaluation models	Identification of the criteria to assess and compare the feasibility and profitability of business models
Change methodologies	Guidelines and steps for changing or adapting business models

Similarly, Osterwalder et al. (2005) proposed a comparable classification of the existing business model research, additionally identifying an evolutionary perspective in the focus of research.

The following figure illustrates the sub-domains of research, their focus, and their progression within the stream of research.

Figure 10. Evolution of the Business Model Concept (Adapted from Osterwalder et al., 2005)



Based on the previously mentioned research sub-domains, this research is mostly focused on the last two sub-domains proposed by Pateli and Giaglis (2004) – evaluation models and change methodologies – and in the last one suggested by Osterwalder et al. (2005) – application of the business model concept –, which are the latest research areas where an in-depth, exploratory research like this can contribute the most.

2.4. Preliminary Theoretical Framework

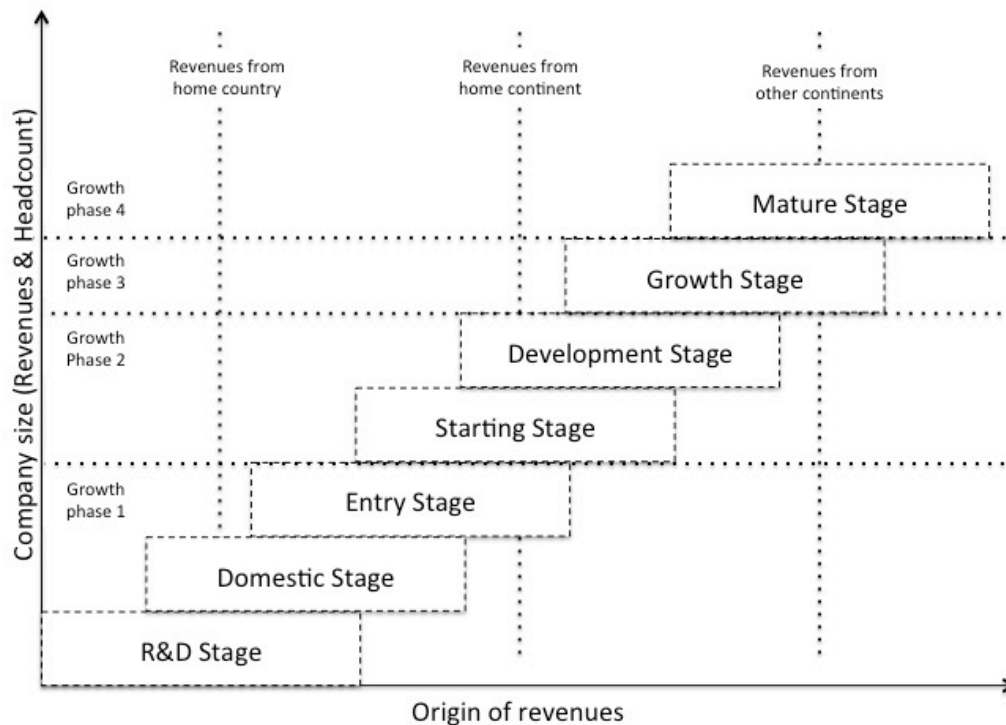
The following section presents the theoretical framework based on the literature reviewed in this chapter. The framework summarizes the perspective employed to answer the research questions presented in the previous chapter: How business model components of Internet-based Service Born Global companies evolve and are managed during their development stages?

In order to facilitate the synthesis of concepts used to analyze the research phenomena, the main theoretical assumptions are presented with the help of visual representations.

2.4.1. Born Globals

The following figure illustrates how the development models of Born Globals proposed by Luostarinen & Gabrielsson (2006) and Gabrielsson & Gabrielsson (2009) could be grouped to envisage the development of the company from both perspectives.

Figure 11. Stages of Development and Growth Phases of Born Globals (Adapted from Luostarinen & Gabrielsson (2006) and Gabrielsson and Gabrielsson (2009))



As the theory suggests, Born Globals are expected to follow the seven stages of development proposed by Luostarinen & Gabrielsson (2006) as they initiate operations and start their internationalization process. Similarly, the progression of these stages are expected to be in line with the growth phases proposed by Gabrielsson & Gabrielsson (2009), where the focus of their operations varies according to the growth of the company in terms of revenue, headcount and internationalization degree.

2.4.2. Service Business

Particular challenges related to the nature of the service business will be evaluated, especially those related with the internationalization of internet-based services.

The distinctive service characteristics proposed by Fitzsimmons & Fitzsimmons (2008) will be assessed in the light of the business model framework, including also the features of vehicle-based services (Clark et al., 1996) and the development stages of BGs.

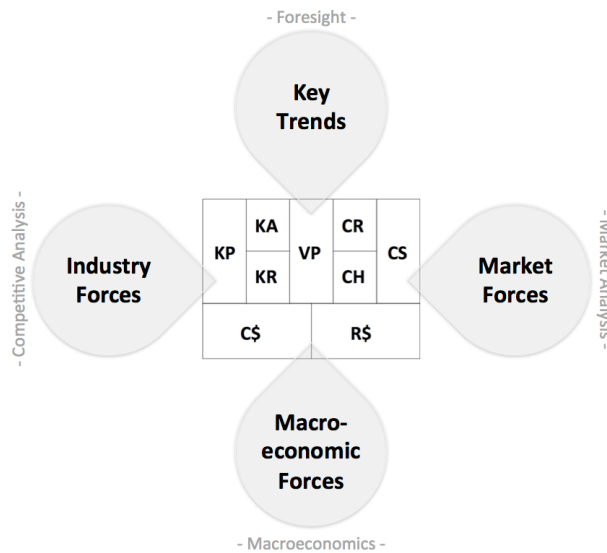
A customer perspective of services, also known as offering, will be used to encompass the bundle of goods, services, information and other components, which provide benefits or value to customers. This conceptual perspective is in line with the value proposition component from the selected business model framework.

2.4.3. Business Models

The business context of the company and the configuration of its core components will be evaluated along the development stages and growth phases of the company according to the framework proposed by Osterwalder and Pigneur (2010).

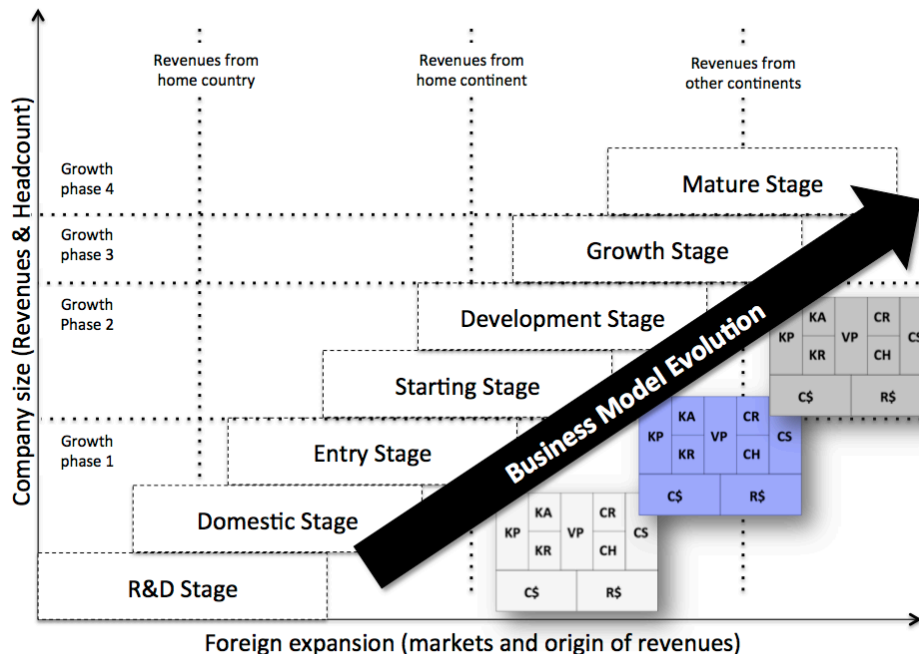
In order to understand the setting in which the strategic choices are made, the main factors affecting the business model environment will be analyzed at different stages of development. The diagram below illustrates the context elements considered and their relation with the business model canvas.

Figure 12. Business Model Environment (Osterwalder & Pigneur, 2010)



Additionally, the dynamics of the business model and its components along the development stages of BGs will be assessed in detail. This will allow to determine the main factors and elements involved in the business model dynamics, and to draw new insights about the management and growth phases of Internet-based Service Born Globals (ISBGs), as illustrated by the figure below.

Figure 13. Evolution of Born Globals' Business Model (Adapted from Luostarinen & Gabrielsson (2006), Gabrielsson & Gabrielsson (2009), and Osterwalder & Pigneur (2010))



3. EMPIRICAL FINDINGS: CASE FLOOBS

This chapter presents the findings from the selected case study to explore how the business model components of Internet-based Service Born Global companies evolve and are managed during its development stages. The chapter is organized as follows:

First, a description of the firm's background and characteristics is provided. Then, the business environment and factors influencing the business model strategic choices are explored, considering the four areas suggested by Osterwalder & Pigneur (2010): Key Trends, Market Forces, Industry Forces, and Macroeconomic Forces. Also a review of the service-specific considerations is provided. Finally, an examination of the business model components along the development stages of Born Globals is presented, followed by a visual representation of the nine business model components using Osterwalder & Pigneur's (2010) business model canvas.

3.1. Firm Background and Characteristics

Floobs surged as a result of a discussion held in late 2006 between its two co-founders, where the opportunity to stream live video over the web and mobile started to appear technically and economically viable for an increasing amount of people, with the use of the consumer electronics and telecom services available in those days.

The possibilities envisaged by the founders for using such live streaming services were vast. Among these, the ones closest to the founders' needs were the possibilities to enable people to monitor any specific location (e.g. animal hotels) or to stream live events (e.g. games or tournaments).

With this idea in mind, the founders elaborated a business plan in early 2007 and requested an entrepreneurship loan to finance their first in-depth market and technical feasibility studies. During this time, a specialist in online video streaming, who was consulted during the research phase, was invited to join the company as a co-founder and CTO. Soon after, the company raised its first funding round in April of the same year and started developing the first version of the service at the beginning of May.

In addition to the internal development process started in May, during the summer of 2007 the company started a partnership with researchers and students from the University of Oulu, where certain parts of the development activities were outsourced.

The first version of the service www.floobs.com was launched in September 2007, with headcount of 9 (Kristen, 2007b).

The following figure depicts how Floobs website looked during its initial phase and what kind of content promoted. In the appendices section, there are additional examples of the evolution of the website and the company services.

Figure 14. View from Floobs.com site (2007). Featured: Live channels, program guide, access to recorded videos.



In floobs.com (2007) any user was able to create a web TV channel where they could stream live video from their computer or mobile phone. Users were also able to upload existing videos to show them in their channel or in their video library.

Floobs.com was also a destination site where anyone could go to watch live or on-demand videos (e.g. like YouTube but also with live video content).

3.2. Business Context and Factors Influencing the Company's Business Model

The initial business model configuration of the company was a result of a series of strategic choices taken by the founding team based on the available resources (internal factors) and their assessment of the business context at that time (external factors).

As the external factors evolved along the life of the company, the following section depicts the elements considered during the first growth phase of the company, in which the business model remained unchanged. This phase includes three of the seven development stages utilized by Luostarinen & Gabrielsson (2006), namely the R&D, Domestic and Entry stages. In other words, the time from the conception of the business idea in late 2006, until its launch and entry to international markets in late 2007.

The external factors have been grouped in the following four categories, based on the analytical Business Model framework suggested by Osterwalder and Pigneur (2010): 1) *key trends* (in technology & culture), 2) *the market* (the apparent need for a new service like the one in mind), 3) *the industry* (the competitive environment), and 4) the *economic environment* to start such venture (access to capital & other necessary resources).

3.2.1. Key Trends

3.2.1.1. Technology Trends

The creation of Floobs was strongly influenced by the technological developments observed during those years. In particular, there were three enabling technological factors that were key for the development and use of the service:

- 1) Global spread of broadband connections: broadband Internet access was becoming the standard for home consumers, enabling any user to upload or download larger amounts of data (e.g. video) in a shorter amount of time at a very low cost. Faster Internet connections allowed the possibility to broadcast TV-quality video content with the simple use of a digital video camera (DV cam), a computer and an Internet connection. On the content consumption side, even simpler Internet connections (250-500Kbps) would allow users to watch high-quality (live or on-demand) video from anywhere, without any interruptions.
- 2) Increasing adoption of web services for user-generated content creation and consumption: the years 2004-2006 saw the rise of the "Web 2.0" (O'Reilly, 2005), a new approach towards Web services where users were heavily involved in the co-creation of content. Blogging sites like Blogger, Photo and video sharing sites like Flickr and YouTube, and social network sites like MySpace,

became increasingly popular and began to transform the way people create, share, and consume content online.

The technological and social factors that gave rise to this participative way of using web services, were determinant factors for the creation of Floobs.

- 3) Increasing development and adoption of smart phones and hi-speed mobile networks: The development of the 3rd generation of telecommunications technology (3G) which began to spread in 2001, and the evolution of mobile handsets with high-quality cameras and Internet access, provided a new opportunity for regular people to create and consume content almost from anywhere. The possibility to link online and mobile services was at this moment a new opportunity that was at the core of Floobs business.

3.2.1.2. Regulatory Trends

Regulatory trends were favorable for the creation of online services at the time. In particular, three main factors were of specific importance when Floobs was established:

- 1) Continuous elimination of trade barriers: the ongoing liberalization of trade that had been experienced in the past decade also contributed to the internationalization of the service sector.
- 2) Lack of strict regulations to provide online services worldwide: As digital services were mostly regulated in the market where the company was established, the regulations required by other countries when selling/acquiring services from abroad were still limited. Also, by fulfilling the requirements imposed by Finnish authorities, which were in line with the EU and among the most advanced in the world, it was possible to operate in most countries.
- 3) Need to moderate content and avoid user's infringement of intellectual property rights (IPR): As the company provided a platform that users could use to stream content, the company had to provide certain guidelines in the terms of service requesting users not to use content protected by copyright laws without explicit consent from its owners. Also, the company had to prevent the establishment of mechanisms to block copyrighted content upon request by the rightful owners.

3.2.1.3. Societal and Cultural Trends

- 1) Rise of online social networks and interest communities: The growth of social networks of different interest (e.g. music, video, etc.) started to meet unseen growth and dimensions, reaching millions of users worldwide (Bausch & Han, 2006), becoming more and more a part of people's everyday lives.
- 2) Web 2.0: the social web (Virality, user-generated content, long-tail content): the role of Internet users in the new wave of web services became more active and they started to operate as co-producers and curators of content. New services

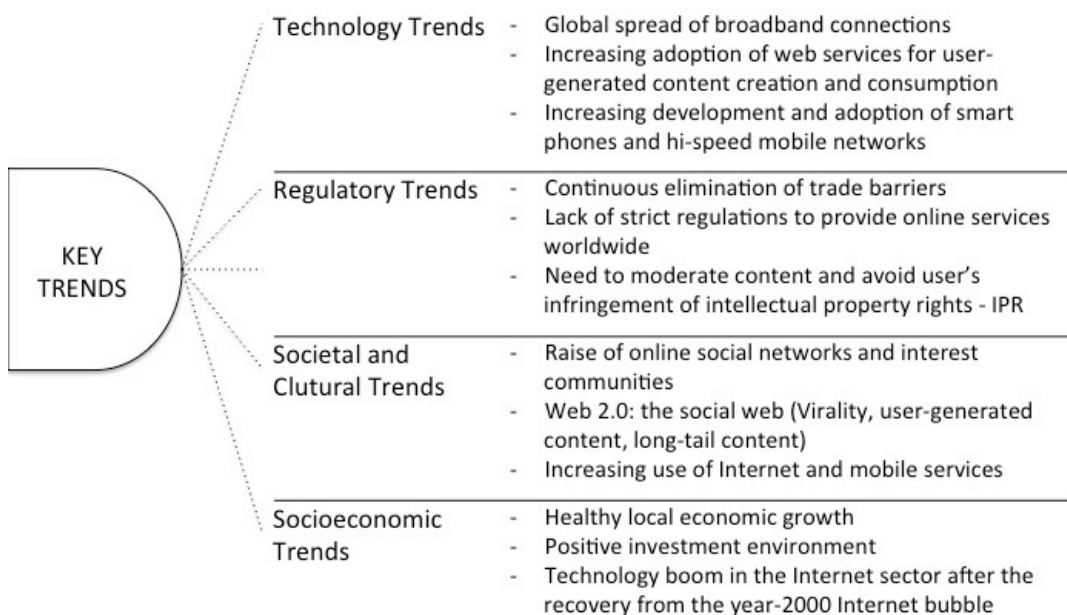
provided tools for users to share and rate content, re-defining the way of producing, distributing and consuming media to all kind of niches, not only to mainstream market.

- 3) Increasing use of Internet and mobile services: The increasing adoption of the Internet and the possibility to access to web from mobile devices enabled the development and proliferation of Internet-based services.

3.2.1.4. Socioeconomic Trends: Healthy Local Economic Growth

- 1) Positive investment environment: The global economic environment was positive. This trend had been particularly visible in Finland for the previous decade (OECD, 2006), and there was a growing interest in investors towards technology companies.
- 2) The Technology boom in the Internet sector after the recovery from the year-2000 Internet bubble: Lessons about the speculative dot.com crisis had been assimilated and more refined businesses were being created, built also on the new social aspects of the web.

Figure 15. Key Trends - Growth Phase 1 - R&D, Domestic and Entry Stages



3.2.2. Market Forces

During the first stage of development of Floobs, the main market forces shaping the business context were:

3.2.2.1. *Market Issues*

- 1) Lack of free, cheap and accessible platforms to live stream content: until this moment of time there had not been a comprehensive offerings which would allow people to stream high quality live video, to large audiences, at a very low cost (free).
- 2) Internet content emerging as a more convenient platform to consume content over traditional media: With the emergence of social platforms and new multimedia-sharing sites and tools (e.g. YouTube for video, MySpace for music, etc.), which enable the possibility to access content at any given time, the Internet started to become a more attractive channel for the masses to consume content when compared to traditional mass media, like the TV and the radio.

3.2.2.2. *Market Segments*

- 1) Mass market approach to reach higher volumes of users creating content from a broad variety of subjects (focus on the long-tail): While most products and services usually targeted mainstream segments due to their size, new technological developments on the Internet enabled the possibility to target a large amount of small niche markets without incurring enormous additional costs, and providing potentially larger size than some mainstream segments (See appendix III).

3.2.2.3. *Needs and Demands*

- 1) Growth of online video creation and consumption: Internet users had started to adopt multi-media content services in an unprecedented scale. Due to the increasing access to digital video devices and editing tools, users became also content creators, and user-generated video content started to have the possibility to reach large audiences without having to use the traditional media.
- 2) Opportunity to bring a free or low-cost platform to reach mass audiences with video, Live & on-demand: The usefulness and adoption of on-demand video platforms (e.g. You Tube, Daily Motion, etc.) was indisputable. However, there were there were many potential cases envisaged where the timing of the broadcast could increase the value of the content considerably (e.g. sports, news, events), and which were not currently approached by on-demand video platforms.

3.2.2.4. *Switching Costs*

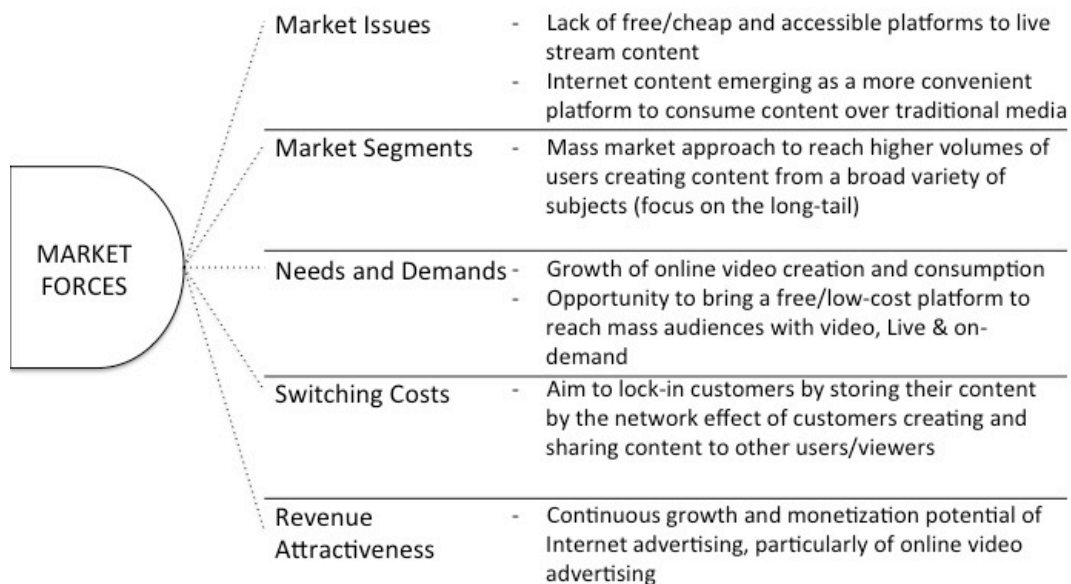
- 1) Aim to lock-in customers by storing their content by the network effect of customers creating and sharing content to other users or viewers: With the emergence of social networks it was observed that the time used generating content in one platform and the linkage between users activities increasing

switching cost if the users would decide to change to other service (Chung-Shing, 2001).

3.2.2.5. Revenue Attractiveness

- 1) Continuous growth and monetization potential of Internet advertising, particularly of online video advertising: The exponential growth of Internet users and the development of highly effective advertising tools, started to provide the possibility to monetize web services through online advertisement. In specific, video ads displayed before or after a video, provided above average results and revenues.

Figure 16. Market Forces - Growth Phase 1 - R&D, Domestic & Entry Stages



3.2.3. Industry Forces

During the first stage of development of Floobs, the main forces determining the industry landscape were:

3.2.3.1. Competitors (Incumbents)

- 1) Innovative technology and service: The industry of online video content was relatively new and had just started to grow in the past years. However, the possibilities to stream live to the web and from mobile devices was something really new that had not been offered to the mass markets (Durbin, 2007).
- 2) Virtually no competitors on live streaming and video mixing online and mobile: Given the novelty and complexity of the technology, and the technological infrastructure to required to use the service, there were very few competitors in the market, most which were offering only a part of the service envisaged by

Floobs. Among these, the closest one to Floobs service offering was Mogulus, which offered possibility to mix live video with YouTube videos but was mostly focused on online video, but not mobile. On the other hand, the German company Kyte offered the possibility to stream live content from a Webcam or a mobile device, but without the possibility to mix live and on-demand video content.

- 3) Competition in video-on demand services: there were a growing number of solutions and websites for sharing and watching recorded video (e.g. YouTube). Most of these had very little differentiation points and were competing based on their ability to penetrate markets earlier than others to generate network effects and increased users' switching costs.

3.2.3.2. *New Entrants (Insurgents)*

- 1) Expected thread of new entrants to be tackled through continuous development, switching costs and network effects: due to the growth in demand seen for video and social services, it was expected that the emergence of new entrants would arise. For this reason, the ability to build communities and switching costs became critical to build sustainable services.
- 2) Complex technology with high R&D costs: While the growing market was expected to attract new competitors, the number of insurgents was expected to be limited due to the large investments and complex knowledge required to develop and operate such type of service.

3.2.3.3. *Substitutes and Products*

- 1) No cheap substitutes for live streaming on the web or mobile but several actors for on-demand video management: While there were several alternatives for watching recorded video, both online or off-line, there were practically no affordable substitute platforms for streaming video to the masses, only traditional television.
- 2) Videoconference services focused on linking 1-1: There were other video streaming solutions offered online, but these were technically different and were addressing different needs. For example, teleconference services had the ability to stream video in two-directions linking one user to another user, not one user to many.

3.2.3.4. *Suppliers and Other Value Chain Actors*

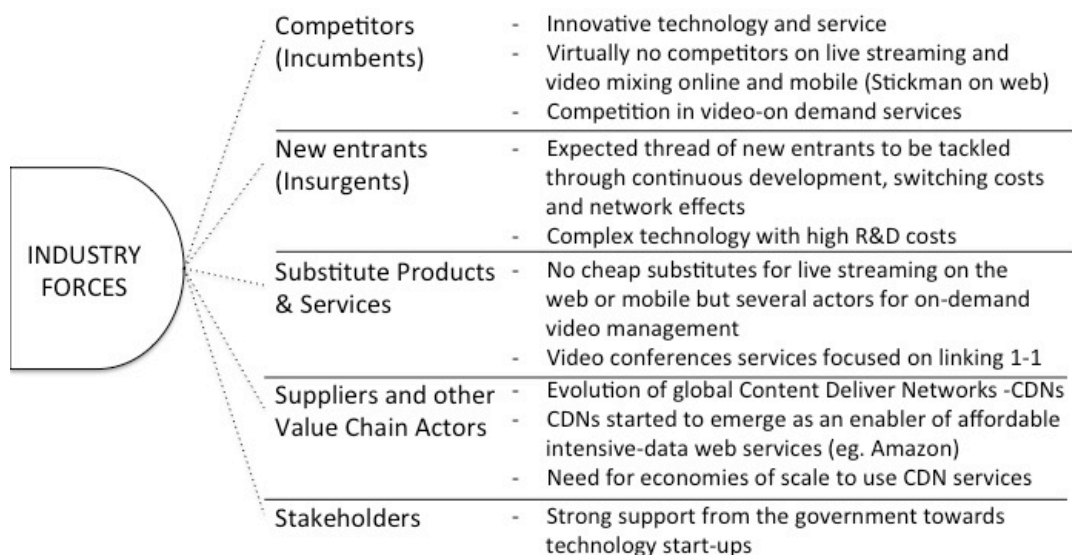
- 1) Evolution of global Content Deliver Networks –CDNs: The novelty video live streaming services was enabled in big part by the technological and infrastructure developments, particularly the availability of massive data centers located in multiple geographical locations.

- 2) CDNs started to emerge as an enabler of affordable intensive-data web services (e.g. Amazon): The possibility to store and transfer large amounts of data online, without having to actually own and maintain the infrastructure, was a relatively new phenomenon. These services enabled the possibility to envisage and operate data-intensive web services like it wasn't possible before.
- 3) Need for economies of scale to use CDN services: While CDNs provided the possibility to transfer large amounts of data simultaneously at relatively low cost. However, as these services required companies to hire rather large minimum volumes of data transfer, the actual cost savings were only materialized if large amounts of users were available.

3.2.3.5. Stakeholders

- 1) Strong support from the government towards technology start-ups: The Finnish technology industry had strong support from different governmental and private actors supporting the development of startups. Among these, the Finnish Funding Agency for Technology and Innovation (TEKES) provided particular valuable support and endorsement.

Figure 17. Industry Forces - Growth Phase 1 - R&D, Domestic & Entry Stages



3.2.4. Macroeconomic Forces

During the first stage of development of Floobs, the main forces shaping the macroeconomic environment were:

3.2.4.1. Global Market Conditions

- 1) Overall global economic growth: The World economic outlook, and the Finnish economy in particular, had been positive and growing for the past years.

- 2) Boom in the Internet sector and other Telecom industries: A new wave of Internet-based companies focused on the new possibilities enabled by the “Web 2.0” emerged. These new wave of companies and investors were more cautious and learned from the experiences lived during the bubble burst after the dot.com boom.

3.2.4.2. *Capital Markets*

- 1) Good access to public and private funding options, such as entrepreneurship credits, angel investors, and government VCs (TEKES): The investment environment and to financial resources in Finland was very positive for entrepreneurs, particularly for those focused in high-growth technology ventures.

3.2.4.3. *Commodities and Other Resources*

- 1) Good availability of qualified human resources and technological partners: Access to technical talent was relatively easy and the local presence of an important number of technological companies enabled the access to high-quality technological infrastructure and services.
- 2) Possibility to attract qualified people but with little experience (expensive labor costs): Employment policies and a flexible business culture enabled the possibility to attract and develop young talent.

3.2.4.4. *Economic Infrastructure*

- 1) High-quality public services and infrastructure: The overall quality of public services was optimal and helped to support the efficient performance of companies and individuals located in Finland.
- 2) High individual and corporate taxes: Taxes in Finland were high but also were compensated by high-quality government services and an overall all positive business environment, with access to human and capital resources.
- 3) Limited access to customers in the local market but good IT infrastructure to communicate with clients abroad: Despite the remote location of Finland from most of its foreign markets, the good conditions of the technological infrastructure enabled the company to develop and test their innovative products in its home market, and to maintain proper communication with customers through electronic media.

Figure 18. Macroeconomic Forces - Growth Phase 1 - R&D, Domestic & Entry Stages



3.3. Business Model Configuration and Evolution

3.3.1. First Growth Phase – R&D, Domestic & Entry Stages

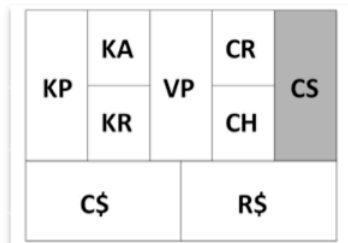
The following section describes the business model components of the company during its first stage of development, from the company inception (late 2006) to the launch of their first service available in Finnish and English (late 2007).

3.3.1.1. Customer Segments (CS)

Floobs started as a mass-market service for any Internet user interested in streaming and/or watching video (live or on-demand) to the Web. While the service was open to anyone, the content created by users was expected to attract a large number of users from multiple interest groups.

In addition to the mass-market approach, additional efforts were placed into building partnerships with event organizers to serve as a reference of the potential use of the platform. As this type of service was relatively new, event organizers (usually organizations) were able to create content that was relevant to an existing audience – its members, feeding in this way both ends of the platform – content production and consumption.

Summary: Customer Segment (CS)



- Mass market: any people who would like to stream or watch video online (live or on-demand)
- Focus on user-generated content
- Event organizers (Finland)

3.3.1.2. Value Proposition (VP)

Floobs core value proposition was centered on offering a brand new service that had not been available before for the masses: the possibility to stream live video to a large audience, with the existing consumer tools and at a very low cost.

The offering at the moment of launching the service consisted on three main elements:

- 1) A platform where users could create a channel and live stream video from their webcam.
- 2) A library where users could upload, store and show existing videos to be shown on-demand (e.g. like other existing VOD services as YouTube, etc.)
- 3) A video mixing tool that could be used by channel owners to mix live and recorded video, just like real TV channels do.

The initial service offering had some important characteristics, such as:

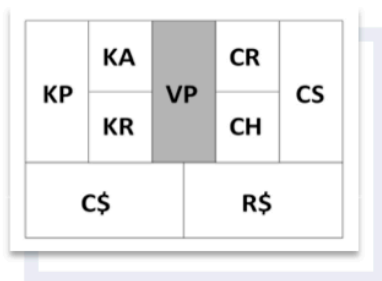
- 1) The service was provided FREE of charge with the condition that Floobs would be able to show advertisement around the video content created by the users. Floobs reserved the right to limit the bandwidth used to stream live events and the storage space used by customers, although these restrictions were seldom applied.
- 2) The service was available in two languages, Finnish (Sep., '07) and English (Nov'07).
- 3) The service was provided on a platform over the Internet on a self-service basis. This means that any user could sign-up for an account and start streaming video without the need of personal assistance.
- 4) The service offered detailed information online to guide the users on how to use the platform. It also provided a support e-mail address where users could inquiry about additional questions they might have.

- 5) The site Floobs.com was not only a platform for streaming content but also a destination site where the content created by users was available to all visitors of Floobs.com. Therefore, the site was also a source of video content for different kind of niches (e.g. pet enthusiasts, organization members, sports enthusiasts, etc).

In comparison to other online video services, Floobs service had the following differences and advantages:

- 1) Novelty: Floobs was one of the first services for streaming live video over the web. Additionally, Floobs not only enabled the possibility to stream live content, but also to show recorded video (VOD), and to mix the live and recorded video.
- 2) Quality: the resolution of the live video streamed over Floobs was higher than the one offered by the few available competitors, like Stickcam.
- 3) Storage space and length of videos: at the moment of launching the service, Floobs offered the possibility to upload video files of whichever length and file size. Competitor's services like YouTube limited both aspects.

Summary: Value Proposition (VP)



- FREE online live streaming & on-demand video service
- Live & On-demand video mixing tool
- Service in 2 languages (FI/EN)
- Video content destination site (live & on-demand)

3.3.1.3. Channels (CH - Communication, distribution and sales channels)

Floobs started with a heavy focus on its direct channels, namely the website Floobs.com and a partnerships manager. The partnerships manager was in charge of contacting Finnish organizations that organize events, so they could use Floobs service for free in exchange of serving as a reference for potential users of the service.

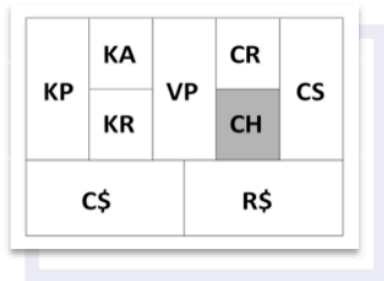
The main way in which Floobs raised awareness of its service in this first stage was through PR activities and direct marketing to organizations (this last one mostly in Finland). For example, Floobs managed to receive coverage by specialized and general media, both in Finland and abroad. Among the international media that covered Floobs launch, were Reuters (2007) and the IT portal Mashable (Kristen, 2007). In Finland, mainstream media like the journal Helsingin Sanomat, and specialized media like Tietoviikko and ITviikko also covered the launch.

Once people found out about Floobs through the media or event organizers, they visited Floobs.com site where they were able to find additional information and sign-up for an account.

The service was provided online on a self-service basis. Therefore, the delivery of the service was fully automated. It was also possible to request additional information or assistance via Floobs' support email.

Additional personal support and guidance was only offered to the partner organizations in Finland, who were contacted directly by Floobs staff.

Summary: Channels (CH)



- Web platform
- Direct sales (Finland)
- PR in traditional & specialized media

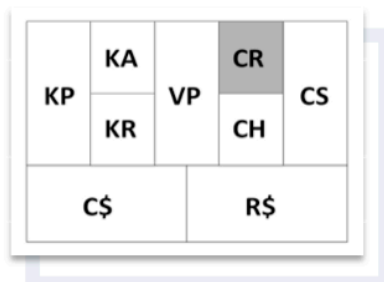
3.3.1.4. Customer Relationships (CR)

Given that Floobs was an online automated self-service platform, most of the interaction with clients was handled online.

Detailed guidelines and a list of frequently asked questions (FAQs) were the main assistance for the users of the FREE service.

Organizations located in Finland, who partnered with Floobs, were provided with direct assistance concerning the use of the platform.

Summary: Customer Relationships (CR)



- Self-service
- Online instructions
- FAQs
- Support email
- Partnership manager

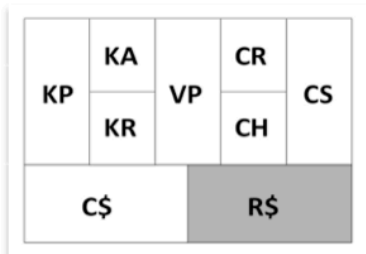
3.3.1.5. Revenue Streams (R\$)

Most revenues at this point of time were planned to come through advertisement around the users web channels.

Additionally, income through premium features was planned to be a future source of income for users who required more bandwidth to live stream events to larger audiences, without interruptions or using a higher quality of video.

During this first stage, the revenues from both sources (advertisement & premium features) were very low but were planned to rise as the number of users increased.

Summary: Revenue Streams (R\$)

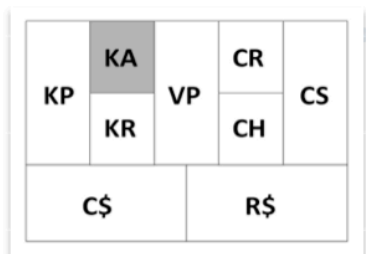


- Revenue through advertisement (after building a large audience in the users' channels)
- Additional bandwidth/capacity for larger events

3.3.1.6. Key Activities (KA)

The main activities of the company during this stage consisted of 1) business planning, with a strong focus on the market and feasibility research; 2) fund raising, to do initial research and start the company; and 3) development of the service, which partly was done in-house and partly outsourced to external partners (Oulu University).

Summary: Key Activities (KA)



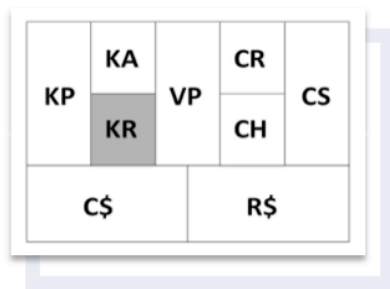
- Market & feasibility research
- Development of the live streaming platform
- Fund raising

3.3.1.7. Key Resources (KR)

The key resources during this phase were:

- 1) The skills of the founding team, which help to put together all the necessary resources and activities to initiate the company.
- 2) The initial funding, to research the market and the technical feasibility, and to hire the staff to develop the service.
- 3) The development team, which built the first version of the live streaming and on-demand video platform.

Summary: Key Resources (KR)



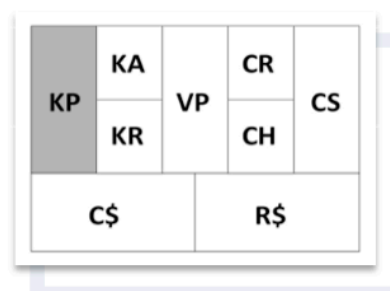
- Initial funding
- Developers
- Founding partners (IT/Project management/
Business skills)

3.3.1.8. Key Partners (KP)

The most relevant partnership was made with the Oulu University, which was commissioned the task of developing the mobile-streaming client and the video-mixing tool.

Additional partnerships with organizations were built once the service was live, with the main purpose of promoting the service to its members and serve as a reference.

Summary: Key Partners (KP)



- (Tech outsourcing - Oulu Uni.)
- Development of the mobile live streaming client
- Development of the video mixing tool
- (Content creators/References - Finland)
- Event organizers

3.3.1.9. Cost Structure (C\$)

The main costs during this phase were R&D activities – such as the initial market research & technical feasibility studies, the technological infrastructure and the salaries of the development team.

After the service was launched, the operation costs started to represent an increasing share of the total costs. Among these, the company had to pay for its own servers and the bandwidth packages with content distribution networks (CDNs). It is important to highlight that CDN packages required Floobs to have thousands of users to minimize the marginal cost per hour of live stream. For this reason, reaching economies of scale was a key factor to make the advertisement-based model profitable. It was necessary to bring the cost of serving an additional free user as low as possible, at the same time of increasing the potential revenues through advertisement.

Summary: Cost Structure (C\$)

KP	KA	VP	CR	CS
	KR		CH	
C\$		R\$		

- Research & Development costs
- Platform maintenance and operation costs (fix & per account)

The following table summarizes the overall business model of the company during its first three stages, corresponding to its first Growth Phase:

Figure 19. Floobs Business Model - Growth Phase 1 - R&D, Domestic & Entry Stages

<p>KP</p> <p>(Tech outsourcing - Oulu Uni.)</p> <ul style="list-style-type: none"> - Development of the mobile live streaming client - Development of the video mixing tool <p>(Content creators/References - Finland)</p> <ul style="list-style-type: none"> - Event organizers 	<p>KA</p> <ul style="list-style-type: none"> - Market & feasibility research - Development of the live streaming platform - Fund raising <p>KR</p> <ul style="list-style-type: none"> - Initial funding - Developers - Founding partners (IT/Project management/Business skills) 	<p>VP</p> <ul style="list-style-type: none"> - FREE online live streaming & on-demand video service - Live & On-demand video mixing tool - Service in 2 languages (FI/EN) - Video content destination site (live & on-demand) 	<p>CR</p> <ul style="list-style-type: none"> - Self-service - Online instructions <ul style="list-style-type: none"> - FAQs - Support email - Partnership manager <p>CH</p> <ul style="list-style-type: none"> - Web platform - Direct sales (Finland) --- - PR in traditional & specialized media 	<p>CS</p> <ul style="list-style-type: none"> - Mass market: any people who would like to live stream or watch video online *Focus on user-generated content - Event organizers (Finland)
<p>C\$</p> <ul style="list-style-type: none"> - Research & Development costs - Platform maintenance and operation costs (fix & per account) <p>(2007)</p>		<p>R\$</p> <ul style="list-style-type: none"> - Revenue through advertisement (after building a large audience in the users' channels) - Additional bandwidth/capacity for larger events 		

* VP = Value Proposition, CR = Customer Relationships, CH = Channels, CS = Customer Segments, R\$ = Revenue Streams, C\$ = Cost Streams, KA = Key Activities, KR = Key Resources, KP = Key Partnerships

3.3.2. Second Growth Phase – Starting & Development Stages

As the service reached its first version and was rolled-out to users, the company started to obtain feedback and test their assumptions about the performance of their chosen business model configuration. Based on the observed results and new available information (i.e. customer's feedback, key performance indicators, and the ever-changing business environment), the company decided to adjust some elements of their business model to improve its performance.

The following section describes the changes in the company's business model during its second growth phase, which involves the starting and development stages. These stages are marked by the time when the company started to obtain over 25% (year 2008) and over 50% (year 2009) of their income from foreign markets respectively, but still within its home continent. Together with the growth in sales coming from abroad, during this period there was also an important increase in the company's headcount (see appendices) and in the commitment of resources towards their internationalization.

The changes experienced in the business context factors are described together with the changes seen in the business model when these played a relevant factor.

3.3.3. Starting Stage

3.3.3.1. Customer Segments (CS)

The company changed its focus from mass market to organizations from the Media, Sports and Music industries, located in non-English speaking, large European Markets (Germany, Spain, France). The new target segment considered organizations that could generate more professional content which could be relevant to their existing members/audiences and/or which could promote the service to their affiliates (e.g. associations or social networks).

3.3.3.2. Value Proposition (VP)

The service started to be promoted to organizations as a platform to produce and manage online video content and not anymore as a content destination site. The website still enabled regular users to create Free channels but there were no active efforts to promote these ones. The live channels featured in Floobs.com were mostly used to showcase the performance of the technology when promoting the services to organizations.

There were new paid packages created (in addition to the free service) where premium features were included, such as higher bandwidth for live streams and more storage space for on-demand video. These packages were mostly promoted in brochures provided by the sales team when contacting organizations, and were integrated into the website until a later stage.

The possibility to embed the channel (or video player) into third-party websites was enabled in order to be able to display the content where it would be more valuable to its viewers (e.g. in the organization's site).

The service was made available into three new languages (German, French, and Spanish) in addition to existing ones (English and Finnish). The service also offered now an API (Application Programming Interface) that enabled third-party services (e.g. social networks) to integrate Floobs' functionalities (live streaming and video library) into their own service. This feature aimed to attract other existing online services that would like to provide new interaction possibilities to their users with Floobs services. In this way, Floobs could increase its number of users indirectly, leveraging the user-base and reach of other existing services.

3.3.3.3. Channels (CH)

In addition to the website and the continuation of the PR activities with partners, the company formed an international sales and marketing team to develop its direct sales activities to organizations in the selected target markets. The website was re-designed

with a fresher image and special focus was placed into featuring the live content from users.

New product material was elaborated to target organizations from the selected industries (Media, Sports & Music). The communication and product materials were handled in the target country's language, mostly by native speakers.

The information about the new packages was mostly distributed by email by the sales staff and the site served as the tool to sign-up for an account and to feature the technical capabilities of the platform.

The sales process usually consisted of the following steps: a) identifying leads, 2) contacting the leads to identify the right contact person, 3) sending the product material and setting up a call, 4) demonstrating the product and creating a test account, 5) free-trial period, 6) purchase, 7) tech & sales support.

3.3.3.4. Customer Relationships (CR)

Customer Relations with existing individual users was still managed through the website with a standardized approach, through instructions, FAQs and a support email address.

However, the change in the customer segment to focus to organization, transfer most of the interaction and management of the customer relationships to the direct sales force. Most of the interactions were handled in the customer's native language and took place mainly during the sales process and when technical support was required (after-sales). The continuous communication with clients led to facilitate the identification of new customer needs and potential required changes to the service. This flow of information was gradually integrated into the product development process, first informally, and then explicitly and systematically.

3.3.3.5. Revenue Streams (R\$)

Revenues were planned to come from the sale of paid packages to organizations and from the purchase of extended features, such as additional bandwidth and storage space. Given certain factors like the establishment of new sales channels in multiple markets and the length of the sales cycle, the revenues obtained during this starting stage were moderate.

3.3.3.6. Key Activities (KA)

In addition to the continuous development of the live streaming platform, during this stage new activities were required to match the new focus of the organization. Explicitly, direct sales and support activities were developed, the first ones managed by the new international staff and the second ones, partially by the existing technical team.

3.3.3.7. *Key Resources (KR)*

In this stage, the international sales and marketing staff became also a key resource for the company in addition to the development team.

As additional financial resources were required to develop the new sales channels, more funding was raised, mostly from the existing investors.

3.3.3.8. *Key Partners (KP)*

The partnership with Oulu University continued but it was narrowed down to the development of the mobile streaming client, eliminating the development of the video-mixing tool.

A new partnership was established with a local company to outsource the development of the embeddable channel component (a.k.a. widget – see appendix VIII). This consisted of creating a video player element with a video playlist, which users could integrate easily into their website by inserting a few lines of code into their webpage code.

New partnerships with organizations that could create content in foreign markets were established with the purpose of building local references. These organizations were mostly from the Media and Sports industries. In addition, in Finland, there were some partnerships established with music bands that served to gather more information about their needs and build references.

3.3.3.9. *Cost Structure (C\$)*

In addition to the continuous development and maintenance costs, the marketing and sales costs increased considerably given the new change in focus and the required channels. Also, additional resources were required to speed-up the changes in the platform and to supply the required time to provide personal technical support.

The following diagram presents how Floobs business model evolved during the Starting stage of the growth phase 2:

Figure 20. Floobs Business Model - Growth Phase 2 - Starting Stage

KP (Tech outsourcing - Oulu Uni.) - Development of the mobile live streaming client (Tech) - Embeddable channel prototype (Content creators/References - International) - Media, Sports & Music organizations	KA - Development of the live streaming platform - Direct sales - Tech and sales support KR - Funding - Developers - International Marketing & Sales staff - Founding partners	VP - FREE & PAID online live streaming & on-demand video service - Embeddable channel to the organization's site - Service in 5 languages (FI/EN/FR/SP/DE) - APIs to integrate with other services	CR - Self-service - Online instructions - FAQs - Support email - Sales staff CH - Web platform - Direct sales (Europe) --- - PR in traditional & specialized media	CS - Organizations (Media/Sports/Music) in large European markets *Focus on professional content producers with possibility to include user-generated content from organization's members
C\$ - Research & Development costs - Marketing, Sales and Support costs - Platform maintenance and operation costs (fix & per account) (2008)		R\$ - Paid packages for organization - Additional bandwidth and storage space		

* VP = Value Proposition, CR = Customer Relationships, CH = Channels, CS = Customer Segments, R\$ = Revenue Streams, C\$ = Cost Streams, KA = Key Activities, KR = Key Resources, KP = Key Partnerships

3.3.4. Development Stage

As the company started to implement the changes defined in the Starting phase and observe the results and feedback, Floobs decided to narrow down its scope and to intensify the search of opportunities in other European markets. The number of employees increased considerably in order to be able to respond faster to the required service adaptations and also to speed up the internationalization process, which require human-intensive efforts to penetrate new markets.

3.3.4.1. Customer Segments (CS)

The company narrowed even more its focus to sports organizations (in Europe) and music bands (Finland). In addition to the previously targeted markets (Germany, Spain, France), the service was targeted to other non-English speaking markets, such as Italy, Belgium, Netherlands, Ukraine and Belarus.

There were two main types of organizations approached in this stage: top notch sports clubs (which could be provided with premium services and serve as a reference) and umbrella organizations (sports associations & federations) that could spread the use of the service to a large number of organizations.

3.3.4.2. *Value Proposition (VP)*

There was a selection of standard, low-/medium-priced paid packages with certain features, and the possibility to hire additional capacity (bandwidth or storage space). Also, the possibility to create and customize a widget to embed the channel into the organization's site or social network was made available as a core feature of the service. Furthermore, the mobile client was launched during this stage, and it was now possible to live stream content also from a mobile device. It was possible to integrate stream from multiple channels (i.e. mobile, webcam, etc.) into one widget.

Custom services were offered to premium customers, where the possibility to monetize the channels through advertisement or pay-per-view content were offered. However, these features were not finalized and remained in beta testing. Also, premium customers were offered improved terms of service, where the quality of the live streaming of events was guaranteed.

The service was made available into some more new languages (Italian & Russian) in addition to previous ones (English, Finnish, German, French, Spanish).

APIs were available but were not actively promoted anymore.

3.3.4.3. *Channels (CH)*

The website was re-designed to feature Floobs' solutions and main reference customers from the sports and music sectors. The site was change completely to communicate the business-to-business approach the few design cues that made it look like a destination site were eliminated.

A separate product site was created (webtv.floobs.com) to automate the process of creating and customizing the web TV widgets, which were the embeddable systems that could be used to show the video content on the organization's website or social network page.

Additional international staff was hired to target new markets and to speed the sales cycle process in the markets that were providing better results (Spain). The company also managed to relocate one of the sales persons in one of the foreign markets and this helped to improve the customer relationships and to speed up the sales cycle considerably.

PR activities with partners continued to be important in all the foreign markets and most communications with clients were handled by native speakers.

3.3.4.4. *Customer Relationships (CR)*

Customer Relations with existing individual users remained automated (instructions, FAQs, email) but were gradually diminished as the company narrowed even more its focus towards Sports organizations.

To support the intensification of the internationalization more international sales staff was hired. As some key customers were identified provide higher value, either due to their profitability, the close cooperation, or their reference value, specific account managers were assigned to care of developing the relationship with them.

The integration of customer's feedback into the product development process continued evolving. New customer's needs were now systematically prioritized and developed according their economic potential and their overall impact in the service performance.

3.3.4.5. *Revenue Streams (R\$)*

Most revenues came from the establishment of custom packages with premium customers from the sports segment. Also, revenue-share agreements were under discussion with certain customers in order to provide the service for free but monetize the large audience of the customer through advertisement or paid content.

Additional revenues were planned to come from the sale of standard paid packages and extended features, but these had been developing slowly, as depended widely on the efforts placed by umbrella organizations.

The sales cycle in the market where sales staff was localized, increased considerably, bringing a significant improvement on the revenue for that country. This enabled also to increase the staff focusing in that country.

Despite the important growth of revenue from premium deals, the overall revenue figures were well below the investors' expectations by the end of 2009. This factor, together with the change in the economic crisis observed in the same period, affected the possibilities of the company to access an additional funding round, which was necessary for sustaining its operations at the existing pace. As the company failed to raise the necessary funds and cash flows to sustain its operations, Floobs filed for bankruptcy in January 2010.

3.3.4.6. *Key Activities (KA)*

In addition to the continuous development of the live streaming platform, during this stage new activities were required to match the new focus of the organization. Explicitly, direct sales and support activities were developed, the first ones managed by the new international staff and the second ones, partially by the existing tech team.

3.3.4.7. *Key Resources (KR)*

In this stage, the international sales and marketing staff continued to be a key resource for the company in addition to the development team. The localization of the sales person in one of the sales markets proved to be extremely valuable to speed up the sales process and to strengthen the customer relationship process, leading to higher sales.

Customer references, especially from the largest sports organizations, helped considerably to speed-up the penetration into new and existing markets.

Additional financial resources were required to sustain the ongoing operations. The inability to raise additional funding eventually led the company to bankruptcy.

3.3.4.8. *Key Partners (KP)*

The partnership with Oulu University continued optimizing the mobile streaming client, which was already available during this period.

The partnership with the company that was outsourced the project to develop the embeddable system ended as the activities were internalized.

Partnerships with organizations that could create content in foreign markets were for the purpose of building local references continued, mostly form in the sports industries.

In Finland, there were additional partnerships built with mainstream music bands in which the mobile streaming services were tested and helped to build references.

3.3.4.9. *Cost Structure (C\$)*

The continuous development, maintenance, the marketing and sales costs increased considerably as the company continued to develop direct sales channels in multiple countries.

Even more resources were used to speed up the long sales cycle by localizing and adding more staff to certain countries, what seemed to provide certain results. However, the growth of revenues was still far from turning the company's cash flow positive, and as additional funding was not obtained in late 2009, the company had to file for bankruptcy.

The following diagram presents how Floobs business model evolved during the Development stage of the growth phase 2:

Figure 21. Floobs Business Model - Growth Phase 2 - Development Stage

KP (Tech outsourcing - Oulu Uni.) - Development of the mobile live streaming client (Tech) - Integration of channels to social networks (Content creators/ References – Int.) - Sports organizations & Music bands	KA- Development process optimization - Widget customization system - Direct sales - Tech and sales support	VP- PAID online & mobile live streaming & on-demand video service - Embeddable and customizable widgets to the organization’s site & social network -Monetization tools (ads & PPV) - Service in 7 languages (FI/EN/FR/SP/DE/IT/RU)	CR - Self-service - Online instructions - FAQs - Support email - Sales staff & account managers (remote & local)	CS - Sports Organizations in large European markets - Music bands (Finland) *Focus on professional content producers with possibility to include user-generated content from organization’s members
	KR - Funding - Developers - International Marketing & Sales staff (local & native) - Founding partners		CH - Web platform - Direct sales (Europe) --- - PR in traditional & specialized media	
C\$ - Research & Development costs - Marketing, Sales and Support costs - Platform maintenance and operation costs (fix & per account) (2009)		R\$ - Premium deals with key accounts - Revenue share deals with premium customers (PPV & ads) - Paid packages for organization - Additional bandwidth and storage space		

* VP = Value Proposition, CR = Customer Relationships, CH = Channels, CS = Customer Segments, R\$ = Revenue Streams, C\$ = Cost Streams, KA = Key Activities, KR = Key Resources, KP = Key Partnerships

4. DISCUSSION AND ANALYSIS

This chapter discusses and analyses the empirical findings presented in the previous chapter in light of the preliminary research framework developed in the literature review and of the research questions. The results are then drawn back to the framework to assess its validity and to identify new contributions to the research streams reviewed.

4.1. Born Globals

It was observed that the development stages proposed by Luostarinen & Gabrielsson (2006) and the growth phases suggested by Gabrielsson & Gabrielsson (2009) served to depict the evolution of the Internet-based Service Born Global companies, at least until the commercialization and foreign entry phase (second phase) and the development stage (5th stage), when the case company ended its operations. Also, the simultaneous use of both development frameworks was found feasible and useful to enable different levels of analysis, facilitating the comparability among studies of Born Globals using any of these classifications.

Likewise, when studying the early stages of development of BGs, the use of a more detailed perspective of the development – like the seven stages (Luostarinen & Gabrielsson, 2006) – provided the possibility to identify additional challenges, opportunities and changes in the company’s business model that could be overlooked when analyzed under a more simplified perspective, like the four growth phases model (Gabrielsson & Gabrielsson, 2009).

It was observed that the case company went through the first three stages of development – which corresponded to the introductory phase – at a relatively fast pace, what is consistent with findings seen in the case of software born global firms (Hashimoto, 2011). The main reason behind the fast advancement between the domestic and entry stages relied mostly on the use of the Internet as a channel, which eliminated the physical distance from foreign markets, making it possible to enter the home and foreign markets right from the beginning.

However, the progression of the case company through the following stages or growth phases, seemed to be considerably slower than what has been observed in the case of software BGs – which often use the Internet as one of their core channels. While software BGs have seemed to experience commercial and global breakthrough almost simultaneously (Hashimoto, 2011), it can be suggested that ISBGs might require longer time to adapt their service-specific aspects to the cultural and technological requirements of foreign markets, particularly in the case of innovative services whose market adoption has not yet been proven.

As Gabrielsson & Gabrielsson (2011) highlight, “survival crisis may occur at any phase”. In the selected case, the most critical crisis was seen with the economic downturn of 2008, which together with the failure to generate higher revenues put the company in a disadvantageous position towards investors. Eventually, the inability to secure additional funds to sustain the company operations resulted in the company bankruptcy in the later stages of its second growth phase.

Additional insights about BGs regarding a) their service of nature, b) the use of the Internet as their main channel to deliver the service, and c) the evolution of their different business model components, are presented in the following sections.

4.2. Service Business

When evaluating the service-specific aspects of the selected case company, we can relate the importance of these aspects to the global scope of the company and to its technological nature.

The use of the Internet as the core vehicle to deliver the service was indeed considered a compatible alternative for the company, given the nature of their information/communication-based service (Clark et al., 1996). Despite its limited

resources – most which were used in R&D –, the company managed to leverage the use of the Internet (i.e. for marketing, sales and distribution) to enter a number of foreign markets at relatively low costs, reducing the physical distance and the liability of foreignness to an important extent (Arenius et al., 2005; Sasi & Arenius, 2012).

However, some of the vehicle parameters – i.e. access limitations & development patterns – (Clark & Rajartnam, 1999), the cultural and psychic distance (Pawels & de Ruyter, 2004; Clark et al., 1996; Grönroos, 1999) brought additional challenges, which eventually influenced the company's choices and adjustments of their business model components. For example, when deciding to focus their internationalization efforts in non-English speaking countries – to avoid competitors and insurgents –, language barriers were among the first cultural issues that required immediate attention. As the support of multiple languages in the system had been considered in the architecture of the system from the beginning, the technical efforts to respond to this localization requirement were relatively low. However, other issues like the limited technical literacy and the late adoption of new technologies in foreign markets forced the company to include more human-intensive channels (direct sales & support) to overcome these barriers, decreasing part of the savings provided by the use of the Internet.

Some of these additional costs were increasingly mitigated by the development and exploitation of networks and references, which helped to gain knowledge and reputation, helping to reduce the liability of newness. These findings are consistent with the experience of other Internet-based BGs from SMOPEC countries (Sasi & Arenius, 2012).

4.3. Business Models

This section analyses each business model component along the development/growth phases of the company in order to identify the main factors influencing its evolution, the management considerations behind its changes, and the observed results derived from these changes.

Based on the outcomes here presented, new insights about how the business model components of ISBGs evolve and are managed during its development path are provided. Given the holistic perspective of the business model framework and the exploratory nature of this study, the evolution of each business model component is not exhaustively compared to existing research in their specific area of focus (e.g. channel strategies, market selection, entry modes, pricing strategies, etc.).

4.3.1. Evolution of the Customer Segments (CS) component

The targeted customer segments became more narrowed as the company grew in size and advanced along the development stages. In the first phase, the assumptions about

the mass-market behavior were soon confronted with a far less optimistic reality. Particularly, the slow adoption of the service and the lack of relevant content created by individuals challenged the viability of the initial monetization model via advertising. On the other hand, the results observed from the promotional broadcasts arranged with event organizers seemed to provide better signs of how the service could be used to distribute valuable content that would attract larger audiences online, which were key aspects to increase the revenue streams through advertisement and the sale of premium features to the content creators.

As a result of the experiences observed in the domestic market from the collaboration with organizations, the company planned to use a similar approach in their intensification of their internationalization process. For this reason, the company narrowed down the markets and industries where it would focus its direct sales efforts to build traction for the service abroad.

Given the emergence of competitors in the US and other English speaking markets – most of them focusing in the mass-market –, the company decided to focus its internationalization efforts in large, developed, non-English speaking countries, which offered a less competitive environment and the possibility to build a stronger position before competitors decided to enter these. Consequently, the initial focus on European markets was considered as a good alternative, given its closer cultural and geographical proximity when compared to the American competitors. The order of approaching the European markets was partially determined by the availability of organizational skills and resources necessary to contact customers abroad, reason why the company planned to have an international staff from the beginning.

Furthermore, the company decided to focus in organizations from the Media, Sports and Music industries, as these had been identified as having a relevant market size, the potential to produce appealing content to large audiences, and a relatively standard value proposition which could be communicated clearly and systematically.

As the company started to approach organizations in the selected foreign markets, it became evident that the Sports sector provided the best response to the service while it offered a large enough segment, and promising ways to reach clients at different pricing brackets. Also, the references built within the Sports sector, where largely transferable across borders, facilitating the direct sales efforts into new markets. For this reason, the customer segment was narrowed down even more in the second part of the growth phase 2, focusing only in organizations from the Sports industry when increasing the number of markets approached through direct sales.

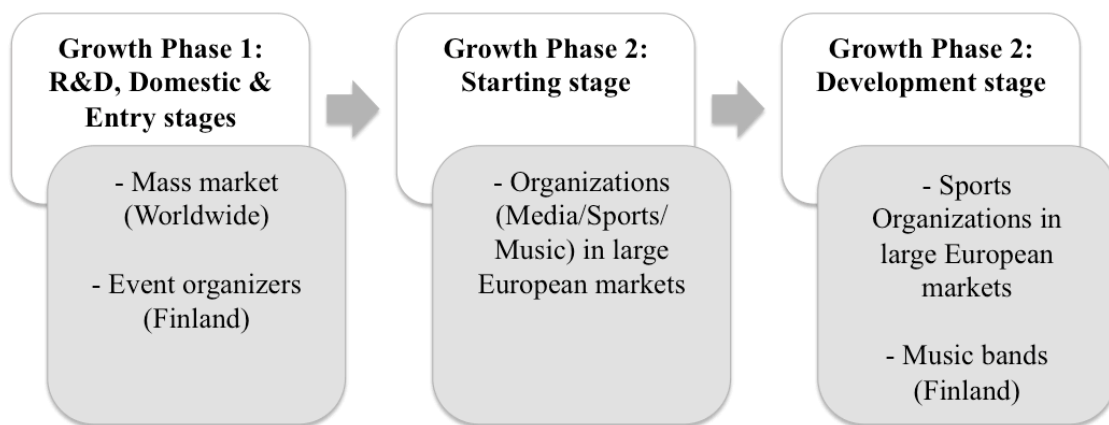
Additionally, within the Sports industry, there were two main types of organizations that were contacted in new markets: a) large and well-known sports clubs – which could serve as references and pay for premium services –, and b) sports

associations/federations – which could serve as partners to promote the use of the service to a larger group of organizations.

Finally, as the development of the mobile live streaming service was available until the second part of the growth phase 2, the use of the service was piloted mostly with Finnish music bands, which were interested in the possibility to create content for their fans while being in tour with the simple use of their mobile. While the results of the tests with some of the mainstream bands with international prestige were promising, the crisis experienced by the company and its eventual bankruptcy, limited the public release of the mobile streaming service.

The following figure illustrates the changes of the customer segment component along the company's development stages:

Figure 22. Evolution of the Customer Segment Component



Managerial implications:

- The narrower the customer segment, the easier is to focus the marketing and communication efforts.
- Some segments provide better “transferability” of the value of references across markets than others.
- The selection of markets and the effectiveness of the market-entry efforts for service companies can be subject to the availability of organizational resources (ie. native-speaking staff) to respond to culture-specific requirements of the target markets (e.g. language, technological literacy, communication requirements, etc.).

4.3.2. Evolution of the Value Proposition (VP) component

It was observed that the value proposition was defined and evolved based on two main elements: the technological capabilities of the company and the perceived market requirements.

In a first stage, the company's offering was built around the potential use of a new technology (online video streaming solution) by the masses, to create and watch any type of video content, live or on-demand.

However, as the service was released and started to interact with individuals, it was soon observed that the quantity and quality of content was not good enough to generate enough amount traffic and revenues through advertisement. This resulted in a re-adjustment of the customer segment to focus on customers that could generate higher quality content to potentially large audiences.

As the new customer segments were defined (organizations from the Media, Sports and Music industries, in non-English speaking European countries), the offering was adjusted to better serve the perceived needs of these segments. These adjustments included the development of new technical features and the adaptation of some of the service-specific aspects to foreign markets.

For example, as organizations were interested in creating video content for their members or fans, the possibility to show the live/on-demand content in the organization's site was enabled. Also, in order to tackle some localization requirements, the website was translated to new languages and the company hired international sales & marketing staff that would be able the communication with customers in their native language.

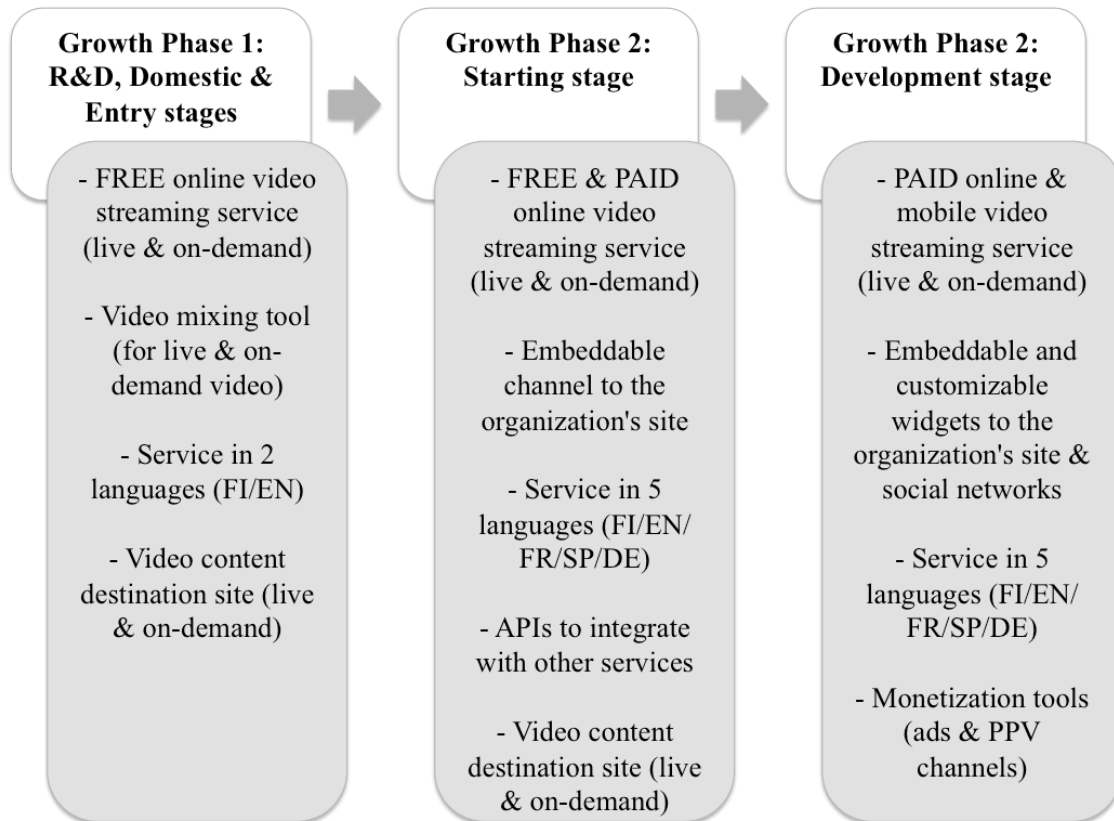
As the company managed to identify the segments where the service was more easily adopted and seemed to offer the most value (i.e. the Sports industry), the company put in place a process to input customers' feedback systematically into the product development process, enabling the possibility to improve the service continuously based on customer's needs, increasing its perceived value and revenue potential.

Also, the development of close customer relationships with some premium customers helped the company to identify new ways in which customers could monetize their content (e.g. through advertisement or pay-per-view channels).

Another important development in the company's offering was the possibility to customize the video player (a.k.a. Web TV widget – see appendix VIII) to match the organization's website and the possibility to integrate it into social networks, which started to become important channels to engage with fans and members.

The following figure illustrates the changes of the value proposition component along the company's development stages:

Figure 23. Evolution of the Value Proposition Component



Managerial implications:

- Innovative value propositions, usually defined based on market assumptions, are likely to require adaptations once the offering is in the market and receives customer feedback.
- Service value propositions might be subject to localization requirements. These requirements might be partially solved through technological adaptations while others might require organizational soft skills.
- Market-driven product/service development is essential to create offerings that respond to customers' needs and to improve the value delivered to customers.

4.3.3. Evolution of the Channels (CH) component

Given that the nature of the service provided by the case company was digital, the Internet was used as a service production and delivery platform along all the stages of development of the company. Additionally, the it was used as a low cost and effective

tool for managing most of the marketing and communication activities related to the sales and after-sales processes.

However, the self-service potential of the online platform was proven to be insufficient when entering foreign markets, especially due to the cultural and technological barriers. To overcome these, the company developed direct sales & support channels to facilitate the use of the service, first remotely, and in a second stage, also locally.

The remote sales staff managed to operate efficiently with the help of different electronic tools, such as email, teleconferences (Skype and phone), and the use of our own service, which enabled to stream video and audio and served to demonstrate service.

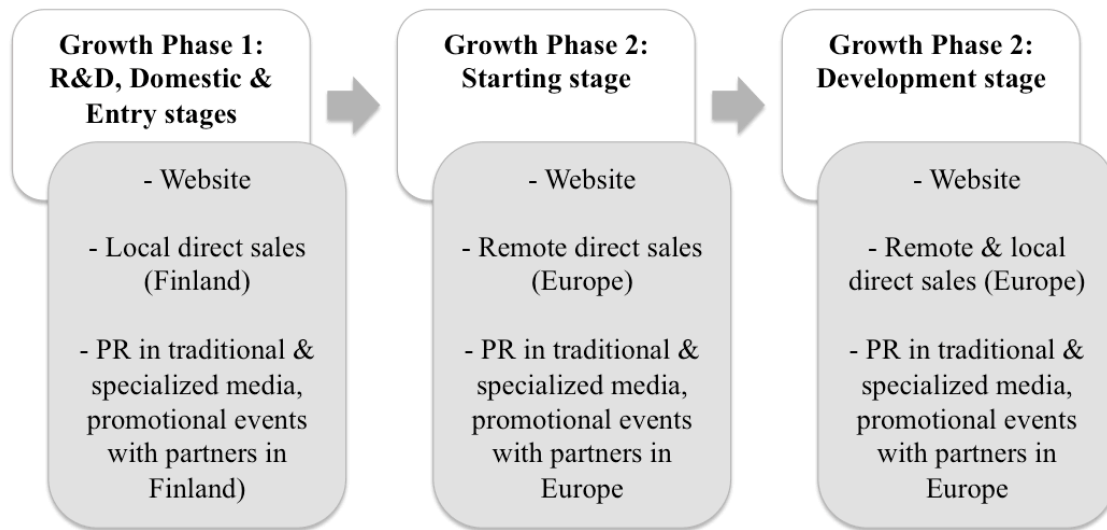
PR activities, especially those that involved the collaboration with local organizations to live stream events – providing the service for free – proved to be valuable means to obtain visibility in the media, helping to build reputation and improve the efficiency of the sales process.

While Internet provided the possibility to keep a considerable amount of distribution and marketing costs low, the need to establish an international direct sales force partially offset these savings.

It was observed that the relocation of the international sales force from the headquarters – in Finland – to the local market considerably helped to speed up the sales cycle and to increase the depth of the relationships with customers. On the other hand, the use of a local sales agent without prior work experience at the company's headquarter seemed to provide poor results, far less efficient even than the use of a remote, native sales force, located in the company's HQ.

The following figure illustrates the changes of the channels component along the company's development stages:

Figure 24. Evolution of the Channel Component



Managerial implications:

- Internet can be used as a low-cost channel for marketing and delivering services abroad, but service-specific aspects might require localization aspects that can partially or totally offset the cost savings.
- Direct sales efforts seems to provide better results when a) is performed by native staff, b) the staff is exposed to the organizational knowledge and interactions – even when located away from the target market –, and c) when the staff has been exposed to the organizational knowledge and is located in the target market.
- PR efforts focused on building reputation and local references help to improve the efficiency of the different sales channels.

4.3.4. Evolution of the Customer Relationships (CR) component

The customer relationships component of the company evolved along the development stages of the company according to the demands derived by the adjustments in the customer segments and channels.

In the initial stage, most of the interactions with clients were automated as much as possible and managed through electronic channels, such as email and a website section dedicated to answer frequently asked questions (FAQs). Only when establishing collaboration with organizations to stream events that could serve as a reference, the partnerships manager was in charge of handling the communications personally (only in Finland).

As the customer segments changed to organizations and international staff was hired manage direct sales, the sales staff took the responsibility of establishing and managing the relationship with customers. The communication with clients took place in the customers' native language, remotely, and with the help of electronic tools (i.e. Skype, phone, email).

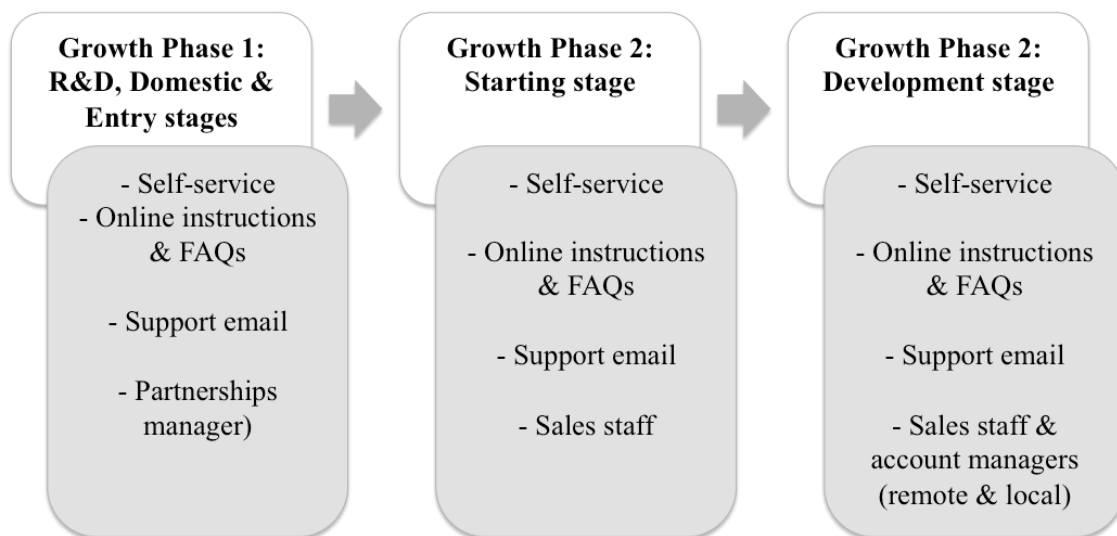
The role of relationships in some of the main selected markets, like Spain and Italy, was of great importance to do business. The lack of local presence and relevant references in the target country usually required a relatively long process to build trust and credibility with customers, issues that were progressively overcome. The reputation of the company's home country as a technological leader and innovator helped to some extent to compensate the disadvantages of being located abroad. Also, the demonstration of the service, which enabled the possibility to watch online the sales staff streaming video, helped to build trust as it to put a face to the remote seller.

As the company managed to build important references in foreign markets in the Sports segment, the trust-building process in new markets was partially reduced. Moreover, when the sales staff was relocated to the foreign markets and was able to meet with customers in person, the sales cycle was reduced considerably.

The interaction with customers was integrated eventually as a key element of the product/service development process. This was done by channeling customer's feedback to the development backlog, which was then prioritized based on their economic potential and on the required development resources.

The following figure illustrates the changes of the customer relationships component along the company's development stages:

Figure 25. Evolution of the Customer Relationships Component



Managerial implications:

- Given the people-centered nature of services, richer and more personal interactions are often required to respond to the challenges presented by cultural barriers.
- Customer relationships not only support the efficiency of the sales process but also are an essential part of an effective product/service development process.
- Remote customer relationships can face additional barriers to build trust and credibility, which can be partially overcome by relevant references and the use of multiple and richer electronic media, like teleconferences.

4.3.5. Evolution of the Revenue Streams (R\$) component

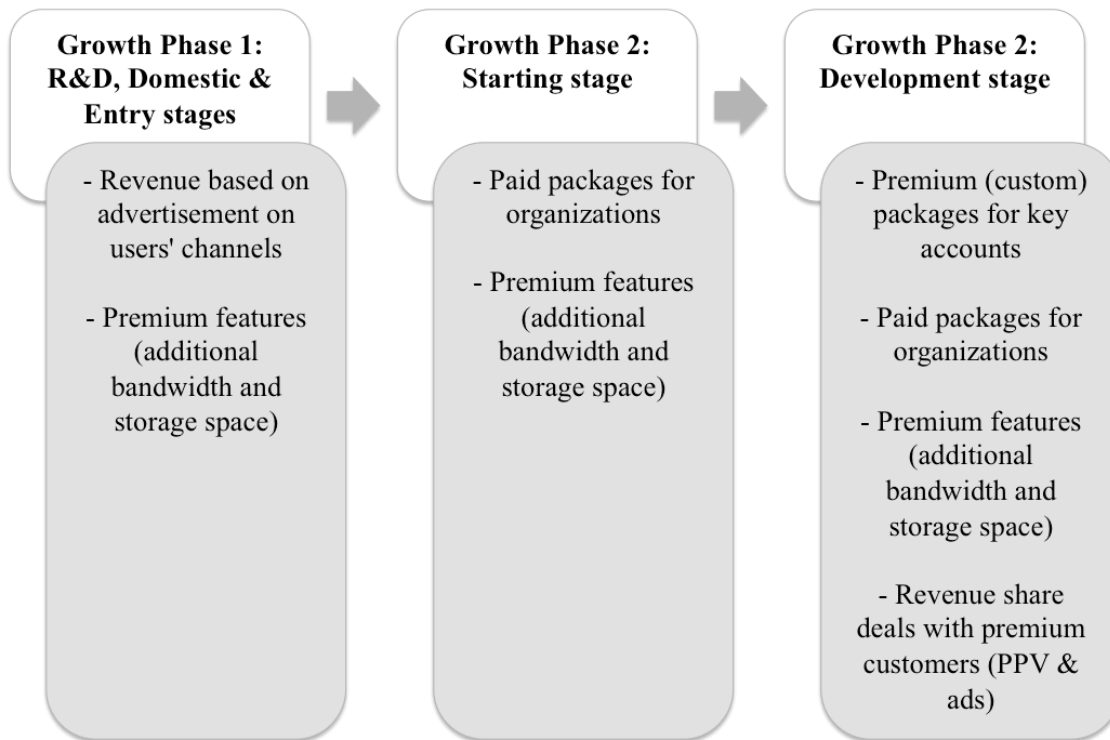
The initial revenue model envisaged by the company was based on the assumption that a very large amount of users would use the service to create and watch content, opening the possibility to obtain significant amount of revenues from advertisement placed around the content. Also, the service was planned to be offered for free in its basic version – to reduce the barriers to use the service to the minimum possible –, with the idea of offering premium features for sale in a later stage, such as additional bandwidth and storage space.

However, given the little traction the service for attracting large amount of users, especially those that can create valuable content, the company adjusted its customer segments and its offering, focusing on promoting paid packages to organizations of different sizes, plus the possibility to pay for additional features.

As the company started to receive feedback from organizations that were offered the paid packages, the opportunity to serve some larger premium customers with custom needs emerged, increasing considerably the revenue streams. Additionally, the close relationship with premium customers and their importance in the local market, opened the door to new revenue opportunities, mostly dependent on the development of additional technological features. Among these, the possibility to display video advertisements in the customers' channels and to create pay-per-view channels started to be developed and tested with different customers. However, before actually being able to generate substantial revenues from these new features the company experienced the crisis that led to the termination of its operations.

The following figure illustrates the changes of the revenue stream component along the company's development stages:

Figure 26. Evolution of the Revenue Streams Component



Managerial implications:

- Closer relationship with customers and the identification their needs can lead to develop new revenue streams, which can be even more profitable than the existing ones.
- Relying on revenue models built over assumptions about customers' behaviors and needs should be tested and confirmed as early as possible. Finding a valid model to generate sufficient revenues is key to secure the necessary resources and support from investors to sustain the company operations.

4.3.6. Evolution of the Key Activities (KA) component

The company's key activities along the development stages of the company varied according to the status of their infrastructure, the available resources, and the priorities for the current stage. In this respect, the name of the stages of development proposed by Luostarinen & Gabrielsson (2006) reflect to a great extent the focus of the key activities by the company in each stage.

In the first stage (R&D), securing funds, researching the market and technical feasibility of the business idea, and developing the first version of the service where were essential activities to launch the service and start the internationalization process.

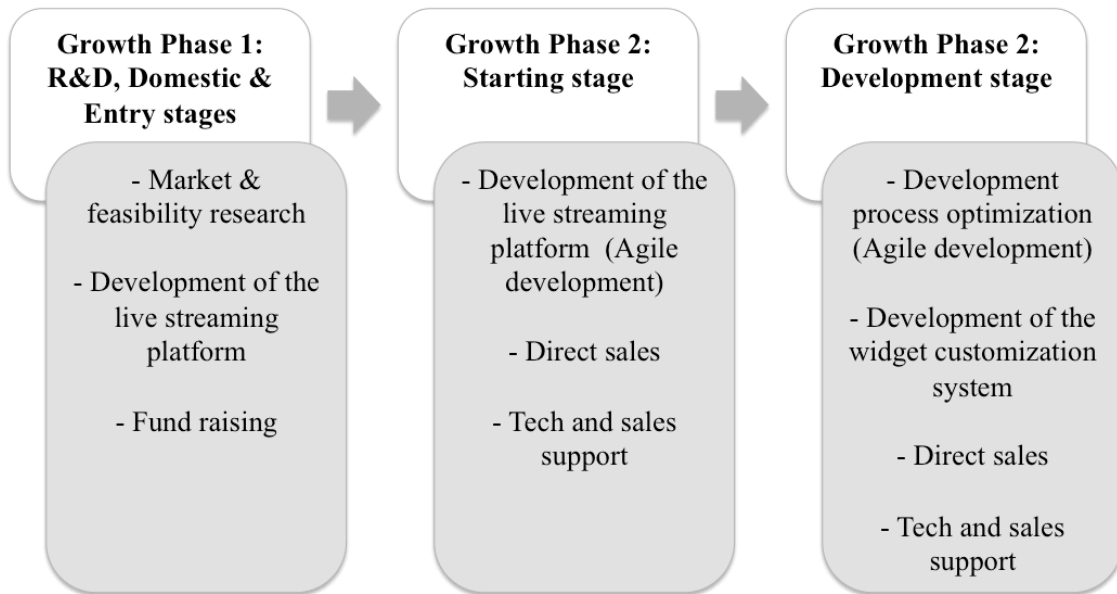
However, given the technological and innovative nature of the service, the continuous development and optimization of the technological platform and the service played a key role across all stages of development. For this reason, the ability to adjust the systems to the changes in other parts of the business model (e.g. customer segments, channels, value proposition) was at the core of the company competencies. In order to meet these challenges the company made use of an “agile software development” methodology, which according to the company it is “based on short iterations and small development tasks, to avoid a lengthy and costly development of the service in the wrong direction” (Lemmetty, 2012).

The domestic and entry stages occurred mostly simultaneously given the borderless nature of the Internet, and the fact that the service was made available in English practically from the beginning. In this stages the technology was tested and improved, placing little efforts in marketing until verifying that the platform was ready to support larger amounts of users. The broadcast of some events where arranged with partner organizations to test the service and to obtain some coverage in the media that would gradually bring users to the service.

As the company decided to intensify its marketing efforts and its internationalization process to the new selected markets and customer segments, the role of direct sales and support activities became key part of the service. The closer interaction with customers provided new opportunities to speed up the knowledge of the market and optimize the service/product development process according to the identified needs and requirements. This led to focus additional development resources to the development of new features, like the widget customization system, which enabled organizations to display their video content more effectively on their site and social networks.

The following figure illustrates the changes of the key activities component along the company’s development stages:

Figure 27. Evolution of the Key Activities Component



Managerial implications:

- In technology-based services, the use agile software development methodologies can enable the company to respond to fast and in a cost-efficient way to new customer requirements changes in other business model components.
- As the internationalization process of service companies continues, maintaining a close communication with customers can become key activity to speed up the knowledge of the market and adapt the service to potential localization requirements.

4.3.7. Evolution of the Key Resources (KR) component

Founders' skills and abilities were of significant importance in the early stages of development of the company, mainly due their ability to gather the necessary resources, to organize the required activities to develop the offering, and to manage the adjustment of the business model components as needed.

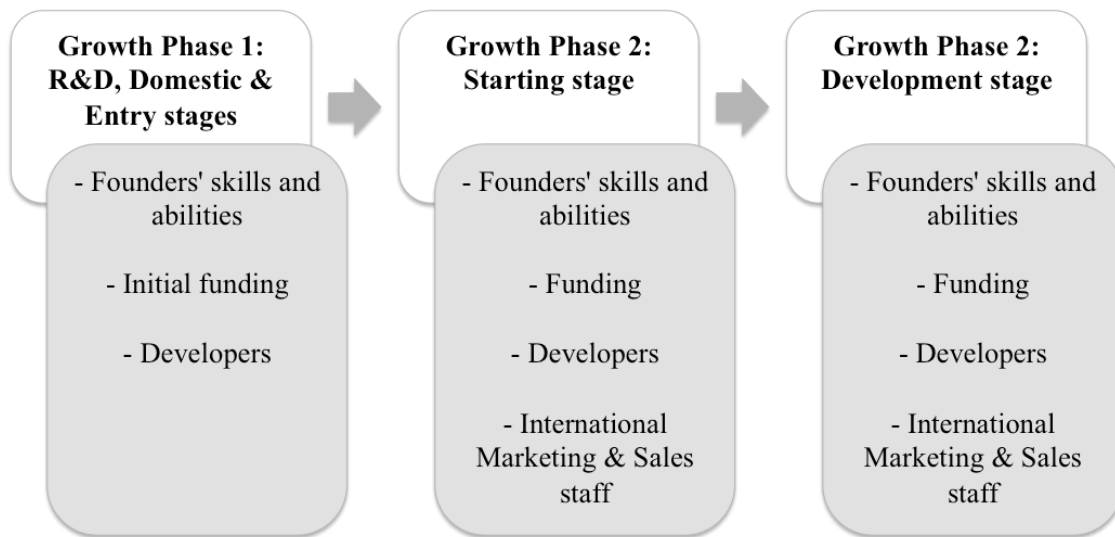
Economic resources were essential to initiate operations, and as the company intensified its international operations, additional funds became essential to fund ongoing operations. The lack of enough revenues to fund its operations as the company continued to internationalized, undermined its access to additional capital investments required to sustain its operations.

Human resources represented the main resource of the company in the early stages of development of the company. Given the technological nature of the company, the

development team was essential in the continuous development and maintenance of the service infrastructure, while sales and marketing staff became relevant once the technological platform was ready to be used by customers. Given the international dimension of the service, the availability of international staff with relevant skills for the targeted markets became extremely valuable to tackle the cultural barriers in foreign markets.

The following figure illustrates the changes of the key resources component along the company's development stages:

Figure 28. Evolution of the Key Resources Component



Managerial implications:

- Obtaining and managing the necessary resources seemed to be one of the biggest challenges for BGs. While the company can adjust its choices and activities according to the characteristics of its available human resources, finding the way to increase revenues as early as possible is not only key to finance the future development of the company, but also to enable the possibility to access to additional capital investments when necessary.

4.3.8. Evolution of the Key Partnerships (KP) component

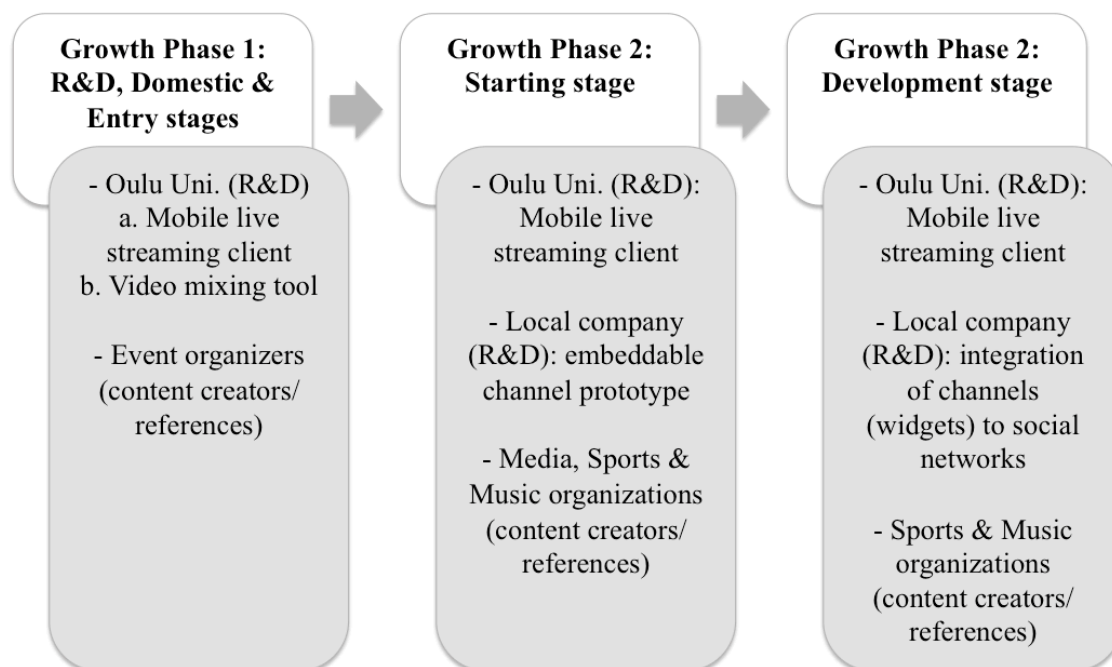
The use of technological partners to develop non-essential parts of the service proved to be partially useful, in the sense that secondary features were provided to customers without using the scarce internal development resources. However, the limited potential to adapt features developed externally with the same speed and flexibility as the features

developed internally, using an agile methodology, reduced considerably the value provided by technological partners after a short period of time.

On the other hand, the use of partnerships to generate references and reputation into the target markets – particularly those that belonged to the late customer segments –, proved to be extremely valuable to speed up the sales process, the knowledge of the market, and the adaptation of the service to customer needs that increase the value of the offering.

The following figure illustrates the changes of the key partnerships component along the company's development stages:

Figure 29. Evolution of the Key Partnerships Component



Managerial implications:

- Close cooperation with potential customers that could help to build reputation can provide numerous benefits, like better market knowledge and faster access to customers from different markets.

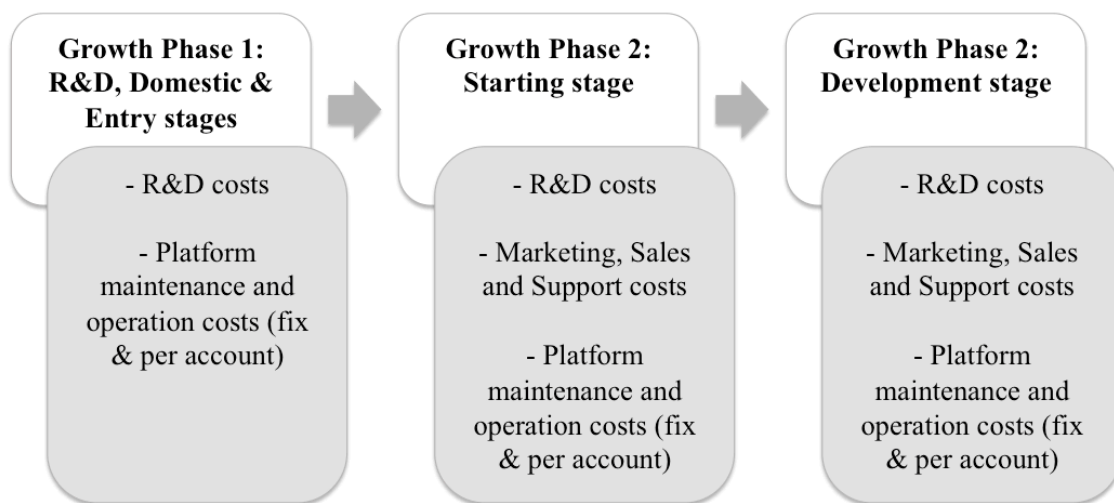
4.3.9. Evolution of the Cost Structure (C\$) component

Given the technology nature of the case company, the research and development activities conformed one of the main cost elements in the early stages of development of the company. These consisted mostly on the human resources and infrastructure required to develop the service and to maintain its operations.

As the service was launched and the company intensified its marketing operations internationally, the marketing, sales and support costs increased considerably due to the requirement of human resources to overcome the cultural and technical barriers in the target markets.

The following figure illustrates the changes of the cost structure component along the company's development stages:

Figure 30. Evolution of the Cost Structure Component



Managerial implications:

- Given the costs involved in developing the service, the company should try to find as early as possible a way to increase its revenue stream before investing too many resources in its internationalization and marketing efforts. Otherwise, the risk of exhausting existing funds and discouraging future capital investments increase with time.

The following two tables summarize the evolution of the nine business model components of the company along the its first five development stages and first two growth phases:

Figure 31. Summary of the Evolution of Business Model Components

Business Model Component	Growth Phase 1: Introductory			Growth Phase 2: Commercialization and foreign entries	
	R&D	Domestic	Entry	Starting	Development
Customer Segments	<ul style="list-style-type: none"> - Mass market (Worldwide) - Event organizers (Finland) 			<ul style="list-style-type: none"> - Organizations (Media/Sports/Music) in large European markets 	<ul style="list-style-type: none"> - Sports Organizations in large European markets - Music bands (Finland)
Value Proposition	<ul style="list-style-type: none"> - FREE online video streaming service (live & on-demand) - Video mixing tool (for live & on-demand video) - Service in 2 languages (FI/EN) - Video content destination site (live & on-demand) 			<ul style="list-style-type: none"> - FREE & PAID online video streaming service (live & on-demand) - Embeddable channel to the organization's site - Service in 5 languages (FI/EN/FR/SP/DE) - APIs to integrate with other services - Video content destination site (live & on-demand) 	<ul style="list-style-type: none"> - PAID online video streaming service (live & on-demand) - Embeddable and customizable widgets to the organization's site & social networks - Monetization tools (ads & PPV channels) - Service in 5 languages (FI/EN/FR/SP/DE)
Channels	<ul style="list-style-type: none"> - Website - Local direct sales (Finland) - PR in traditional & specialized media, promotional events with partners in Finland 			<ul style="list-style-type: none"> - Website - Remote direct sales (Europe) - PR in traditional & specialized media, promotional events with partners in Europe 	<ul style="list-style-type: none"> - Website - Remote and local direct sales (Europe) - PR in traditional & specialized media, promotional events with partners in Europe
Customer Relationships	<ul style="list-style-type: none"> - Self-service - Online instructions & FAQs - Support email - Partnerships manager 			<ul style="list-style-type: none"> - Self-service - Online instructions & FAQs - Support email - Sales staff 	<ul style="list-style-type: none"> - Self-service - Online instructions & FAQs - Support email - Sales staff & account managers (remote & local)
Revenue Streams	<ul style="list-style-type: none"> - Revenue based on advertisement on users' channels - Premium features (additional bandwidth and storage space) 			<ul style="list-style-type: none"> - Paid packages for organizations - Premium features (additional bandwidth and storage space) 	<ul style="list-style-type: none"> - Premium (custom) packages for key accounts - Paid packages for organizations - Premium features (additional bandwidth and storage space) - Revenue share deals with premium customers (PPV & ads)

Business Model Component	Growth Phase 1: Introductory			Growth Phase 2: Commercialization and foreign entries	
	R&D	Domestic	Entry	Starting	Development
Key Activities	<ul style="list-style-type: none"> - Market & feasibility research - Development of the live streaming platform - Fund raising 			<ul style="list-style-type: none"> - Development of the live streaming platform (Agile development) - Direct sales - Tech and sales support 	<ul style="list-style-type: none"> - Development process optimization (Agile development) - Development of the widget customization system - Direct sales - Tech and sales support
Key Resources	<ul style="list-style-type: none"> - Founders' skills and abilities - Initial funding - Developers 			<ul style="list-style-type: none"> - Founders' skills and abilities - Funding - Developers 	<ul style="list-style-type: none"> - Founders' skills and abilities - Funding - Developers
Key Partners	<ul style="list-style-type: none"> - Oulu Uni. (R&D) a. Mobile live streaming client b. Video mixing tool - Event organizers (content creators/references) 			<ul style="list-style-type: none"> - International Marketing & Sales staff - Oulu Uni. (R&D): Mobile live streaming client - Local company (R&D): embeddable channel prototype - Media, Sports & Music organizations (content creators/references) 	<ul style="list-style-type: none"> - International Marketing & Sales staff - Oulu Uni. (R&D): Mobile live streaming client - Local company (R&D): integration of channels (widgets) to social networks - Sports & Music organizations (content creators/references)
Cost Structure	<ul style="list-style-type: none"> - R&D costs - Platform maintenance and operation costs (fix & per account) 			<ul style="list-style-type: none"> - R&D costs - Marketing, Sales and Support costs - Platform maintenance and operation costs (fix & per account) 	<ul style="list-style-type: none"> - R&D costs - Marketing, Sales and Support costs - Platform maintenance and operation costs (fix & per account)

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

Born Global companies are an increasingly important phenomenon that have gathered the attention of academics, governments and business people in the past years, given their distinctive path to internationalization and the economic potential of this new breed of global ventures.

Research in the field of Born Globals has provided valuable insights about the distinctive features and patterns that differentiate BGs from traditional international or global firms. However, due to the relatively newness of the phenomena, little research has been done to understand the development stages or growth phases that BGs undergo, the main challenges and opportunities faced at each stage, and the dynamic behavior of BGs, especially in its early stages before reaching a mature stage.

Moreover, even less research has been focused on studying Service BGs, which face unique challenges when operating internationally due to their service nature. Particularly, a better understanding of the internationalization of electronic service firms (e.g. Internet-based service companies), which are “the most important and fastest-growing sector of international service trade” (Clark & Rajartnam, 1999), could have important managerial and practical implications.

For these reasons, this study focuses in exploring how Internet-based Service Born Globals evolve through their internationalization process, especially during its early stages.

To address the research phenomenon, a research framework was developed considering the Born Global, Service business, and Business Model research streams in order to examine the research subject from a holistic perspective. Moreover, an in-depth case study was elaborated and analyzed in the light of the theoretical framework, exploring the evolution of the business context and of the company’s business model components along its stages of development.

The main research question – “*How the business model of ISBGs evolves during their internationalization process?*” – was further divided into two sub-questions in order to facilitate its study. These sub-questions and their answers, based on the research findings, are:

- 1) *Which are the main changes experienced in the company’s business model components during its internationalization process? (WHAT)*

It was observed that ISBGs are subject to continuous adjustment of their business model components in their early stages of development, the most significant taking place once the company starts entering foreign markets.

The main changes were spotted in what Osterwalder et al. (2005) defines as the *customer interface* – involving the customer segments, channels, and customer relationships components – and in the value proposition.

It can be assumed that these components experienced more changes when starting to enter foreign markets for two main reasons. First than all, because the almost inexistent Domestic stage – due to the borderless nature of the Internet – provided little opportunity to receive customer feedback locally to adjust the service before going international. Secondly, because when entering foreign markets the company not only started to receive their first customer's feedback, but also started to identify the need for service-specific adjustments, needed to overcome cultural barriers particular to different markets.

In general, it was seen that the change in one of the components often required changes/adjustments in other components to maintain the logic of the overall business model.

As the changes in the business model components were mostly related to an apparent lack of product/service-market fit, it could be suggested that other Born Global companies focused on innovative products or services might experience similar adjustment needs when after obtaining their first customers' feedback, both locally and internationally.

2) Which are the main challenges and problems driving the need to make adjustments in the business model components?

Companies are subject to a vast number of challenges along their internationalization process, some which are determined by external factors and some by internal ones. However, not all challenges require companies to adapt their core components. But those that do deserve special attention, especially because the change in a business model component usually requires the revision of other elements, in order to verify that the core-logic of the business remains coherent and that the elements reinforce each other.

Based on a thorough analysis of the business model changes performed by the case company, the factors that were identified as the main reasons for the adjustment of business model components were:

- *Invalid market assumptions (about the customer segment)*

For example, the case company estimated that the new service would be used by a large amount of users, to create content which would be attractive to large audiences. By attracting this large volume of users and audiences, the company would be able to obtain revenues through advertisement and the sale of premium services.

However, when the service was launched, it was seen that it was not adopted by such a large amount of users, and that the quality of the content created was poor and not appealing to large audiences.

Therefore, these invalid market assumptions required the company to modify its target customer segments. This change was followed by the adaptation of the value proposition (to meet the new segment's needs), the adjustment of the channels and the customer relationship mechanisms (to reach the new segment and deliver the service), and the change of the revenue mechanisms, now based on a paid services in exchange for a service that would help organizations generate value for their members and fans.

All these changes also affected some the key activities performed by the company, demanded the acquisition of new key resources (international sales staff), and affected the cost structure of the business, from an automated, self-service platform to a service that required human-intensive processes, mostly in the sales and after sales processes.

➤ *Lack of Product/Service-Market fit*

As the company changed its customer segment focus towards organizations, and then narrowed it down even further to certain type of organizations, it soon became evident that the value proposition/offering required changes to match the needs of the new segment.

Also, even when the company managed to standardize its value proposition to target organizations from a specific industry, the close customer relationship with larger organizations soon led to identify a niche of customers with particular needs and higher revenue potential.

Therefore, the company had to further adjust its offering and systems to be able to satisfy the custom needs of larger organizations, which also provided the possibility to develop the technical features of the platform and to build reputation in the market.

➤ *Service-specific considerations – Cultural and technical barriers*

As the customer segment was narrowed down to organizations it was found that reaching these customers required a more human- and relationship-oriented approach, not a self-service one as initially planned. Also, given the lack of technological adoption in the selected foreign markets, this personal approach became critical part of the sales and after-sales processes. Moreover, due to local cultural barriers, language adjustments

were required, both in the technical platform and in the personal interaction with customers.

Such required service-specific adjustments in the channels, customer support and key activities, had a significant impact in the company's cost structure and profitability.

5.2. Theoretical Contributions

The main theoretical contributions derived from this study are presented in the following section according to their respective research stream. Given that the analytical framework used aimed considered the complementarity of the streams to study the research phenomena, some of the contributions to one stream of research are closely related to the other two streams used.

5.2.1. Born Globals

The seven development stages of BGs proposed by Luostarinen & Gabrielsson (2006) – *R&D, Domestic, Entry, Starting, Development, Growth, Mature* – and the four growth phases suggested by Gabrielsson & Gabrielsson (2009) – *Introductory, Commercialization and foreign entries, Rapid growth and foreign expansion, and Rationalization and foreign maturity* – were found valuable models to understand the state and evolution of BGs along their internationalization process. The simultaneous use of both models, by overlapping their common criteria, proved to be useful to evaluate in different levels of detail the context and the configuration of the company's business model components. While both models provide relevant insights, the use of the seven-stage model seemed to offer better opportunities to study the early stages of born globals, which could be extremely important to understand to improve the company's outlook in the following stages.

It was observed ISBGs go relatively fast through the first three stages of development and its first growth phase, especially due to the potential to enter the domestic and foreign markets simultaneously from the use of the Internet as its main channel. However, the following stages of development were seen to evolve considerably slower due to the need to respond to the service-specific factors in target markets, such as cultural and technological barriers.

5.2.2. Service Business

In order to draw the service-specific insights in a form that helps to advance the development of the study of the internationalization of service companies, the main service-related insights from this study are summarized within the four research areas suggested by Lommelen & Matthyssens (2005).

By positioning the findings within the sub-domain of research focused in the internationalization of services, it is expected that the gap between some sub-domains of

the International Business field is reduced. In particular, it is hoped that the future study of Service Born Global companies can contribute to the body of knowledge focused on the internationalization process of service firms.

1. Motives for internationalization of service companies

Service born global companies seem to share the characteristics of other industrial born global companies regarding their international perspective, which from inception “seek to derive significant competitive advantage from the use of resources and the sale outputs in multiple countries”.

Similar to other non-service BGs studied, the entrepreneurial orientation of the founders, the ability to develop an innovative offering, and the limited attractiveness of firm’s home market due to its small size, were considered key elements determining the global scope of the company from inception.

2. Country/market selection

Given that the firm’s service used the Internet as its main channel, the service was virtually available everywhere from the moment of its launch. However, given the selected customer segments (organizations) and the service-specific aspects which required some human-based processes and local adaptation, the company did select countries where to focus its internationalization efforts.

These markets were based on three main factors: competitive landscape, local market factors (size, infrastructure, proximity), and resource availability.

Given that the existence of competitors and the biggest threat of new entrants was mostly focused in English speaking countries, the company decided to start its operations in other attractive, non-English speaking countries to avoid the competitive pressures in its early stages of internationalization.

The markets were selected based on the attractiveness of its size, economic potential, infrastructure development, geographical and cultural proximity. Given these considerations, the company considered European markets as a good start.

Finally, given the need to develop direct sales channels and the identified cultural barriers (i.e. language), the company was in need of international staff with the skills to undertake these processes. As the company acquired staff with the required skills, the necessary adjustments to enter that market were made.

3. Entry mode choice

Given the technological nature of the case firm studied, which provided a service to stream video and audio over the web, the Internet was used as the main channel to produce and deliver the service.

However, due to the cultural and technical challenges to use the service, the company also required the use of more human-dependent tasks, mostly focused in the sales and after-sales processes. Most of these tasks were handled remotely in a first stage, although the use of local staff and the relocation of staff from the HQ to the foreign market were also tested. Resource-wise, the use of remote but native staff was effective but partially slow in the early stages when the company has not built a reputation and requires longer time to build trust. Effectiveness-wise, the relocation of native staff previously located in the HQ (familiar with the technology and the organizational processes), helped to reduce the sales cycles and to improve the quality of the customer relationships.

4. Profile of service exporters

Compared to non-service Born Global firms, ISBGs have some particular advantages and challenges. Among the main advantages are the costs reductions and elimination of geographical barriers derived from the use of the Internet as its service vehicle.

However, this vehicle advantage is only partial, and many non-service BGs and non-Internet-based companies can also benefit in great part from the use of the Internet in many parts of their marketing efforts.

On the other hand, the way to address service-specific challenges, like the cultural barriers and different levels of technological adoption in foreign markets represented additional constraints which undermined the cost benefits of using the Internet as the main platform.

5.2.3. Business Models

The use of a business model perspective to study the evolution of Born Global companies was found a suitable approach due to its holistic perspective and its ability to represent the core components of the company and its inter-dependencies. The application of the business model construct, the visual representation tools, and the analysis of the factors affecting its changes provide new empirical support to several sub-domains of research identified by Pateli and Giaglis (2004).

Also, while the dynamic nature of business models has been highlighted (Hedman and Kalling, 2003; Shafer et al., 2005), the integration of the development stages models from the Born Globals' research stream provides new and valuable possibilities to further understand the development of global start-ups.

5.3. Managerial Implications

Based on the challenges identified and the required adjustment in the business model components observed in this research, the following recommendations can be made to entrepreneurs and managers of ISBGs:

- ISBGs should try to define a narrow customer segment as early as possible to facilitate the standardization of the value proposition and improve the efficiency of the marketing and communication efforts when going international.
- When operating internationally, some industries or segments provide better “transferability” of the value of references across markets than others.
- In the case of ISBGs, the selection of markets and the effectiveness of the market-entry efforts can be subject to the availability of organizational resources (i.e. native-speaking staff) to respond to culture-specific requirements of the target markets (e.g. language, technological literacy, communication requirements, etc.).
- Innovative value propositions, usually defined based on market assumptions, are likely to require adaptations once the offering reaches the market and starts receiving customer feedback.
- Service offerings are very likely to be subject to localization requirements. These requirements might be partially solved through technological adaptations while others might require organizational soft skills. While the first ones can be planned and approached at relatively low-cost, the second ones might require considerable resources and time to solve.
- Market-driven product/service development is essential to create offerings that respond to customers’ needs and to improve the value delivered to customers. Customer relationships play an essential role in an effective product/service development process.
- Direct sales efforts seems to provide better results when a) is performed by native staff, b) the staff is exposed to the organizational knowledge and interactions – even when located away from the target market –, and c) when the staff has been exposed to the organizational knowledge and is located in the target market.
- Remote customer relationships can face additional barriers to build trust and credibility, which can be partially overcome by relevant references and the use of multiple and richer electronic media, like teleconferences.
- Relying on revenue models built over assumptions about customers’ behaviors and needs should be tested and confirmed as early as possible. Finding a valid model to generate sufficient revenues is key to secure the necessary resources and support from investors to sustain the company operations.

- In technology-based services, the use agile software development methodologies can enable the company to respond to fast and in a cost-efficient way to new customer requirements changes in other business model components.

5.4. Recommendations for Future Research

Given that this study was focused in a single case study of an ISBG firm, and that the case company did not reach a mature stage, future research possibilities could consider some of the following additional recommendations:

- Elaboration of a multiple-case study considering various ISBGs to identify similarities and discrepancies in the evolution of the companies and in the challenges driving adjustments of their business model components.
- Elaboration of a single and/or multiple case studies, involving ISBGs that have reached a mature stage of globalization. This would enable to a) explore the changes experienced in the later stages of development and b) to compare the similarities or discrepancies identified in the earlier stages with this case.
- Elaboration of a single and/or multiple case study using a) non-service BGs and/or b) non-Internet-based Service BGs, to identify the similarities and discrepancies between service and non-service BGs, and between Service BGs that use the Internet as their main channel and those that do not.

Due to the suitability of the proposed research framework to evaluate the evolution of ISBGs, it would be recommended that this framework would be applied to study of other ISBGs or BGs, in order to validate its applicability, usefulness and the possible integration of other findings particular to the study of BGs.

Additionally, as this research undertook an exploratory approach of the evolution of the company's business model components, it would be valuable to compare identify ways to integrate the into the a deeper level of analysis the existing research in the field of BGs, particular to the area of each business model component (e.g. channels, customer relationships, networks/key partnerships, etc.).

In conclusion, the avenues of future research that the use of a holistic perspective, with origins in multiple research streams, provide attractive possibilities to bridge the gap between closely related fields that have been traditionally studied independently.

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Interviews

Firm	Interviewee	Position	Date	Location	Duration
Floobs Oy	Kai Lemmetty	Co-founder, CEO	July. 26, 2012	Helsinki	135 min
Floobs Oy	Joonas Pekkanen	Co-founder, CMO/CFO	Oct. 2, 2012	Helsinki	108 min.

7. APPENDICES

Appendix I. Case Interview Outline

EVALUATION OF THE BUSINESS ENVIRONMENT

After defining a specific moment of time in the life of the company, the following aspects of the business environment were discussed with the interviewee:

- Market Forces

- Market segments
- Needs and demands
- Market issues
- Switching costs
- Revenue attractiveness

- Industry Forces

- Suppliers and other value chain actors
- Stakeholders
- Competitors (incumbents)
- New entrants (insurgents)
- Substitute products and services

- Key Trends

- Technology trends
- Regulatory trends
- Societal and cultural trends
- Socioeconomic trends

- Macroeconomic Forces

- Global market conditions
- Capital markets
- Economic infrastructure
- Commodities and other resources

OVERVIEW OF THE PERSON'S ROLE AND BACKGROUND

- Could you please introduce yourself, the position you occupy in the company, and for how long time you have been working/worked there?

- Could you please summarize the academic and professional experience you had before entering the company? Have you worked in other companies in the field and/or in companies that have internationalized in a very short period of time? If experience in similar kind of companies and internationalization is highlighted, it could be relevant to ask a bit more about these.
- Could you please summarize which have been/were your main tasks and responsibilities within the company for the time you have been working/worked there?

STATE OF THE COMPANY AT EACH STAGE

After defining a specific moment of time in the life of the company, the following aspects of the business environment were discussed with the interviewee:

- Strategy and vision

- Which were the company's goals and vision at this moment?

- Regarding the product/service offering (value proposition)

- What was the company's product/service offering and how was it structured? (What was the company's main value proposition at that moment?)
- Which problem(s) were you trying to solve, to whom, and in which way?
- In addition to the main problem addressed by your product/service, can you think of other additional benefits your customer's obtained from it. (Which were the explicit and implicit benefits of your service offering?)
- Technology, functionality, key problems approached
- Pricing
- Product categories or assortment

- Industry and competitive factors

- Which were your main competitors (or substitutes) at this point, and how did your offering/service differentiated from them? Which were your service's (offering) main advantages over your competitor's offering?
- What was the state of the industry at this stage? Which were the main industry considerations influencing your strategy and actions?

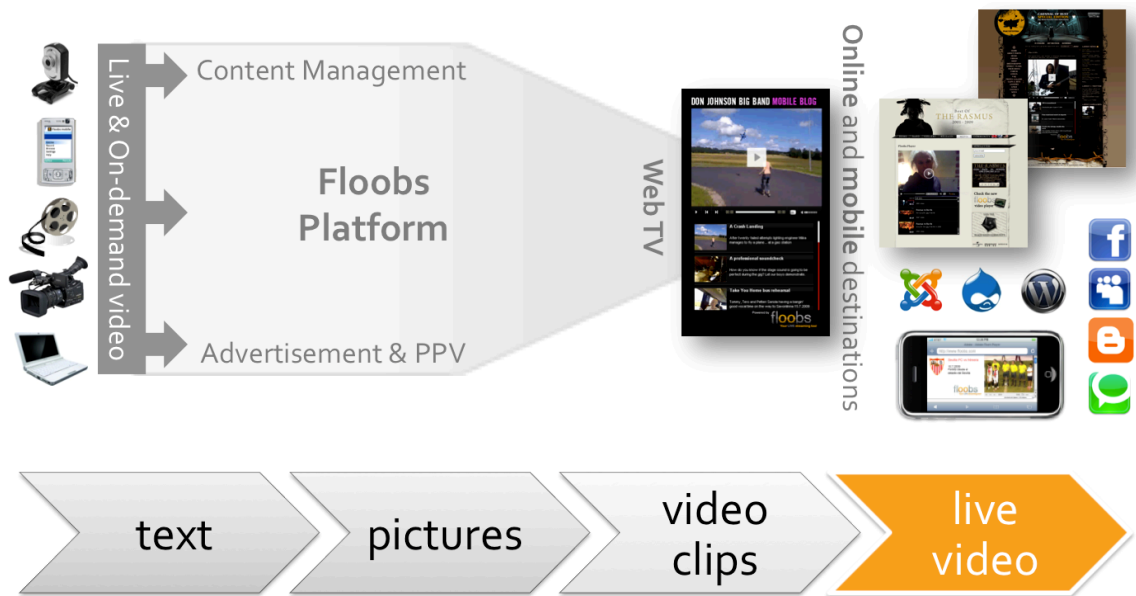
- Regarding the key activities

- Management practices in product development, operations and marketing
- Which were the main activities performed in order to create and deliver your service (value proposition) at this moment of time?
- If possible mention activities related to R&D, Marketing, Operations, etc.

- Were some of these activities performed abroad? If so, please detail which activities, by who, and why these were performed in this location(s).
 - How did the service work? Please mention (or map) the steps involved in delivering your service at this point of time. If possible, detail:
 - in which parts your company's staff was involved
 - where the customer's participation was required
 - how your platform interacted with both parties and the outcome.
- Regarding the key resources
- Which were the main resources the company had at this moment in order to create and deliver its service (value proposition)?
 - Were some resources located and/or obtained abroad? If so, please detail which resources and why they were located and/or obtained abroad.
 - Headcount and positions, funding, etc.
- Regarding the key partners
- Were there any key partnerships at this time? If so, how these partnerships were supposed to contribute to the company's goals? Were the expected results of partnerships achieved?
 - Where were the partners located and why?
- Regarding the key customer segment
- Which were your main customer segments at this point and why?
 - Where were your key customers located at this point? Markets and market selection
 - Were there any changes in your target segments compared to your plans or previous stages? If so, which were the main reasons behind the change in focus?
- Regarding the Channels
- Through which channels was your service (offering) delivered at this stage?
 - How did your customers get to know about your service (offering) and how they were able try it?
 - Were there different channels used for customers in different locations?
 - Use of direct/indirect channels
- Customer Relationship
- Who was in charge of handling your customer relationships?
 - Were there mechanisms (formal or informal) for managing your customer relations?

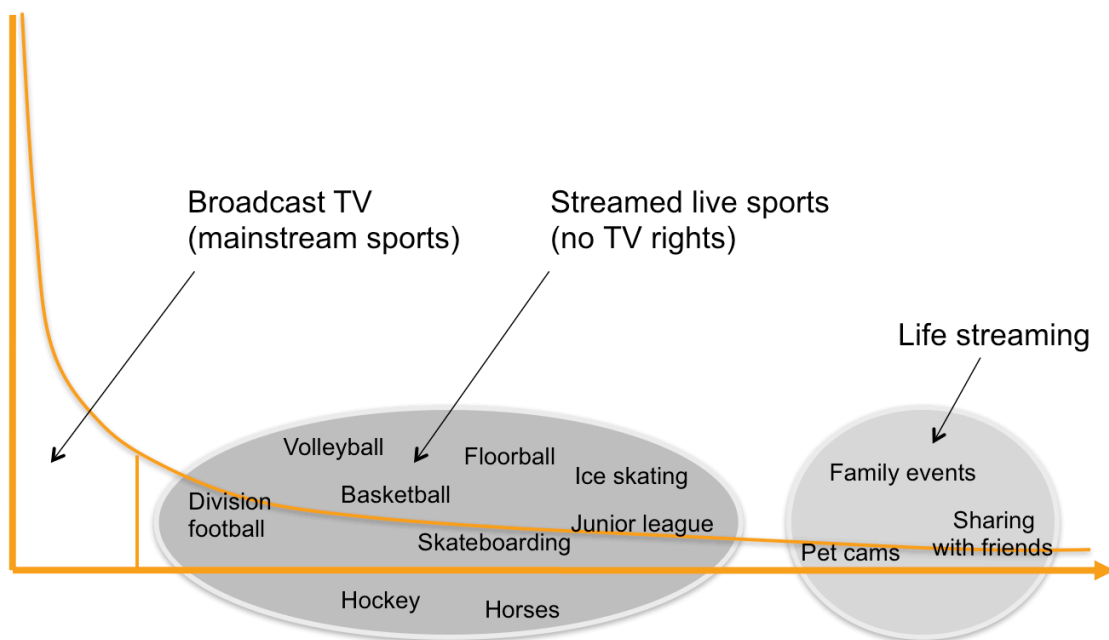
- How was the communication with clients handled? Who was in charge of contacting and managing customer's inquiries?
 - In which language and through which mediums were the communications managed? (e.g. Internet, phone, meetings, events, etc.)
 - Were there differences in the customer relationship management activities for customers from different locations? If so, please detail in what the differences consisted.
 - Were there any policies, mechanisms and processes in place to monitor customer satisfaction and to process customer feedback?
 - How would you describe the level of customer satisfaction this point of time?
- Regarding the revenue streams (Funding, sales, etc.)
- How were you making money or planning to make money with your service (value proposition) at this stage?
 - How did your revenue source was divided among the markets at this stage?
 - Which other sources of money you had at this stage to finance your operations?
 - What kind of pricing models were you using to sell your service (offering)?
- Regarding the cost structure
- How were the operations financed at this stage?
 - How were your costs allocated at this state e.g. between fix and operating costs, between functions (R&D, marketing, operations, etc.)?
 - What was the headcount for each major area of activity? (e.g. development, marketing, sales, etc.).
 - Was the burn rate according to your expectations and possibilities?

Appendix II. Floobs Platform Concept (2008)

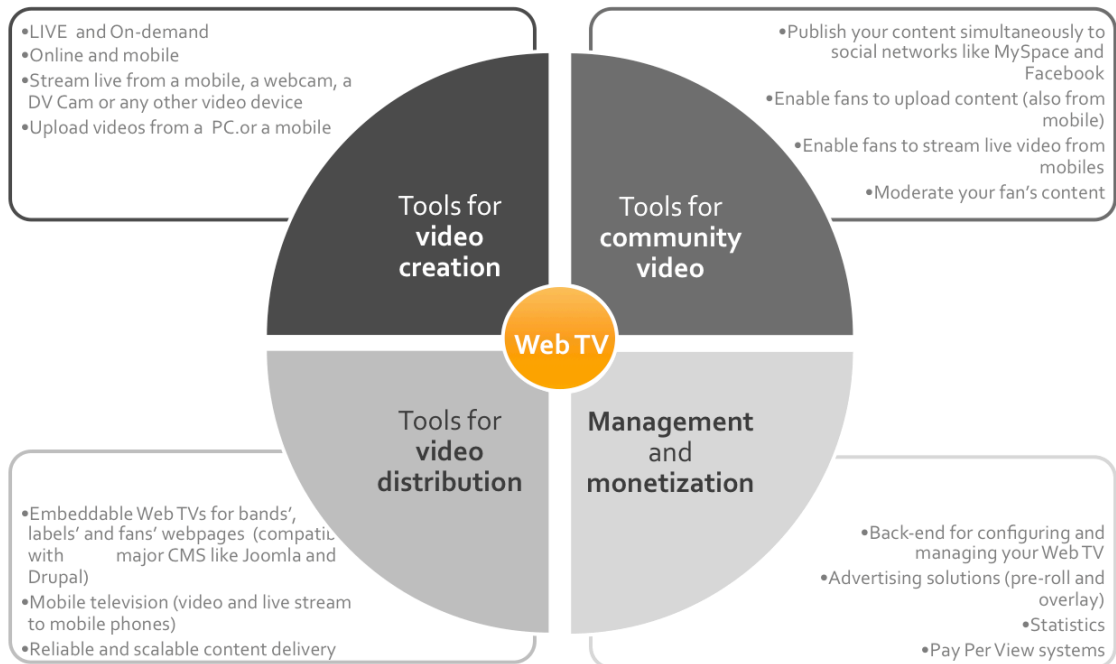


Sharing live video is the next phase of evolution as internet services going mobile

Appendix III. Floobs Target Segments - Focusing in the long tail

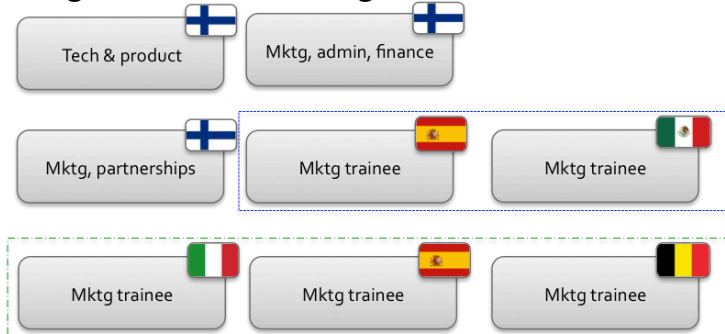


Appendix IV. Floobs Service Offering (2009)

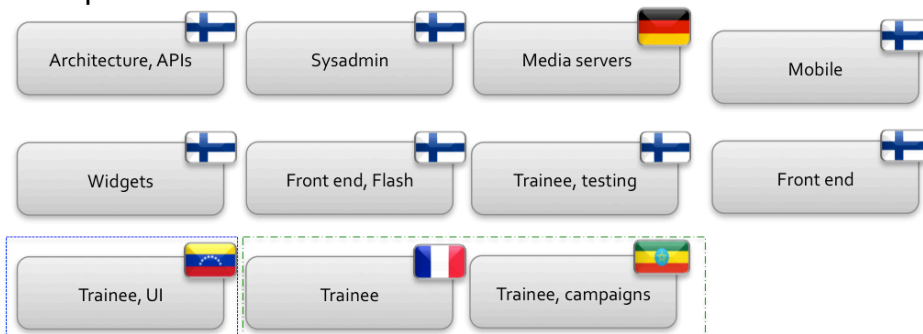


Appendix V. Company Structure and Headcount - Growth Phases 1 & 2

Management & marketing team:



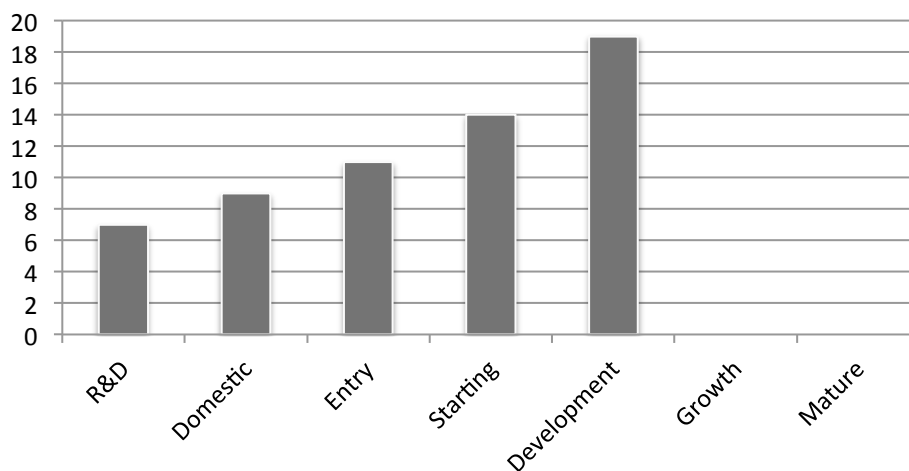
Development team:



- Entered in Growth Phase 2 – Starting Stage
- Entered in Growth Phase 2 – Development Stage

Appendix VI. Company Headcount per Development Stage

Headcount per development stage

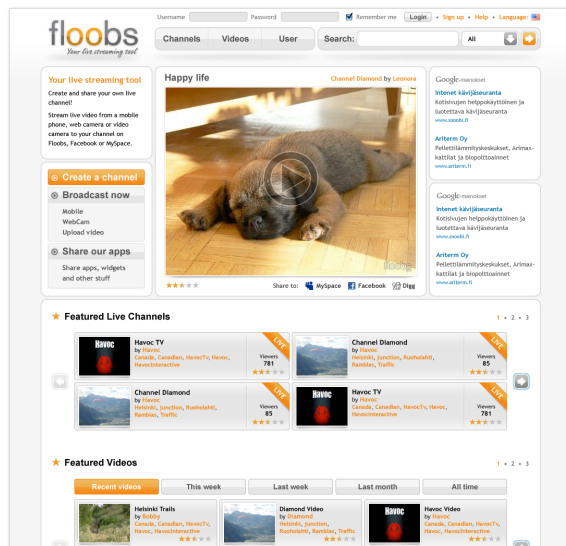


Appendix VII. Visual Evolution of Floobs.com Website

September 2007



September 2008



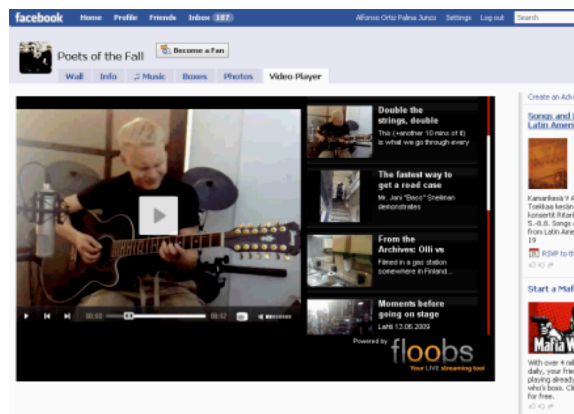
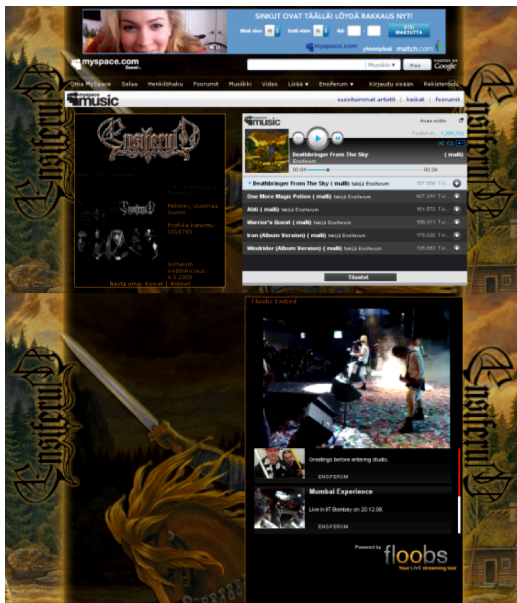
September 2009



Appendix VIII. Embeddable Web TV widgets



Appendix IX. WebTV in Social Networks - MySpace and Facebook



Appendix X. Glossary of Terms & Definitions

- **3G:** 3rd Generation of mobile telecommunication technology. It enables the transfer of voice and data, enabling mobile Internet access and video communications.
- **API:** Application Programming Interface. Set of routines, protocols and tools for building software applications¹.
- **C\$:** Cost structure. Business model component related to the overall costs a company incurs when operating. (See chapter 4).
- **CDN:** Content Delivery Network. Large distributed system of services deployed in multiple data centers².
- **CH:** Channels. Business model component related to a company's communication and distribution channels. (See chapter 4).
- **CR:** Customer Relationships. See chapter 4.
- **Born Global (BG):** Company that from inception seeks to operate globally in a within a relatively short period of time. (See chapter 4).
- **Broadband connection:** Internet access of high-speed.
- **Business Model (BM):** Representation of a company's business logic and core components. (See chapter 4).
- **Business Model Canvas:** See chapter 4.
- **Content consumption:** Watching content in a website.
- **Content production:** Creating content for a website.
- **Destination site:** Website that is meant to for users to visit and spend time watching its content.
- **DV cam:** Digital Video camera.
- **Embeddable/embeddable channel:** A video player that shows the video content created by a user and can be integrated into another website by adding a few lines of code.
- **FAQs:** Frequently Asked Questions.
- **Flash:** Multimedia platform use to add audio, video and interactivity into to websites³.
- **Floobs:** Case company. Provider of online and mobile video service, both for live and on-demand video.
- **IPR:** Intellectual property rights
- **ISBG:** Internet-based Born Global company. Company that
- **Java:** Programming language used in multiple electronic devices, like computers and mobile phones.
- **KA:** Key activities. See chapter 4.

¹ Source: Webopedia. <http://www.webopedia.com/TERM/A/API.html>

² Source: Wikipedia. http://en.wikipedia.org/wiki/Content_delivery_network

³ Source: Wikipedia. http://en.wikipedia.org/wiki/Adobe_Flash

- **KP:** Key partnerships. See chapter 4.
- **KR:** Key resources. See chapter 4.
- **Kbps:** Kilobyte per second is a data transfer unit.
- **Live video:** Video showing content that is happening in real time.
- **Live streaming:** Transfer or broadcast of live video.
- **Long-tail:** The large of occurrences far from the central part of a probability distribution⁴.
- **RS:** Revenue stream. See chapter 4.
- **Smartphone:** Phone with high computing capabilities, able to connect to the Internet, and with ability to transfer video and audio.
- **Start-up:** “A startup is an organization formed to search for a repeatable and scalable business model” – i.e. the way the company creates, delivers and captures value (Blank, 2010).
- **Stream:** Broadcasting or transmitting video or data.
- **Switching costs:** The negative costs that a consumer incurs as a result of changing services, products or suppliers⁵.
- **TEKES:** Finnish Funding Agency for Technology and Innovation
- **VC:** Venture Capitalist.
- **VOD):** Video on-demand. Recorded video content that can be watched at any time, upon the user request. The term is commonly used to refer to video watched over the Internet.
- **Video player:** component that enables to reproduce video and watch video.
- **Virality:** the possibility to recommend or spread content in online media.
- **VP:** Value proposition. See chapter 4.
- **Web 2.0:** term used to describe web sites that use technology beyond the static pages of earlier web sites⁶.
- **Web channel:** Video player linked to a library of video content and live broadcasts from a particular user.
- **Webcam:** Camera that is used to broadcast video over the Internet.
- **WebTV:** Component that enables the user to show a library of video content and live broadcasts over the Internet, in multiple websites.
- **Widget:** Component that enable the user to access a service.

⁴ Source: Wikipedia. http://en.wikipedia.org/wiki/Long_tail

⁵ Source: Investopedia. <http://www.investopedia.com/terms/s/switchingcosts.asp#axzz2A9Vyxedi>

⁶ Source: Wikipedia. http://en.wikipedia.org/wiki/Web_2.0