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**Importance of networks in the USA industrial auctioneers's market:
Case of Trade Machines FI GmbH**

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Abstract <p>Many scholars agree that networks play an important role for company's internationalization and its speed. International New Ventures (INVs) are among those companies which utilize networks for successful market entry as soon as they are often lacking certain resources and knowledge themselves to which networks can grant access.</p> <p>The goal of the current Master's Thesis was to analyze the influence of networks on small company's internationalization in a market specific context – market of industrial auctioneers. The context of the study chosen is not given enough attention by internationalization scholars and, thus, this work deals with a novel topic.</p> <p>Research method chosen for conducting this research was qualitative which allowed using semi-structured interviews as mean of data gathering. At the same time research was structured in a way that primary data was collected through interviewing the case company and it was supported by four interviews with managers of companies operating in auctioning sector. It provided certain reliability of data and lessened the subjectivity of results. Topic of interviews were designed according to the theories covered in the first chapters, however, due to different means of conducting them (face-to-face, phone and email) questions as it is allowed by semi-structured interviews had certain differences, but kept the same pattern.</p> <p>The data received through semi-structured interviews has been analyzed according to separate topics designed in theoretical and methodological parts.</p> <p>The outcomes of the study have proved the high importance of networks within the industrial auctioneers' market, where reputation and previous recommendations can secure a competitive position in the market. However, even though interviewees claimed that networks play one of the highest roles in the market, they underlined the importance of other factors like advanced technology and new knowledge for success in link building with auctioneers.</p> <p>At the end of the study there were provided managerial implications based on the results of empirical analysis. The main result of the study and its theoretical contribution was a connection of network approach and internationalization of INVs into the context market of industrial auctions which has not been given attention before.</p>			
Keywords Networks, internationalization, International New Ventures, USA, Auctions			
Additional information			

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1 INTRODUCTION

Internationalization of a company is a complex process which consists of various stages and depends on combination of factors as age, size of a company, managerial skills, know-how, etc. (Hosseini & Dadfar, 2012). Researchers have been using a number of theories to explain internationalization processes: transaction cost approach (TCA), resource-based view (RBV), network theory and sometimes, a combination of them (Hosseini & Dadfar, 2012). International New Ventures (INVs) are often analyzed by various internationalization researchers as the companies going abroad on early stages of their business development. Keeping in mind limited resources International New Ventures (INVs) normally have, use of RBV alone according to Hosseini and Dadfar (2012) cannot completely explain and justify the internationalization processes. In this case the network theory is of a bigger importance as it can explain how and where from INVs get resources and knowledge which there are missing in the new market of operations.

Networks according to the network theories can be seen as bridges to other markets which make it easier for companies to cross the gap between domestic and foreign ones (Sharma & Johanson, 1987). Compared to large enterprises INVs are lacking own resources, but nevertheless are able to internationalize successfully. The reason for that is as it sees a number of researchers (Coviello & Munro, 1997; McDougall et al., 1994; Bell, 1995) the active position of INVs in international networks which provide innovative companies with required assets and knowledge. Position in the network and certain relations within its domestic market play more important role in company's success on international arena rather than physical distance of a foreign market and its economic and cultural peculiarities (Johanson & Mattsson, 1988). Another factor of success underlined by Bonaccorsi (1992) is access to external resources which network is able to provide for INV.

Coviello and Munro (1995) state that one of the reasons for internationalization of INVs is to go beyond the limited domestic market in search for success internationally. In international business research scholars found out that especially young hi-tech companies are actively developing international networks and using them to enter a number of new markets simultaneously (Coviello & Munro, 1995). This showed irrelevance of so-called stepwise approaches like Uppsala model to INVs and required review of some theories and creation of new ones.

Topic of internationalization of technology based INVs is relatively new and especially nowadays with a rising number of start-ups it is important to analyze certain notions related to their internationalization. For this purpose have been chosen a case company Trade Machines FI GmbH (TradeMachines) and a market which it has begun to enter – the USA. TradeMachines is an online marketplace for used machinery auctions from all over the world which means that it operates in environment of industrial auctions. This study will focus on industrial auctions' market of the USA. This context is a good choice not only because company is penetrating in it already, but also due to the rich history and culture of auctioneering in that country, as well as relatively flexible law regulations which allow this way of selling assets (the NAA, 2008). Nevertheless, auctioneering is not following the modern trends of digitization as fast as other industries. There is still a big percentage of auction houses that do their business traditional ramp (onsite) way, rather than online. Thus, even in such developed economy as the US one, networks might still play a crucial role for INV that wants to introduce new products or services to the still under-modernized industry of commercial auctions. Moreover, the market itself consists of less than 500 industrial auction houses and in each state there are state and national associations which unite these auctioneers (TradeMachines, 2014). This shows interconnectedness of auction industry of the US, where most of auctioneers know each other and being able to enter this network with good reputation can become a competitive advantage of INV.

Due to the fact that many auction houses are still not internationalized nor digitized in the United States, and are doing their business traditional way for decades (Smith et al., 2000), it might be difficult for outsider INV to enter this market. In their research Coviello and Munro (1995) realized that small firms manage to rapidly internationalize due to quickly connecting themselves to large already established networks which means that cooperation or even informal connection to auction houses from the market can trigger entering and penetration of INV into the market of the US.

One of the results of Coviello and Munro's survey (1995) was that companies on the early stages of internationalization are using networks in order to "accelerate" the process and establish good position in the network of competitors. This underlines the importance of research of networks during entry into the market and first steps within it. Moreover, network partners can support not only during the market entry, but also with other activities, such as market research, marketing, customer acquisition, training and of course sales (Coviello & Munro, 1995).

1.1 Research problem and goal

If the company has no international experience it raises the question how it can get it in order to go to foreign markets? Hadley and Wilson (2003) see contacts of the firm with organizations that have foreign operations crucial in this scenario. INVs always focus on strengthening their positions in international markets and search for strategic partners and resources which can secure international expansion (Coviello & Munro, 1995). Bonaccorsi (1992) states that unexperienced INVs can utilize their partner connections and learn from their relationships gathering valuable knowledge. Knowledge-based companies, as stated by Coviello and Munro (1997), are of higher interest because they are limited in resources and experience in order to provide their services on international arena, however, at the same time these start-ups are an important source of innovation.

Coviello and Munro (1997) have noticed that most of the previous researchers were focused on the internationalization of large enterprises dealing with manufacturing, rather than on knowledge-based SMEs. Compared to large enterprises INVs are lacking own resources, but nevertheless are able to internationalize successfully. The reason for that as it sees a number of researchers (Coviello & Munro, 1997; McDougall et al., 1994; Bell, 1995) is the active position of INVs in international networks which provide innovative companies with required assets and knowledge. In their previous research Coviello and Munro (1995) paid special attention to international marketing of INVs and found out that main role in it play large network partners rather than INV itself. Overall this brings us to the conclusion that it is essential to research the role of networks for internationalization of new ventures stepping into foreign markets.

Even though there already exists a number of research papers focused on internationalization of INVs and implications of network approach in the context of the US industrial auctioneers' market, where network position might play a crucial role, there was little or no research conducted yet. For example, Jones, Suoranta and Rowley (2013, p.684) found out in their research that many technological companies feel that that the whole business system of the USA, Silicon Valley ecosystem in particular, is "purely about relationships and leveraging resource opportunities from networks, either face-to-face or via web-based networks". Industrial auctions by their nature are based on either business-to-business or government-to-business relationships, but in case of the USA most of the auction houses are private owned. Hence, the establishment of networks with potential partners, private companies, associations or individuals, has a direct impact on the firm's performance.

In their research Coviello and Munro (1997) found out that software INVs internationalize much faster than big ventures, trying to penetrate into as many new markets as possible during first three years of existence and mostly through networks. Moreover, they saw a tendency that networks are not only internationalization catalyzer, but also they help to shape up the market entry strategy creating a certain pattern for the firm. Networks facilitate international growth of INVs. Nevertheless, some companies are afraid to get under dependency of a big partner and create more relations in order not to concentrate on only one (Coviello & Munro, 1997).

Coviello and Munro (1997) state that INVs are more fast in internationalization compared to larger firms due to the fact that they do not make extensive trial period in the foreign market, but rather follow three steps within three or more years: (1) foreign market intention; (2) active involvement and evaluation; (3) committed involvement. These steps are important for INV's internationalization and should receive special attention. Authors claim that studies of entrepreneurial firms in international markets is limited and, thus, needs further research (Coviello & Munro, 1995). It was exactly when network theory became a new fresh view on internationalization of INVs which tend to go global with the help of their relationships. All relations are interconnected with each other in the market like a system of networks in which relationships might influence even firm strategy (Axelsson & Easton, 1992).

The general conclusion is that indeed networks have a serious impact on firm's internationalization, choice of market entry mode and its success. In case of the auctioneers market of the USA networks might be even of higher importance due to the lack of modernization of this industry and relatively small market in general. However, as stated before the context has no business research conducted from the perspective of young business-to-business INVs entering the market of industrial auctions in the US. This creates a clear defined gap of the current research which it is aiming to fulfil.

The goal of the research is not only to bring theoretical implications, but rather to understand ways of operating within old-fashioned and tight networks of the USA auctioneers and provide practical implications for future researchers as well as managers entering the same market. The study will also bring up the topic of personal (social) and business connections in the context market of the work paper, this should help to analyze the network nature of the market – if it is more business or relationship based.

1.2 Research questions

The purpose of the current research is to understand the influence of industrial auctioneers' networks within the USA market on successful internationalization on outsider INV. The current work aims at creating a certain framework which will help INVs entering the market of industrial auctioneers' to evaluate the importance of potential partners and make the strategically best decision while establishing new networks. This goal will be fulfilled as soon as the main research question of the study would receive an answer:

What is the process of partner selection for further network relationship development of INVs during foreign market entry?

Due to the fact that the main research question is quite broad it is important to split it into several logically connected subparts. The first sub-question is aimed at getting a better understanding of impact of networking for INVs aiming at new market entry, including industrial auctioneers' market. This will not only assist in answering the main research question, but also evaluate the significance of the study subject itself.

SQ1: What is the importance of network ties for INVs entering new market?

The second sub-question is necessary for discovering the existing actors in the USA industrial auctioneers' market. An answer to this question will provide the researcher with the knowledge about actors operating within the context of the study. It would support the main research question and also set a basis for the empirical study.

SQ2: What are the existing networks in the USA industrial auctioneers' market?

Finally, the goal of the third and last sub-question is to analyze how network relationship ties are created within the set context of the study. Data collected within the theoretical part combined with the finding of the analysis part will be utilized for answering the following sub-question:

SQ3: Which factors should INV consider while selecting partners in the USA industrial auctioneers' market?

1.3 Research structure

The current research consists of three main parts: two theoretical and one practical, followed by discussions and conclusions part. The first theoretical part is considered to be the most important one as a starting point of the whole research. It will provide theoretical background of the network approach on internationalization based on two models – ARA Model and Network-based internationalization approach. Moreover, the first theoretical part will pay special attention to the types of network ties categorizing them into: business, social and competitor ties. At the end it will provide an outlook on the process of partner selection and analyze ways of creating new partnerships.

The second theoretical part is purely based on the context of the current research – industrial auctioneers' market of the USA. This part is different from the first one due to the lack of research in the area and for this reason it is based on more periodical publications rather than on scholar articles. However, lack of research creates a well-defined niche for the current study. The second part will provide certain historical background of the auctioneers' market in the USA and later will explain the current situation due to the world digitalization. It is important to mention that the researched market is pretty small – less than 500 auction houses exist in the USA dealing with industrial sales. It means that the market is quite dense and interconnected which gives another point in favor to implication of the network theory in this research.

The last chapter of the main part of the work will be practical. It will be based on the interviews conducted with owners of four auction houses and also with one INV entering the USA industrial auctioneers' market. In order to build a profound research flow a logical order of the research sub-questions would be followed in the practical part. Interviews would be open-end in order not to strict the recipients in their answers. Moreover, each interview would be of different type due to geographical distance of most of the interviewees. Main interview with the case company will be conducted personally, two interviews via the phone and two via email. At the end of this chapter the results and analysis of interviews would be provided.

The last part of the research would be conclusions and discussions which will provide theoretical and practical implications for researchers, company owners and managers. It will also outline certain limitation which the research has and will suggest further research possibilities based on that.

2 NETWORKS IN INTERNATIONALIZATION OF INVS

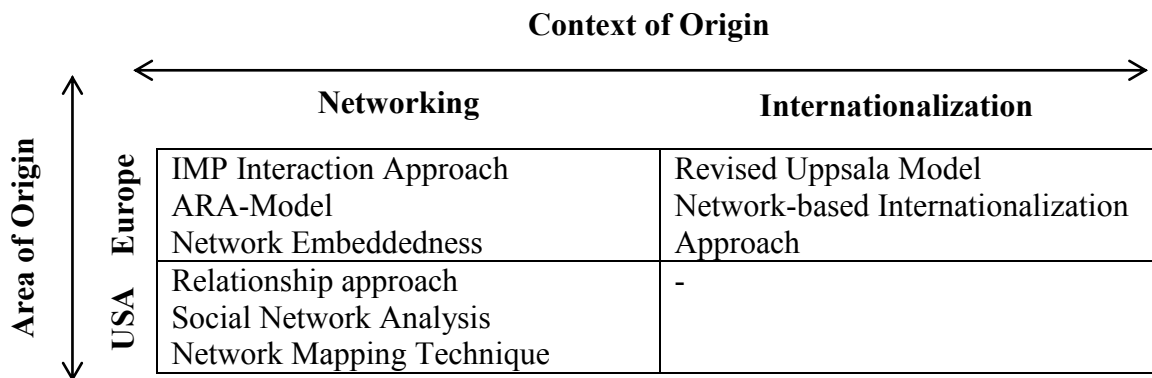
As mentioned before the network theory has a lot of attention from scholars; some support it some do not. The current research is purely based on the network theory and in the current chapter it will provide main ideas of the network perspective. First subchapter will define the concept of network and describe two main models used in the current work. It will also outline main types of network connections, characterizing them into business, social and competitor. In this part the importance of all of these types would be discussed for the young INVs. The second subchapter focuses on the process of partner selection during the process of internationalization. It also shows possible scenario of partner selection.

2.1 Network View on Internationalization

In order to start the analysis it is important first to understand the background theory and develop the framework for further research. As stated before the key theory of the current paper is the network theory of internationalization. However, before that it is important to give a proper definition of the researched concept. Axelsson and Easton (1992), for example, give a broad definition to network stating that it is an exchange relationship between at least two or more members. Emerson (1981) gives similar definition seeing business networks as business relationship between at least two companies which are called actors of this network. Sharma and Johanson (1987) see networks as certain bridge relations to new markets that make it easier for companies to internationalize. Johanson and Mattsson (1988) as a number of other researchers (Axelsson & Johanson, 1992; Sharma & Johanson, 1987) see networks as relationships between companies and their dealers, suppliers, competitors and other relevant network actors (Chetty & Holm, 2000). Moreover, if we look at the market from network perspective it can be seen as a system of social and industrial networks.

As it can be seen from the diversity of definitions of networks there are a number of various views on the network theory itself. One of the research papers written by Hosseini and Dadfar (2012) which accumulated main network-based theories will serve as a skeleton for current subchapter to give an overview of the theories and chose the ones for implication in empirical part of the work. In their research Hosseini and Dadfar (2012) have categorized network-based theories according to two criteria: context of origin (internationalization or networking theories) and area of origin

(geographical aspect). Figure 1 represents classification of eight main network-based theories of Hosseini and Dadfar (2012):



*Figure 1: Taxonomy of internationalization-networking
(Adopted from Hosseini & Dadfar, 2012)*

Surprisingly none of the American internationalization theories of networking fell into the categorization of Hosseini and Dadfar (2012). Nevertheless, the main interests for the current research represent European theories, namely: ARA-Model (Hakansson & Johanson, 1992) and Network-based Internationalization Approach (Johansson & Mattsson, 1988).

Network-based Internationalization Approach

Johanson and Mattsson (1988) have brought network perspective into internationalization theory. They came up to a conclusion that both international characteristics of a firm and its market are important while looking at internationalization processes (Johanson & Mattsson, 1988). Therefore, in their research they operate two dimensions: degree of company's internationalization and degree to which market is internationalized and by these dimensions four types of companies are defined (Hadley & Wilson, 2003). Depending on the network situation of the company Johanson and Mattsson (1988) divide firms that undergo internationalization into four types:

The Early Starter – this type of firms is lacking knowledge about foreign markets and its domestic connections are in the same situation, thus, not able to educate the company and support in its foreign operations (Johanson & Mattsson, 1988). According to Hadley and Wilson (2003) this internationalization state of the company will affect its level of experiential knowledge by two possibilities. First of all, as soon as the company is not highly or not at all involved into foreign

operations the amount of the feedback received from the international market will be low as well which results low level of learning (Johanson & Vahlne, 1990). However, if the commitment to the new market grows – new information channels will become stronger as well (Hadley & Wilson, 2003) boosting experiential learning. Another influential aspect, mentioned by Hadley and Wilson (2003) underlines importance of interactions with international market players. It means the more active the company is in networking the more knowledge it is able to get.

This brings us back to IMP Interaction Model developed by Hakansson (1982) which consists of the three main components: actors, atmosphere and environment. When the interaction happens all these components have certain influence on the outcome of interaction (Hosseini & Dadfar, 2012). Whereas, influence of the actor element is straight forward as it depends on individual aims and experiences of interaction partners, differences between environment and atmosphere should be further explained. Environment includes all macro elements such as political, economic, etc. conditions; whereas, atmosphere covers micro elements like connectedness, dependency, expectations of interacting companies (Hosseini & Dadfar, 2012). Stepping into interaction the Early Starter has no experience and has to learn by doing (Hadley & Wilson, 2003) even though its international connections are weak or close to none. Nevertheless, these firms are still able to penetrate into a new market, but with a certain help of an agent. In these cases companies are more likely to choose a certain distributor which knows the market and will act on its behalf (Chetty & Holm, 2000).

The Lonely International – has a strong competitive advantage upon similar companies in its domestic market. These firms are highly internationalized acting on several foreign markets whereas their competitors have only domestic experience (Chetty & Holm, 2000). This international knowledge can definitely make company more successful compared to others especially because it was gained by the Lonely International itself. Scholars (Johanson & Vahlne, 1992; 1997) suggest that the knowledge of the Lonely International as a firm specific knowledge is more valuable as it is “tailor made” and produced by a company itself (Hadley & Wilson, 2003). Thus, the firm does not need to acquire knowledge through its domestic networks and adapt for itself. However, weakness of this type is its network which is not internationalized enough and, therefore, not able to provide useful information which the Lonely International might be lacking as well. From this perspective Hadley and Wilson (2003) suggest that the level internationalization of the market can grant access of the firm to higher variety of knowledge and resources.

The Late Starter – is the opposite of the Lonely International. This type of a company is more a disadvantage, it operates in domestic market which is highly internationalized and literally gets pushed to start internationalization by its suppliers and customers (Chetty & Holm, 2000). Like the Early Starter it has limited international operations, thus, limited knowledge of foreign markets. However, unlike the Early Starter it is operating in a highly internationalized environment (Hadley & Wilson, 2003). Despite the fact that this type of a firm can be seen as disadvantage (Chetty & Holm, 2000), on the other hand, its internationally experienced network can serve as a major benefit (Hadley & Wilson, 2003) compared to the inexperienced one of the Early Starter. The experiential knowledge of the network accumulates all the experiences of its members (Johanson & Mattsson, 1988) which in its turn can affect decision of an unexperienced Late Starter (Bonaccorsi, 1992). As soon as such companies have lack of own international knowledge according to a number of authors (Bonaccorsi, 1992; Hadley & Wilson, 2003) they are more likely to copy decisions and strategies of other actors of the internationalized network. Moreover, firm falling under this category finds it easier to gain experiential knowledge on macro-level from its internationally experienced network (Hadley & Wilson, 2003) which gives it a competitive advantage over the Early Starter and saves valuable time on self-education (Oviatt & McDougall, 1994).

The International Among Others – operates in a highly international environment and is highly internationalized itself (Johanson & Mattsson, 1988). These firms have a greater access to all necessary resources as soon as they have own knowledge and experience and their network can bring extra resources through its international networks (Chetty & Holm, 2000). These firms enjoy superior knowledge base (Hadley & Wilson, 2003) as soon as not only they get firm-specific experiential knowledge by themselves, but also their macro-environment is providing more information and encouraging further development and learning (Eriksson et al., 1997). Of course, in this category company faces strong internationalized competitors and the structure of the network is quite tight (Johanson & Mattsson, 1988), however, this category is considered to be the most beneficial one from the point of view of knowledge and resources which are essential for a small firm entering new markets.

This categorization is one of the most commonly used ones by scholars researching the topic of network theory. Nevertheless, the categorization used by Johanson and Mattsson (1988) should be used carefully as Chetty and Holm (2000) have outlined that certain criteria of each group can overlap and, thus, be not precise enough.

The ARA Model

The ARA Model has been primarily developed by Hakansson and Johanson (1992) based on the IMP research results. The model focuses on the results of interactions (Ford et al., 2010) and suggests that the outcomes of them can be explained in three interconnected dimensions: Activity Links, Resource Ties and Actor Bonds (Hakansson & Snehota, 1995).

Activity Links – represent a level of coordination between companies and their joint or correlated activities. Hakansson and Snehota (1995) see this dimension to be difficult to analyze and define it as certain connections or overlapping between activities of various enterprises. A number of activities can be interconnected between actors, for instance, logistics, manufacturing, administration, etc. (Ford et al., 2010). Moreover, supporters of the ARA Model claim that all activities of a company are always interconnected with others (Hakansson & Snehota, 1995) which shows close connection of the theory to the network approach. From this perspective relationship can be seen as tight links between similar activities of two or more companies which are reached through mutual adaptation to each other's operations and this is considered critical (Hakansson & Snehota, 1995). The stronger activity links are the higher degree of adaptation will take place before and during the relationship. The activity links will also in a course of time become structured and take place on a routine basis with certain regulations established from both partners (Nelson & Winter, 1982). Company is able to benefit from a variety of activity links it possesses, but should carefully manage all its variations and types strategically to improve company's position in the market (Hakansson & Snehota, 1995).

Resource Ties appear due to interaction processes between companies. Having lasting relations companies might adjust their resources to each other for mutual benefits. These can be physical resources like spare parts for their production machinery or intangible like knowledge (Ford et al., 2010). Resource Ties take place and develop over time when the relationship gets stronger and certain adjustments are required from both sides. As soon as it is impossible to imagine business having all the necessary resources internally (material, knowledge, finances, etc.) – Resource Ties as way of getting missing “ingredients” is a very important dimension. Resource is not simply anything, but an element which can be used and has potential (Hakansson & Snehota, 1995), furthermore, one element can be beneficial resource for one firm and have no use for another. Moreover, resources are not just elements they can be seen as a relationship itself which exists while at least two partners stimulate it (Hakansson & Snehota, 1995). The importance of this

dimension is clear – it is granting access of firms to its partner's resources and in a course of networking connection can become so strong that there will be no clear line between internal and external resources. Sharma (1993) claims that resource exchange is always part of the networking; and what is more important – network relations can influence decision making processes of its members. Moreover, partners assist each other and bring in experiential knowledge in order to achieve higher results using combination of resources. Resources are not just elements they can be seen as a relationship itself (Hakansson & Snehota, 1995). Nevertheless, even though it is seen as a good thing to have wider access to resources, but resource ties might create certain dependency as a company can get influenced due to resource changes of its partner. Thus, a firm should be able to quickly adjust in case of situation mentioned above.

Actor Bonds represent interpersonal connections between individuals within interacting companies. This dimension shows how closely companies are connected on interpersonal level, how well they know each other and trust developing mutual commitment (Ford et al., 2010; Gambetta, 1988; Wilson & Mummaleeni, 1986). Trust develops slowly over time resulting commitment when there are prospective future cooperation possibilities (Hakansson & Snehota, 1995). Actor bonds are as important as other dimensions and can consist of both individuals and collective entities like firms. It is stated that some bonds can be stronger than others and require more commitment and attention (Hakansson & Snehota, 1995), but at the same time company is able to manage a wide variety of actor bonds on company and individual level in order to reach certain goals.

This dimension brings up a topic of business and social networks stating the importance of both. For this reason it is logical for the current research to define the main network types relevant for the work paper in the next subchapter.

2.2 Types of Relations within Network

As one of the main claims of the Network Theory – networks might help to overcome new market entry barriers. It all depends on the network position, strength of ties and type of the network relationship itself. However, first of all it is important to distinguish three major types of networks that are discussed in the following subchapter – *business*, *competitor* and *social networks*. Social networks are taken into consideration due to the fact that the context of the report are INVs, which can be categorized as entrepreneurial firms, where networks of the manager/owner play a significant role as well.

2.2.1 Business Networks

Forsgren and Johanson (1992) define business networks as a set of exchange connections and relationships between companies. All the connections are interrelated and each connection has positive or negative impact on another relationship within network (Bernal, Burr & Johnsen, 2002). This means that any network tie can influence directly or indirectly the situation in the whole system. In the relevant literature there are distinguished several types of business network relations regarding their strength, nature and ways those relations were acquired and maintained. Figure 2 shows three main ways of categorizing the type of the network tie.

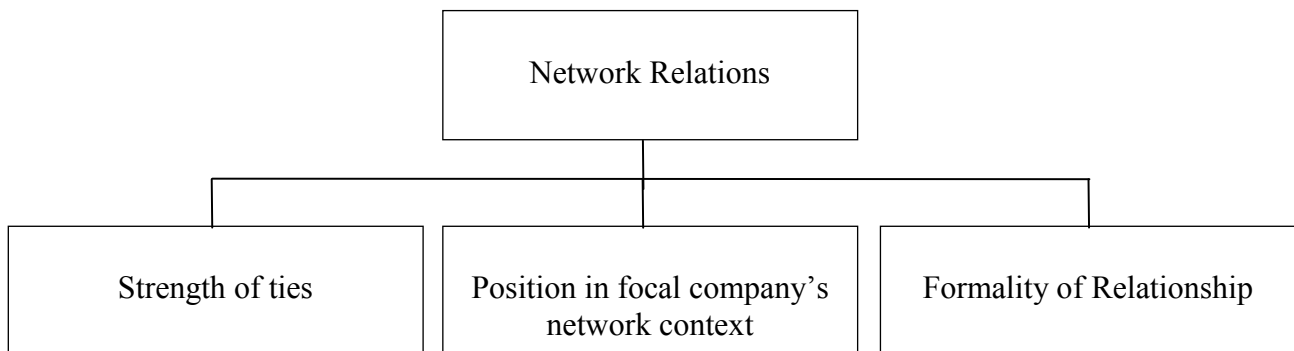


Figure 2. Categorization of network ties' types.

Strength of network ties. In the study conducted by Carson et al. (2004), authors have pointed out a model of for analyzing INVs' marketing networks. They have set three dimensions of the SMEs' network: structural, relational and usage dimension. For the current research only the relational dimension is of specific interest, because the aim of the study is to analyze the importance of ties between firms in the USA industrial auctioneers' market.

The relational dimension outlined that there are exist key elements which determine the strength of the network relationship. These elements according to Carson et al. (2004) are trust, commitment and co-operation between company managers/owners. In this case, *trust* is a readiness to rely on a network partner in whom manager/owner has confidence (Moorman et al., 1993). This dimension can be measured according to nature and amount of the information shared and the confidence in it. Trust acts as glue binding the relationship (Gulko, 2013). Exchange of information and existence of trust between the companies can be seen as driving forces of business connections development for internationalization and the long-term growth of the ventures (Gulko, 2013; Bernal & Johnsen, 2002). *Commitment* in this model means time and effort put into the development and maintenance of the network ties. It is measured by the regularity of communication between managers/owners

with all the members of the network they are in. And the last element, *cooperation*, means the degree of interconnectedness between managers/owners and the network. It can be measured by the level of organized common activities and amount of mutual goals between manager/owner and his/her network partners (Carson et al., 2004).

The framework of Carson et al. (2004) admits that there exist weak and strong network ties. The connection is stronger the more time both parties has spent on it and the more emotional connection and intimacy it has created (Granovetter, 1973). In social networks strong ties can be family and friend (Ibarra, 1993), or closely connected partners in business environment. Weak networks represent connections between companies or individual which do not have high degree of dependency on each other (Kozan & Akdeniz, 2014). It is important to mention even though strong networks are reliable and provide trustful information it might be redundant (Burt, 1987; 1992) due to the closeness of firm and similarity of knowledge over time. At the same time weak ties can grant access to even more information from various resources (Granovetter, 1973) and this can be crucial for a company.

However, at the same time network partners can put constrains on further relations with other members, for example purchasing from other suppliers. Surprisingly, major partners are seldom presenting any influence on further network establishments, but overall, members of the network in general might have moderate influence on this matter (Coviello & Munro, 1995). Coviello and Munro (1995) state that young high-technological companies are ready so sacrifice their independence to a certain extent in order to compensate absence of knowledge and resources, but in a long run they want to get back their economic “freedom” by establishing new connections rather than relying on existing ones only.

Formality of relationship. Chetty and Holm (2000) as well pay high attention to the network approach of internationalization. They agree with Gomes-Casseres’ view (1994) that companies tend more and more to cooperate both formally and informally. An important part of company’s environment consists of formal and informal networks (Zahra, 1991). Formal relations are the ones between two or more players of the business network, whereas informal ones are related to links with family, friends and other personal relations. Formal and informal network ties make it possible for a company to enter the psychically close markets at first; moreover, they assist in choice of the entry mode (Gulko, 2013). Nevertheless, these types of relations can also simplify market entry to the more distant markets in a course of time.

In her research, Gulko (2013), like a number of other researchers, admits an existence of a third type of relations of high importance – intermediary ties (Havila et al., 2004; Oviatt & McDougall, 2005; Chetty & Blankenburg Holm, 2000). Intermediary relations mean that there is a third party between two actors (e.g. between buyer and seller), which means there is indirect contact through a third player (Gulko, 2013; Ojala, 2009). This kind of mediated relations are of most importance for the new market entrants because they do not have any other ties in the market which they can utilize themselves (Gabrielsson et al., 2008).

Position in focal company's network context. There are various types of actors in different networks, but major ones are clients, suppliers, government of the market, competitors and dealers (Chetty & Holm, 2000; Axelsson & Johanson, 1992; Sharma & Johanson, 1987). Based on this another view on categorization of ventures' network relationships was developed by Möller and Halinen (1999). In their article, *Business Relationships and Networks: Managerial Challenge of Network Era* (1999), they described a model of different business ties forming the network of a focal firm. This model is presented in Figure 3 and it divides business networks into two types: vertical and horizontal ties which form complex interconnected networks (Möller & Halinen, 1999).

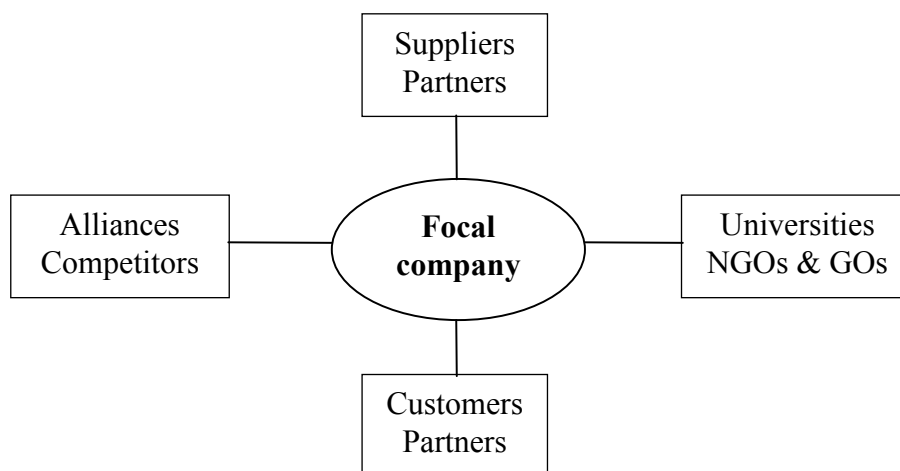


Figure 3. Horizontal and vertical ties (adapted from Möller & Halinen, 1999).

As it is shown in the Figure 3, division into two categories is straightforward. Horizontal ties consist of competitors, competitor alliances, research institutions, non-governmental organizations (NGOs) and various governmental organizations (GOs). The vertical relationships contain suppliers, customers, supplier and customer partners (Möller & Halinen, 1999). Position in the network and certain relations within its domestic market play more important role in company's success on international arena rather than physical distance of a foreign market and its economic

and cultural peculiarities (Johanson & Mattsson, 1988). Another factor of success underlined by Bonaccorsi (1992) is access to external resources which network is able to provide for SME.

2.2.2 Competitor Networks

Bernal, Burr and Johnsen (2002) noticed that current studies of SMEs' collaborations pay greater attention to development of industry networks which can be used by companies for various purposes – resources, new knowledge, market penetration or technological development. Authors suggest that networks should be strategically managed and might even include competitors. Strategically managed networks can be seen as companies that managed to utilize most of the resources provided within network in order to improve their position in network of competitors (Harland, 1995).

There are several points outlined by Ford et al. (1986) which can characterize networks such as trust, common interests, interdependence of companies and intensity of connection between parties. High degree of competition in the markets, high production prices and need of high quality pushes companies to create alliances with not only customers and suppliers, but even with competitors – in these cases more and more types of new networks occur (Hasting, 1993).

Competitor networks are similar to collaboration with non-competitor firms – they also encourage mutual learning and compensate lack of capabilities the “partner” might have (Dussage et al., 1999). Moreover, as stated by Bernal, Burr and Johnsen (2002) such competitor networks can provide even higher degree of learning if “partners” are located in different geographic areas, thus, are more open for sharing expertise with each other due to lower fear of losing dominance in own market.

There is no doubt that a company is able to hire external professional with experience in the market of interest, however, until such employee generates certain experiential knowledge of the company might take a lot of time, thus, having little impact on company's internationalization (Hadley & Wilson, 2003). For this reason of main interest are network relations of companies as it can be seen in a number of studies (Holm et al., 1996; Hadley & Wilson, 2003; Chetty & Eriksson, 1998). Networks, especially competitor ones, provide relative insights into the market company is interested in and more over they can provide access to new connections (Axelsson & Johansonm 1992) loosening the knowledge and resource boundaries for its members.

INVs do not follow the steps of the stage theory of internationalization (Coviello & Munro, 1995), but they rather develop certain connections which grant access to new markets and provide support in business development, marketing and sales (Bernal, Burr & Johnsen, 2002). The two main weaknesses of small high-tech firms are marketing infrastructure and marketing capabilities (Coviello & Munro, 1995), but proper network connections can compensate lack of marketing experience. Combination of right connections and good knowledge of the market are important components of SMEs' success (Coviello & Munro, 1995) and they can be acquired via networking in order to get resources from the outside (Jarillo, 1988) including competitors.

Business networks can be seen as a highly useful resource which brings certain competitive advantages to INVs. If a company works on its network connections it can benefit from new ties and open new business opportunities, resources and over play competitors in the market (Bernal, Burr & Johnsen, 2002). A network of competitors provides such knowledge which vertical networks of suppliers and customers are not able to provide (Bernal, Burr & Johnsen, 2002). Competitors can collaborate to such degree that they will provide worldwide service coverage and share resources and not interfering into markets of each other.

2.2.3 Social Networks

Another major subtype of business networks are social networks which get more and more attention from different business scholars. For example, Carson et al. (2004) underline the significance of the manager/owner relationships for the INVs. Chetty and Holm (2000) assume that business always operate in a network environment where all the actors are connected formally or informally. Moreover, Granovetter (1985) stresses the importance of connections of individuals in networking companies, thus, outlining influence of social networks. A number of other researchers (Coviello & Munro, 1997; Zain & Ng, 2006; Aldrich & Zimmer, 1986; Greve, 1995) have also highlighted the importance of social networks of managers, because their decision making process can be influenced by family, friends or acquaintances. Due to this fact, current research pays special attention to social networks as well.

Social relations between individual representatives of different firms can have a significant impact on the decision of internationalization and the process of entering the foreign market (Holmlund & Kock, 1998). Moreover, it has been stated in previous works that social ties make it possible to lower risks, uncertainties and transaction costs of the new market entry, as well as raise trust to the

company in the new network (Rutashobya & Jaensson, 2004; Sharma, & Blomstermo, 2003; Zain & Ng, 2006; Loane & Bell, 2006). Regarding all that, social networks of a firm can be seen as a competitive advantage (BarNir & Smith, 2002).

Even though social networks seem to have positive impact on company's network position some researchers suggest that high degree of social bonds can be harmful as well. In their research Jenssen and Greve (2002) outline that a number of researchers agree with a claim of high importance of the social networks, not only of the market in the social and emotional environment in which companies are operating. Social ties as stated by Jenssen (2001) in his previous work are successfully used by entrepreneurs as means of compensating lack of resources for launching or expanding business. As a part of an extensive network entrepreneur can get access to vast amount of resources, knowledge and other useful ties. However, there is a risk of low usefulness of these resources which is dependent on the system of the whole network. Jenssen and Greve (2002) divided researchers into two opposing theoretical groups. First one, part of which is Burt (1992, 1997) claims that low redundancy of information has more advantages, whereas the second one supports Larson and Starr (1993) stating that resources are better acquired through long-term ties.

Generally speaking, each entrepreneur has a number of direct contacts which provide him with a set of certain resources and the more diverse these contacts are the more diverse is the set of resources business gets for its development (Renzulli et al, 2000). Nevertheless, it might be the case as stated by Burt (1992, 1997) that redundancy might take place due to the tight structure of network where ties are closely interconnected. This means that an entrepreneur might not be able to get the required diversity of information and resources from network members. Jenssen and Greve (2002) in their study pursued the problem of social network redundancy of business owners and its influence on the new venture success. They define redundancy as a "network property" which shows how strong the overlapping of contacts within this network is (Jenssen & Greve, 2002: p.255). The reason why redundancy is especially interesting from social networks perspective is because contacts interconnected several times within one network tend to have access to the same knowledge and resources. From this perspective, entrepreneurs which operate in environment where few of his/her direct contacts are interconnected with each other have more chances to get diverse set of resources needed for success of the venture (Burt, 1992). An opposing view defined by Jenssen and Greve (2002) states on the contrary that contacts which have well established and closely connected long-term relationships have better access to resources (Larson and Starr, 1993). In other words, one approach claims that there should be as many different connections as possible,

whereas other suggests having less, but stronger ties. Nevertheless, no matter which approach entrepreneur is using – it is his natural task to combine the resources at hand into a special new way so to reach the goals of the company (Burt, 1992).

Surprisingly, analysis of Jentsen and Greve (2002) supporting claims of Burt (1992, 1997) has proved on the contrary its lack of importance. Redundancy has no direct impact on success of the new venture. Redundant networks can provide even better quality information when systems with low redundancy can bring “information overload effect” (Jentsen & Greve, 2002). At the same time number of strong and weak ties is quite influential because both of these ties showed importance in getting information and resources. Moreover, interconnectedness of contacts from the same network brings more trust rather than redundancy, thus, providing access to resources easier.

Jentsen and Greve (2002) also underline the importance of social environment in which entrepreneur is operating. Strong ties in redundant network supporting the company can create a “too supportive” environment for a start-up, whereas networks with low redundancy might be more objective in evaluation of entrepreneur. Healthy criticism is better than “too supportive old buddies” (Jentsen & Greve, 2002).

2.3 Network Partner Selection

Even though networks are of high importance for an enterprise as it gives access to external resources (Gulko, 2013; Chetty & Holm, 2000), it does not always mean that the more partners the company has – the better as proved by Jentsen & Greve (2002). Hicklin et al. (2008) state that there is a direct relation between firm's performance and growth of its network, however, after the certain point new network partners can start bringing negative effects rather than benefits. Looking from this perspective on networking it is important to pay more attention to the process of relationship establishment itself.

The main reason for INVs to seek for partners and collaborations is shortage of resources for entering particular markets (Hitt et al., 1999). New network partners can grant access to financial resources, knowledge, technology and even raise company's reputation. Cooperation makes it possible to use the most out of available resources of all the members involved, however, some firms might enter the alliance only seeking for own not mutual benefits (Hitt et al., 2000). However, if a firm has no relations in the new network market, it can utilize intermediary relations and gain

relevant knowledge through the consulting organizations which can also provide necessary connections and make useful introductions.

Another important finding pointed out by Ojala (2009) is that companies should avoid blindly following their networks which might be moving to markets that are not attractive for the venture. Development of networks should be a non-stop process and of high priority to managers/owners, so the company will keep its position in the market and expand to others with even higher potential, rather than get stuck in a market with low opportunities. That is why it is crucial to always evaluate the network and partners within it.

It is claimed by Ojala (2009) that network partners trigger and influence the decision making process of the new market entry, choice of the market and entry mode in particular. Coviello and Munro (1995) came to the conclusion that strategic decisions of focal company's managers do not play an essential role in market selection process and entry mode, but rather opportunities provided by network partners define the certain choice. Entrepreneurial firms are highly opportunistic and their actions simultaneously in several markets might seem irrational and accidental, however this can be most likely explained by opportunities created by network partners rather than planned actions (Coviello & Munro, 1995). In this sense, selecting the right partner is of vital importance. Velotti et al. (2012) underline that the choice of the partner can be crucial for the whole network's sustainability. Hence, the network consists of separate parties and their actions within the network, giving access to a new member who does not suit the system properly might harm the entire network. In this case, a proper strategizing for partner selection is required (Velotti et al., 2012). In the works of Berardo and Scholz (2010) and Nas (1996) it has been clearly underlined that decision makers should follow several steps in the process of partner selection: (1) identification of costs and benefits which a new partner will bring; (2) measurement of the above mentioned costs and benefits; (3) evaluation and comparison of these costs and benefits; and finally, (4) decision making. These steps help to evaluate the potential network partner and give a clearer view on all the pluses and minuses he might bring. Ideally only after these steps a decision of strategic partner selection should be made (Hitt et al., 1995).

It is essential to know that in any international market reputation of the company and its partners is important. It can be proved by the Internationalization theory which distinguishes three main criteria for partner selection: (1) reputation, (2) competences and (3) experience (Beliveau et al., 2011). Hitt et al. (2000) point out that partner selection in developed and developing countries can

also vary due to difference in norms, regulations and other factors. In developed economies in the main focus of partner selection are six aspects: unique knowledge of the market, previous cooperation of the partner with others, exclusive capabilities of the partner, cost comparison with other cooperation possibilities, attractiveness of the market/industry as well as potential benefits that can be received or learnt from the partner (Gulko, 2013; Beliveau et al., 2011).

Other researchers suggest that in the process of new relationship establishment there are two aspects more to be considered: individual and collaborative utilities (Ryu, 2014). As Feng et al. (2010) state, an individual utility relates to the networking activator (the one who selects the partner) and what he expects from the potential partner, which can consist of “technology capability, financial health, knowledge and managerial experience, and capability to access new markets” (Ryu, 2014). Whereas, a collaborative utility is a set of benefits that both partners can gain from the cooperation (Feng et al., 2010). A collaborative utility can include “resource complementarity, overlapping knowledge bases, motivation correspondence, goal correspondence, and compatible culture” (Ryu, 2014).

Andersen and Buvik (2002) underline the importance of partner selection as part of the internationalization of the company (Gulko, 2013). The initiation of networking is a selective process (Heide, 1994), thus, any company seeking for partners should first of all select a number of potentially beneficial exchange partners. As stated by Gulko (2013) big number of researchers (e.g. Axelsson & Johanson, 1992; Blankenburg et al., 1996, 1999; Johanson & Mattson, 1988) agree that firm is more likely to utilize its existing direct links at first identifying prospective partners, and later use indirect ties. However, even if the partner is selected, it does not necessarily mean that the connection will be established. Depending on the intentions and activations of networking, it is possible to distinguish between four possible scenarios of network partner selection (Ryu, 2014):

Ego-Driven Networking. This scenario takes place when the ego (focal company) finds a certain potentially beneficial partner (the alter). At the same time the ego sees itself as an attractive partner as well and approaches the alter for networking and collaboration. If the alter sees benefits from this cooperation as well, then the ego-driven networking occurs (Ryu, 2014).

Alter-Driven Networking. Current scenario goes from another direction. In this case the ego sees itself as not enough attractive to the alter, however, sees benefits of cooperation with it. Due to the low self-evaluation of the ego, it does not approach the alter for networking event. At the same time

the alter sees partnership with the ego as beneficial one and attempts to activate networking itself (Ryu, 2014).

Failed Networking. In the following scenario the ego perceives itself as an attractive candidate for partnership, but the alter does not see any benefits for such a relation. Because the partner selection is a two-sided process, when the ego approaches the alter in such scenario – networking fails while potential partners have different views (Ryu, 2014).

Nonextant Networking. The last possible scenario proposed by Ryu (2014) is similar to the failed networking, where partnership does not occur. Difference with the previous scenario is in the self-evaluation of the ego. In this case it does not see itself as potentially attractive for the alter and the alter also cannot find any benefits in networking with the ego.

In order to avoid last two scenarios and acquire new partners successfully a company can follow certain criteria in their partner selection processes. Selecting a strategic partner is not an easy task and it is very strongly connected with the company's strategy, structure of its network and goals of the firms (Galbraith, 1998; Easton, 1997). Moeller and Gramm (2005) underline that partner selection is aimed at finding common benefits which partnership might bring. It makes the selection process quite complex involving both objective (example: pricing, conditions of delivery, etc.) and subjective measures (example: impression, personal relations, etc.) (Moeller & Gramm, 2005). For example, Ellram (1991) suggests that economic performance, management, technical superiority as well as cultural issues should be put into consideration while selecting a new network tie. It is of the highest importance to find a partner which fits the business of a company and is compatible to the needed degree because high amount of differences in strategies can lead to such problem as opportunistic behavior (Moeller & Gramm, 2005). Nevertheless, disregarding certain "dependency" on network its members value it to a high degree and minimize their "opportunistic" behavior (Coviello & Munro, 1997). For this reason it is essential to select partners who have similar goals and vision to avoid possible conflict of interests (Sydow, 2003). As Moeller and Gramm (2005) state – partner selection is not a onetime process, partnerships should undergo constant evaluation to keep the partner or become more distant if he does not bring expected results. Authors suggest 4 partner selection criteria which are the most commonly used: *trust*, *commitment*, *performance* and *opportunism* (Moeller & Gramm, 2005).

Trust. As mention earlier, trust is an important factor which defines strength of the connection between network partners. However, it also plays a leading role in partner selection processes without which business relationship cannot exist (Moeller & Gramm, 2005). Basically, any commercial transaction as Arrow (1972) states can be considered as a notion of trust without which it simply will not take place (Moeller & Gramm, 2005). Nothing in business can be done without trust; it is an essential connection between partners without which business cooperation would not run. Some authors even compare trust with a “lubricant” of a business relationship, showing by this analogy that it is easier to get into a new networks having certain degree of trust of its members already (Bachmann, 2003; Moeller & Gramm, 2005). Moreover, Giddens (1990) states that trust is essential while entering a new market due to lack of knowledge and experience, thus, a company has no other choice but to rely on its partners. At the same time there is a difference between institutional trust between businesses and individual (Giddens, 1990), however, for the efficient collaboration none of these separately are enough, only combination of both can create the degree of trust which will be enough for launching the relationship (Moeller & Gramm, 2005).

Commitment. Another important aspect while selecting a partner is his long-term commitment (Morgan & Hunt, 1994). Moeller and Gramm (2005) have adopted a number of definitions of commitment from previous researchers and suggest that commitment is a certain implicit or explicit agreement between partners regarding their relation’s continuity. Such behavior can be reached only when partners see potential in long-term relationship and for this reason they are ready to invest into relationship. Based on a work of Grundlach, Achrol and Mentzer (1995) Moeller and Gramm (2005) identify three components of commitment: *instrumental*, *attitudinal* and *temporal*. Commitment as *instrumental component* can be seen as a calculative act made by partner which is based on own interests, but provides something more secure than a verbal promise (Moeller & Gramm, 2005). In other words, any company before committing to relationship would estimate the value it will bring and only after that have a serious agreement and integration with a new partner.

Speaking about *attitudinal component* of commitment it represents the strong or weak intention of partners to keep the relationship and work on it in a long-term. Moeller and Gramm (2005) state that this component includes such behavior patterns as loyalty, motivation, involvement and others. Last, but not least is *temporal component* which represents the amount of time partners are aiming at commitment. Of course, by default commitment is meant for a long-term valued relationship (Moorman, Zaltman & Deshpandé, 1992) with an appropriate partner that has similar strategy, organizational structure and culture (Moeller & Gramm, 2005).

Opportunism. Every relationship is a risk within itself (Giddens, 1990) which is based sometimes on future uncertainty and lacking information about behavior patterns of partner (Moeller & Gramm, 2005). One of such risks is opportunistic behavior when a partner is seeking for his own benefit only. The risk of opportunistic behavior is supposed to be minimized during the process of partner evaluation and selection. However, the process itself is made difficult due to the fact that offering a partnership creates an opportunity itself and decision makers might try to serve own interests with it (Rindfleisch & Heide, 1997). Basically speaking, opportunism is a situation in which one of the partners breaks the agreement in order to benefit from a new opportunity himself (Moeller & Gramm, 2005). Trust and commitment regulate this risk (Moeller & Gramm, 2005) making network partners minimize their “opportunistic” behavior (Coviello & Munro, 1997).

Performance. Performance of a potential partner is one of the commonly used ways of partner selection which is also more objective than previous ones. This criterion is measurable and is based at first place on results and profitability, growth of potential partner actions (Mohr & Spekman, 1994). However, it can also be based on the subjective criteria like goal achievement and satisfaction of business partners (Moeller & Gramm, 2005). Nevertheless, it is impossible to collect all the measurable data and compare it with all the potential partners, so this criterion cannot be used by itself only. It is important to keep in mind all the above mentioned criteria.

2.4 Resume of Network Approach

In order to summarize the main concepts reviewed in the theoretical part current chapter introduced to give the overview of main theoretical points discussed above. As stated before, the aim of the current research is to outline the importance of networks within the context of study as well as find the criteria of partner selection for further network development. In order to fulfil this goal following concepts have been revised in the theoretical part and will serve as a basis for further empirical research.

The chapter concentrated on the two main models: the ARA Model and the Network-based Internationalization approach according to which in the following practical part the case company will be analyzed.

Among other important theoretical aspects for the research has served division of networks into three main types for the current research: business, competitor and social. Moreover, the types of

network relations have been differentiated according to other criteria as well. Carson et al. (2004) have stated that strength of network ties as their primary criteria which is determined by trust, commitment and cooperation between companies. Ojala (2009) has looked on networks from the view of focal firm's position distinguishing between business and social networks as the main types of relations. At the same time researchers divide network types according to their formality into formal, informal and intermediary (Coviello & Munro, 1997).

When the type of network relations is distinguished which company is aiming at it is important to choose the best partner for it. In terms of partner selection process main criteria for choosing one or another partner have been outlined according to Beliveau et al. (2011): (1) reputation, (2) competences and (3) experience. At the same time other partner selection criteria suggested by Moeller and Gramm (2005) have been taken into consideration: (1) trust, (2) commitment, (3) opportunism and (4) performance. Moreover, it is stated that network development is a continuous process (Ford, 1990) and requires careful planning in order to acquire and keep the chosen network partners satisfied with cooperation.

The concepts revised in the theoretical part create a conceptual basis for further research in the context of current study. The next chapter will cover the background information of the US market of industrial auctioneers and present the importance of networks within it. As soon as the market of industrial auctions was not given enough attention by scholars the chapter will have to rely on non-scholar articles and publications in order to develop relatively reliable context study for the further empirical research.

3 INDUSTRIAL AUCTIONEERS' MARKET OF THE USA

Before starting the analysis on the existing networks in the USA auctioneers' market it is essential to give an overview of the auction industry. The current chapter is sequentially divided into three parts each of which logically follows the other. The first subchapter will provide an introduction of the auctions business, its history and development over time. It will also present two main types on auctions that will be used in the following market analysis of subchapter two.

The second subchapter provides an insight of the USA market of industrial auctioneers' gathered by Trade Machines FI GmbH (1014) and visualized in graphics which give better understanding of the situation and size of the analyzed market.

Finally, the last subchapter covers the impact of networks in the USA market and as well as suggests certain insights for INVs planning to operate in the industrial auctions' sector in the case country.

3.1 History of Auctions

Beginning of auctioning era dates back to 500 B.C., when there is the first documented evidence of "wives" auctions where women were sold (the NAA, 2008). In the Roman Empire auctions had a high popularity in disposing family estates and also war plunder in order to cover the debts. Back then, the auctioneer, or so-called the Magister Auctionarium, drove the spear into the group in order to start the bidding process (the NAA, 2008). Now instead of the spear, auctioneer uses the gavel, though the idea behind it is still the same.

As the National Auctioneers Association (2008) state, in America auctions have started during the Pilgrims' times of 1600s when trading at auctions was the most efficient way of converting assets (tools, tobacco, entire farms, slaves, etc.) into cash. Many early colony's products were sold to the Old World through the auctions. These Pilgrim times were only the beginning of the auctioning culture in the USA. During the Civil War auctioning was used to for selling war plunder and later, in early 1900s, first auctioneers' schools were opened in America (the NAA, 2008). Thus, the USA can indeed be called the cradle of the modern auctions.

The growth of auction industry was going till the Great Depression of 1929 (the NAA, 2008), however later, after the World War II business of auctions was booming again at the totally new level. It was the times when new era of auctioning began – auctions were linked not only to public, but also banks, courts and governmental organizations started disposing assets through this system (the NAA, 2008). The 20th-21st centuries brought new technologies to the traditional auctions and this broadened the audience from local public to international bidders. One of the brightest examples of the flourishing of the industry was the launch of the eBay in 1995 (the NAA, 2008).

After the technological revolution and introduction of the Internet auctioning business has changed a lot. Online auctions became a new way of making sales more efficient by targeting wider audience from all over the world beneficial not only for sellers, but also for buyers (Smith et al., 2000). Consumers now do not need to be physically present at the event; they are able to compete for lots from any place on the globe. This move of auctions into the online environment was an important step for the whole industry (Klein & O'Keefe, 1999; Pinker et al., 2003; Van Heck & Vervest, 1998).

The main difference between online and onsite auctions is the amount of time during which the auction is taking place. Researchers of the auctions have noticed that there exist the dependence between the amount of time the auction is running and the height of the final price of the lot (Lucking-Reiley et al., 2007). Same was claimed by Lee (1998) who discovered that “an electronic implementation of a wholesale auction resulted in higher overall prices than in the earlier offline market” (Kuruzovich, 2012).

3.2 Industrial auctioneers' market of the USA

The United States is one of the biggest players in the auction industry. With the history of several hundreds of years of auctioning this country has a huge experience in this type of sales which has already become a part of the culture. There exist a high number of auction houses dealing with disposition of industrial assets in every state. According to the qualitative research conducted for Trade Machines FI GmbH in July 2014 - the current number of industrial auction houses is over 450 on the territory of the US. Such big companies as Hilco Global, Heritage Global Partners, GoIndustry, etc., have started their first auctions there before they went global. Though the US in general are a very innovative and open to international businesses country, there are still a lot of

auction houses which prefer to stay local. Figure 4 presents a heatmap which shows the key states with the highest concentration of industrial auctions.

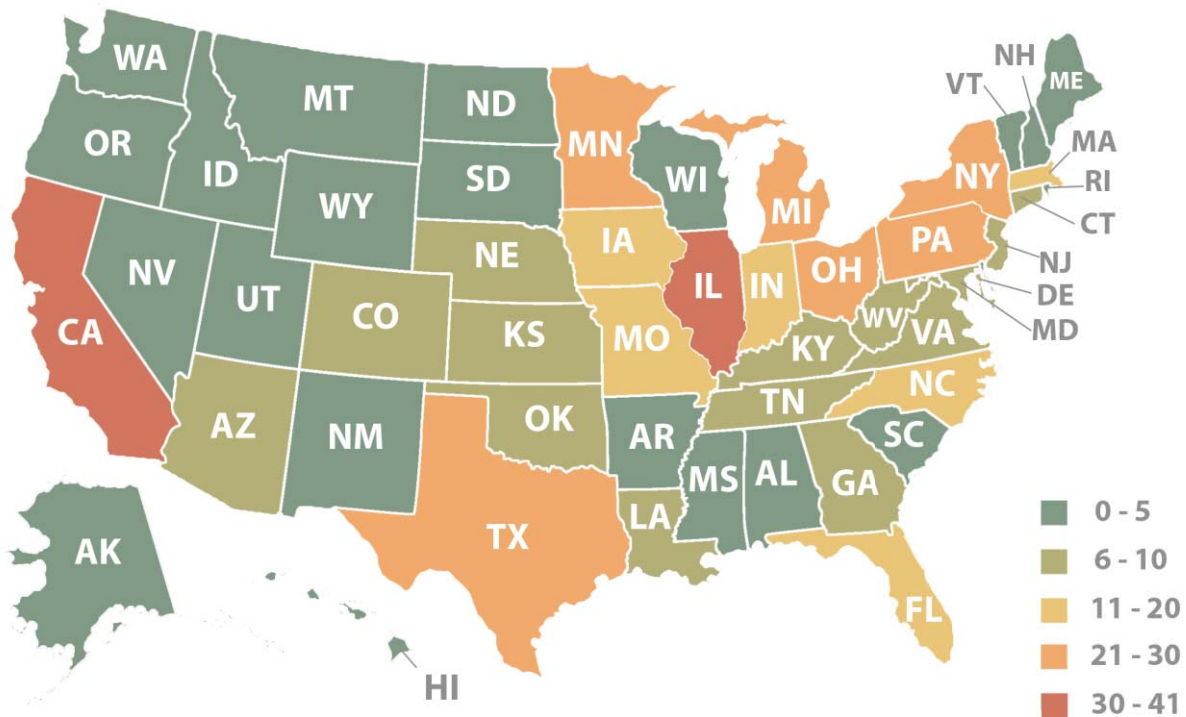


Figure 4. The heat map of Industrial Auction Houses of the USA (Trade Machines FI GmbH, 2014).

This heatmap shows the number of auction houses involved in industrial sales in each US state. The USA is the largest auction market in the world, with the highest amount of industrial auction houses in California and Illinois. This can have a direct relation to the involvement of the state into agricultural and other industries which provide the main basis for auctioning.

It is interesting to underline that almost every state in the USA has its own auctioneers' association and each auction house is a member of one or more associations. In the 50 states of America only 7 do not have their own association for auctioneers. It is impossible to estimate the value of such memberships in the US, which might perfectly show the importance of being a part of the industrial auctioneers' network.

The most influential auctioneers' associations are the Industrial Auctioneers Association (IAA) and the National Auctioneers Association (NAA). The NAA is a worldwide network of auctioneers from different sectors, but most of its members have their headquarters or have been founded in the USA. Over 53% of the US industrial auctioneers have membership in the NAA.

Only the biggest industrial auction houses can join the IAA, which is more industry specific association compared to the NAA. Being a member of the IAA is prestige, because only a few biggest industrial auction houses with several years of experience can get in it. Around 9% of all industrial auction houses of the USA are members of the IAA. Though the majority of the IAA members are the US companies, there are also a few big players from Canada and Europe.

Like most other businesses, auctions are also moving online. The US market, as one of the most progressive and up-to-date, theoretically should be almost 100% digitized. However, the qualitative research conducted by Trade Machines FI GmbH, results of which are presented in the Figure 5, has shown different results as expected.

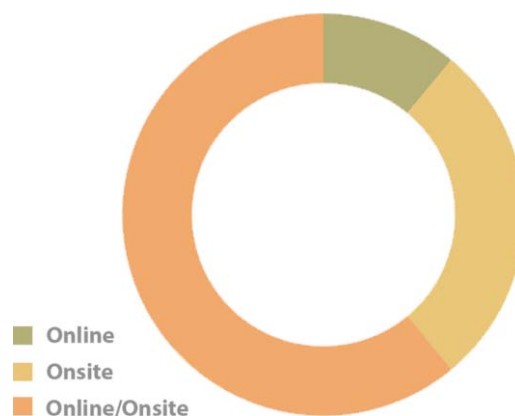


Figure 5. Online vs On-site Auctions in the USA (Trade Machines FI GmbH, 2014).

As the current chart shows, the majority of auction houses use both ramp auctioning and internet broadcasting and bidding, making it possible for international audience to participate in the auction. At the same time, only 11% of industrial auctioneers do their business purely online, which might become a trend among the others in the future. Surprisingly, there is still quite a big number of auctions run traditional way with no online support – around 28% of the USA auction houses sell industry products onsite only. These auction houses are purely local and operate in maximum of 2 states. It is important to underline that in the course of the research conducted by Trade Machines FI

GmbH (2014) it was found out that a majority of auction houses in the USA are family owned. It might also mean that getting into this “family” circle can be quite difficult for an outsider firm. Introductions and references can play a leading role in this case.

3.3 Importance of networks in the USA

As stated before there is a big amount of US auction houses owned by families and due to this it might be not easy for INVs to get into their tight circles. This underlines the importance of knowing certain people and being introduced to new potential partners, no matter if they are suppliers or customers.

USA industrial auctioneers’ market is the biggest compared to any in other countries, it makes it highly competitive as well. Brown and Butler (1995) state two main tendencies that occur both in the US and other countries: first of all, the level of business competition is rising and only a handful of companies can stay resistant and immune to this competition. Secondly, small INVs are proved to be highly entrepreneurial and seen as “engines of growth” in various markets including the USA (Brown & Butler, 1995). Even though bigger firms have larger amounts of resources and theoretically should be more effective in internationalising to the US and any other country, but they often fail to adapt compared to flexible INVs which are able to identify opportunities faster and succeed even with limited resources at hand.

Reason for higher speed of internationalisation of INVs into the US is utilisation of inter-firm networks. These networks are used by entrepreneurs to gain necessary knowledge regarding the market networks that can be acquired for having competitive advantage over other firms (Kirzner, 1973; Aldrich & Zimmer, 1986). It improves company’s position in the network and raises its competitiveness (Aldrich, et al., 1989; Ohmae, 1989). Other scholars underline high importance of informal networks in the US and in general – especially of family and friends’ networks for entrepreneurial StartUp in early stage (Birley, 1985). At the same time networks are defined as a way of distributing the knowledge within the market (Mazzonis, 1989; Shaw, 1991). However, not all the links within the network are considered to be beneficial; Niederkofier (1991) states that partnerships with larger firms can be less valuable for entrepreneurial firms.

Scholars are paying more and more attention to regional network-based industrial systems (Brown & Butler, 1995). One of the main examples in the USA is Silicon Valley – a complex network of

constant exchange between different technological entrepreneurial companies (Saxenian, 1994). However, at the same time network connections sometimes in the US can be doubtful and might violate antitrust decrees if they are other than memberships in trade associations (Newmark, 1988). Thus, INVs starting their international operations in the US should consciously choose their new partners.

Due to high competition level in the US market it is important to consider the influence of competitor networks. White (1988) claims that market is a truly existing network of firms providing certain services or products, observing each other in the situation of common customers. This view is closely related to the notion of competitors' networks which are used by entrepreneurial firms in order to sum their effort with competitors and create higher visibility in the market and compete against bigger companies (Brown & Butler, 1995). In a number of situations INVs can see their competitors as potentially good partners for competing against better established firms.

Inter-firm connections are seen to be efficient for INVs characterised as entrepreneurial, however, their importance might vary from one industry to another. Nevertheless, the auctioneers' market within the US context seems to be highly interconnected where everybody knows each other directly or indirectly (through partners or auctioneers' associations), it is possible to claim that being part of the network there is of even greater importance. Even though the theoretical results of this study should be carefully implemented for other industries – inter-firms and competitor networks might of even higher essentiality for other more dynamic industries compared to auctions, which change relatively slow.

3.4 Network view of international entry to the US auction market

Today's markets are highly dynamic in terms of activities and transactions between firms. Rundh (2001) from this perspective describes markets as systems of social and business relations between various players such as allies, competitors, clients and suppliers, etc. Business networks are seen as relations between not legally bound companies that share knowledge and utilize common benefits (Meyer and Skak, 2002). Nowadays network relations serve as “door openers” to new markets and opportunities and at the same time they accumulate knowledge which small INVs can benefit from. It makes networks of high importance for companies entering any market, which means that the US market of industrial auctioneers is no exception.

Companies planning to start their operations in the US should not underestimate the importance of networks in that market. Jones et al. (2013) have outlined several factors which influence technology INVs entry in the US market:

- Word of mouth recommendations;
- High importance of business networks;
- Greater access to resources and venture capital through networks;
- Access to new knowledge;
- Influence of product innovativeness.

All these factors can bring potential benefits to the firm and develop its competitive advantage. In case of the auctioneers market in the US network situation is similar to the one described by Jones et al. (2013) based on Silicon Valley analysis. Networks within the auctioneers' community are tight and having introduction can play a crucial role for INV's success while entering the market. In order to minimise constraints while entering the market INV should strategize its network entry. According to Meyer and Skak (2002) companies that enter emerging economies should follow certain steps. Even though the US market is a developed economy, but as stated before auction industry is undergoing development (e.g. digitalization), thus, some of the points suggested by Meyer and Skak (2002) can suit current study as well. First, scholars suggest that firm should develop domestic and then international networks. Second step would be to constantly check for new opportunities and partners. Thirdly, authors claim the importance of flexibility of a firm to adjust to new conditions. Next, Meyer and Skak (2002) suggest that company should be able to act as soon as new opportunities appear; and last, but not least, - development of social or personal ties with potential partners. Suggested strategy by Meyer and Skak (2002) underlines the essentiality of networking before entering the new market. Pisano et al. (2007) agree that prior network establishment is important especially if a company is able to create partnership with influential local player.

Speaking about the auctioneers' market there exist several influential players from which INVs can benefit from: big international auction houses and associations. INV should be able leverage these networks and possibly establish connections with several actors within the market.

4 METHODOLOGY

In order to realize the goals of the current research and support the theoretical part, presented in chapter two, gathering and analysing of empirical data is required. Present chapter explains and justifies the methodology chosen for this research paper. Firstly, justification of research method choice and way of data collection will be provided. Secondly, the structure of the study and the method of data collection will be explained. Finally, the last part of the chapter will provide evaluation of validity and reliability of data, as well as potential limitations.

4.1 Research Approach

Before starting the analysis itself it is important to determine the approach which will be used in the study. The main two types of approaches used in studies are qualitative and quantitative, but it is also possible to use both of them and combine in qualitative-quantitative method.

The main goal of the qualitative approach is to get better understanding of the phenomenon in depth rather than measure it (Fisher, 2007). Researcher using this approach is supposed to describe the subject in detail relying on a small number of cases. Qualitative approach consists of interviews or observations and uses such methods of analysis as descriptions, quotes from interviewees or from relevant documents (Quinn, 2002). In this approach depth of details is more important rather than the number of cases analysed.

The quantitative research method is on the contrary draws the most of attention to transferring the data into numbers. Statistical models and quantities are used for measurements and analysis. Researchers using this approach utilise questionnaires in order to collect data for further measuring and analysing. As soon as this research method is focused on quantity and figures analysed, it often involves statistical analyses for obtaining necessary information (Quinn, 2002). Quantitative research approach is used when amount of data available for analysing is big enough to make general conclusions within estimated level of accuracy. This method is used to measure things (Hague & Jackson, 1996).

Purpose of the current research is gaining knowledge about importance of networks in the industrial auctioneers' market, especially in the USA. It is difficult to measure the possible results of the study in numbers, thus, the research approach chosen would be qualitative because it will lead to more

detailed examination and provide deeper understanding of the case. It will also provide more information from the insider's point of view compared to the quantitative approach. Hence, the qualitative method is suitable for the purpose of the current research and would be applied in a stage of analysis to give better explanation of findings.

4.2 Research strategy

According to Wiedersheim-Paul and Eriksson (2001) there exist three major research strategies: surveys, experiments and case studies. Out of those three, the case study approach suits the best to the research problem answering questions How or Why (Yin, 1994). The research question of the current report is also focused on the How aspect of the problem and, thus, the case study would be a good research strategy for further analysis. Case study also helps to discover the problem and analyse it deeply as well as investigate the entire organisation in detail as part of the research (Zikmund, 1999).

Having determined the research strategy as a case study it is important to choose relevant method of data collection. Data collection has a significant impact on the answering the research questions (Ghuri & Gronhaug, 2005). Fisher (2007) distinguishes between five kinds of research methods for data collection: questionnaires, panels, observations, interviews and documentary. Current paper will utilize the interview as main method of data collection in order to get a deeper "insider" understanding of the topic and a subjective view of the interviewee. Interviews can also be of several types – open, pre-coded and semi-structured. The open interview is quite informal method in a form of conversation, whereas, pre-coded interview is following the prepared questions connected to the main points of the research. Finally, semi-structured interview is a method combining both open and pre-coded interviews (Fisher 2007) and using questions with open endings, which means that some prepared questions can be omitted or new ones added in the flow of the conversation. In the current research the semi-structured interview method will be utilised in order to get the wider coverage of the topic while having an informal conversation between the interviewer and the interviewee.

Interviews can be also divided in several types according to the number of interviewees (one-to-one, one-to-many) and means of interviewing (face-to-face, via telephone, email, electronic questionnaire, etc.) (Saunders, 2007). In the current research there will be used several methods – face-to-face, via telephone and also via email depending on the availability and physical distance of

the interviewee. A set of questions has been prepared beforehand and sent to every interviewee couple of days in advance before the interview itself. A number of 16 questions was developed and divided into several topics which will be discussed in the following.

4.3 Data collection

As stated before, collecting data for the research is of highest importance before the analysis itself. Researcher can either collect secondary or primary data, or both depending on availability of data and purpose of the study. Secondary data is important not only for answering the research questions but also provides a better understanding of the subject. However, when there is not enough of the secondary data available in the particular research sphere, then the scholar can rely only on the primary data – empirical study.

In order to get the information for answering the research questions both secondary and primary data will be used. Many scholars suggest that any research should begin with secondary data sources as they are saving time and reducing costs. The secondary data can be received from two types of sources – internal and external (Ghuri & Gronhaug, 2005) which are presented in the following figure:

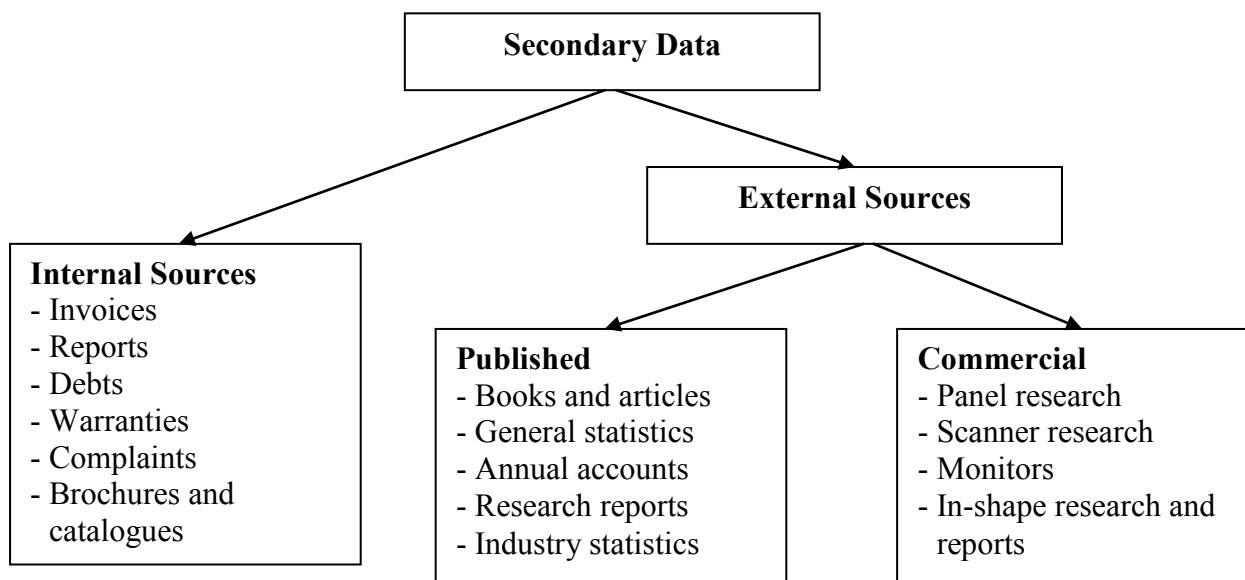


Figure 6: Sources of data (Ghuri & Gronhaug, 2005).

The secondary data is already partly presented in the theoretical part of the research and is based on books, journals, scholar articles, previous dissertations and other available publications related to the study. Ghauri and Gronhaug (2005) see the importance of the secondary data by stating that it not only solves the research problem, but also helps to better understand and explain it.

Primary data is different; it is collected only from the certain case/project available for the research (Ghauri & Gronhaug, 2005). This data is more difficult to collect and it might involve investments of more time and money. There are three main methods of gaining the primary data – observation, interview and questionnaires (Saunders et al., 2007). As stated before, current research will utilise interview as a primary source of data collection, because interviews can provide more detailed information and at the same time create certain closeness to the interviewees who are of high significance for the qualitative study (Yin, 1994).

The current research will utilize interviews in order to collect the necessary primary data. There will be conducted five interviews in order to reach the maximum possible coverage of the topic within the case study. First and the main interview will be conducted with the CEO and founder of the case company – Trade Machines FI GmbH. This interview will provide a good basis for the analysis and “insider’s” view on the research topic. There will be two one-to-one telephone interviews conducted with Managing Directors of two European auction houses, which are also investors of the case company. Above mentioned two interviews would help to support or dispose findings of the interview with Trade Machines FI GmbH. Interview with the case company would be also supported by two email interviews with CEOs of two purely local industrial auction houses based in the US. There is possibility of having difference in questions within these three sets of interviews due to different means of conducting them. Email interviews differ the most from the other two types due to the type the respondent has for an answer as well as length of an answer, which can be shorter then when interviewee is unprepared and answers face-to-face. Nevertheless, all these interviews are supposed to create enough of primary data for analyzing the networks of the industrial auctioneers’ market in general and in the case of the USA. All the interviews will be conducted in English and attached in the appendixes of the current work.

The goal of the current research is to analyze the role of network relations for INVs in the industrial auctioneers’ market, thus, all the topics used in the interview should be designed in such a way that will answer research questions of the work. In order to have a logical flow in the interview/conversation it is firstly important to determine interviewee’s background and experience

in the industrial auctioneers' market and networking. For this purpose a set of introductory questions is required.

Introductory questions: Background information:

1. What is your position in the company?
2. What is your age?
3. When was your company established?
4. How many employees does it have?
5. Who takes decision in your company?
6. What is your business background?

After getting more information about the interviewee that will help to understand his point of view better, it is next important to get data related to the company the interviewee is part of and its internationalization background.

Topic 1: Internationalization background:

7. When did internationalization of your company started and how?
8. What were the first international markets and why?
9. Did you rely on your connections?
10. What constrains did you face if any?

As soon as the current research is focused on the network theory it is of high importance to determine the experience of the interviewee/company in building different types of networks.

Topic 2: Types of relations:

11. Did a company have relations with foreign partners? With the US? What kind of relations?
12. How did they start and when?

As soon as the interviewee provides information about his experience in international network development it is logical to continue the interview with the next set of questions regarding the principles of partner selection the respondent uses.

Topic 3: Choice of partners:

13. How do you find and select your partners? Do you rely on intermediaries?
14. What is a role of partner reputation?
15. Do you partner with your competitors? What if your potential partner has relations with your competitor already?

Evaluation of potential and existing network partners is essential for ventures because there is always a big amount of potential partners in the market which makes it more difficult to choose the right one suitable for certain conditions. For this reason the following topic with a set of questions was developed in order to understand the way companies perceive their partners.

Topic 4: Evaluation of partnerships:

16. What makes certain candidate interesting for a partnership?
17. Did you experience any constrains dealing with the USA/European partners? What kind of?
18. Did ever you have to cancel any partnership? For what reason?

The next topic selected for the interview focuses on the process of establishing networks and aims at explaining this event through the perspective of the interviewee. It is essential to understand how companies seek for partners, through which channels and using which guidelines in order to enter the certain network. This should be discussed within the following set of questions.

Topic 5: Selection of prospective partners:

19. Do you tend to trust the USA/European companies more than local and vice a versa? Why?
20. How do you look for partners? How does the search for contacts go?
21. Are you the one making the “first step” in partnership?
22. Is it important to belong to the auctioneers’ association to be better positioned in the network?

Finally, because semi-structured interview was chosen as a method of getting the primary data, it is possible to omit some questions and add extra ones in the flow of conversation if it can bring new

valuable information to the research. The interview questions are aimed at getting the interviewee's opinion and subjective view on the topic.

Closing questions:

23. What do you think are the key partners/persons for an INV entering the industrial auctioneers' market of the EU? Of the US?
24. What are the most important things an INV should keep in mind while entering the US market of industrial auctions?

4.4 Analysis of Data

After analysing all the above discussed theories and developing interviewee questions framework of the current report was created. The following figure justifies the amount and the origin of interviewed companies.

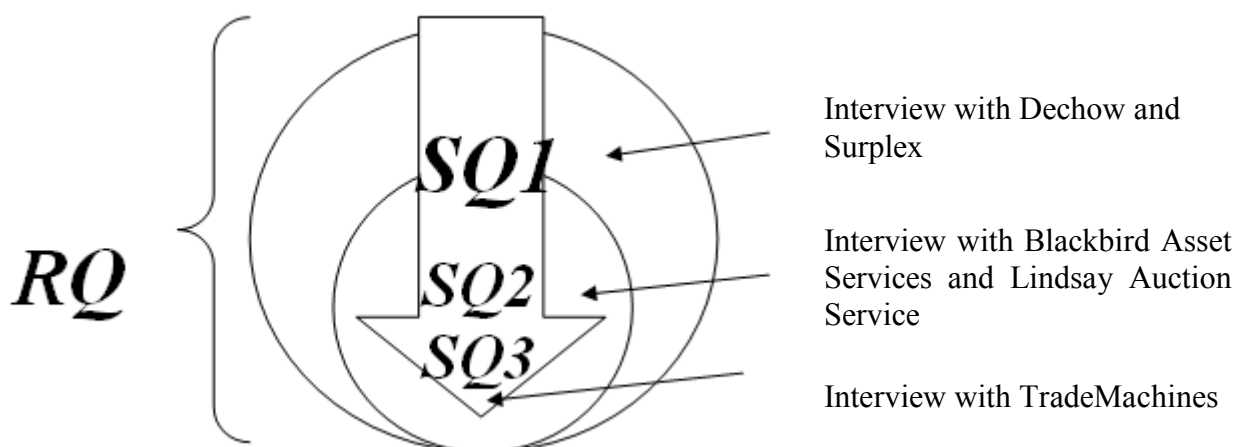


Figure 7: Methodology of answering the research questions

As it is stated in the Figure 7, interview with TradeMachines will be the central element in answering all the research questions. Other interviews will support or decline the findings from the primary interview and all the findings summarised will serve as an answer to the main research question (RQ). The first sub-question (SQ1) will be answered through interviews with European auction houses and TradeMachines to find the general networking tendencies in the auctioneers' market. SQ2 and SQ3 as country specific ones will be answered through interviews of companies originally from or operating in the US auctioneers' market, namely Blackbird Asset Services, Lindsay Auction Service and TradeMachines as an INV on early stage of its operations in the stated

context. Due to different aims of each interview, questions posed to respondents might be slightly different in order to get relevant answers to research sub-question the interview is used for. Developed framework should serve as a basis for empirical research and is supposed to bring relatively reliable results within the context of current research limited by a number of interviewees.

Data gathered would undergo the process of comparison with theories discussed earlier in order to make research reliable and less interviewee/interviewer subjective. All the answers would be grouped according to topics outlined by the theoretical framework of the research which will structure the analysis and present both theoretical and practical implications of the study.

5 NETWORK ENTRY TO INDUSTRIAL AUCTIONEERS' MARKET

This chapter is dedicated to analysis of data gathered through semi-structured interviews in relation to outlined themes. The chapter is divided according to those themes that showed to be of great importance during study. It starts off with short introduction of interviewed companies, their position in steel industry network and experience of working with foreign partners.

5.1 Introduction of the case company and supporting interviewees

Due to having several groups of interviewees it is impossible to provide a generalized description. Thus, it is worth presenting background information regarding each company and interviewee himself in order to explain the use of sample companies for answering related research sub-question and prove the reliability of data. As stated earlier, the primary interview was conducted with the case company TradeMachines.

Trade Machines FI GmbH was established in October 2013 in Berlin, Germany by Dr. Heico Koch. TradeMachines is the first comprehensive marketplace for industrial auctions which currently has no direct competitors as its CEO states (TradeMachines, 2014). The company which can be defined as INV operates in international environment from the day one. First, it has acquired German speaking market, then European and UK, and after only 6 months of operations it has entered the USA market. Such success is explained not only by 15 years of experience of the founder, but also by relevant networks which company has acquired.

The following two sample companies belong to the European market of industrial auctions and serve as a source of general information regarding importance of networks within industrial auctioneers' market as such.

Surplex GmbH is a German company with a well-established name in Europe. Surplex was established in 1999 as a purely internet-driven marketplace for second-hand machines (Surplex, 2014). Today the company is active worldwide with a full range of services, and is one of the leading European providers in the used-machinery market. Michael Werker is a Managing Partner of Surplex GmbH, who has been part of the company for over than 13 years and has valuable insights in European market of auctioning.

Dechow GmbH is another European sample company. This company has over 100 years of experience and started as a family owned business and still operates the same way (Dechow, 2014). It operates in Europe and also has a well-known name within the continent. Moreover, this company has created an association EARA with its competitors in different countries and has wide experience in networking abroad. Jan Bröker as CEO of Dechow GmbH has many years of experience as soon as the company always stayed within the family owned business.

Last, but not least interviewees are representatives of the US market of industrial auctions. These interviews would help to understand the expectations of Americans towards new market entrants. The results of these interviews would not only answer the research questions, but also provide the valuable insights and advice regarding the US market.

Blackbird Asset Services, LLC was founded by auction “veteran” David Fiegel (Blackbird, 2014). David Fiegel is a licensed auctioneer and certified appraiser who has over 24 years of experience within industry. He has been a part of a bigger international auction house before opening his own firm. Now his company is operating mostly within North America. David Fiegel is active in many auction and appraisal industry associations, and is a member of the board of trustees for the Turnaround Management Association (Blackbird, 2014). Due to that experience interview with him will provide valuable insights regarding importance of associations in the US as well.

Lindsay Auction Service is a purely local auction house owned by Tom Lindsay. It has 5 employees and operates within the state of Missouri. Thomas J. Lindsay has been in the auction business since 1965 and established Lindsay Auction Service in 1970 (Lindsay, 2014). He has over 44 years of experience in this profession and has cooperated with a number of companies. This interviewee though represents the type of purely local family businesses in industry which are more closed for outsider firms.

Thus, all the interviewees have over dozen years of experience in industry each and can provide reliable answers for the purpose of current research. Their responses would be based on personal experience and might be subjective; however, the broad experience of every respondent should minimize possible inaccuracy of the research.

5.2 Types of relations

Putting into consideration the context of the current case study, interview questions and other data collection were focused on the companies operating within auctioneers industry in Europe, the US or both in the case of TradeMachines as a primary source. All the interviewees were required to describe their partnerships, how they started and all the answers provided a multidimensional view on the situation within industry.

All companies underlined the importance of common interests as a basis for establishing first steps in relationship. They also stated that everything depends on a certain case and conditions. It has been found out after all the interviews that initiative of a relationship establishment is more or less equally coming from the company itself or its potential partner. However, in case of TradeMachines most of the time the INV is doing the first step itself. It can be explained by a young age of the venture which still needs to make its brand recognizable and trusted.

“... in most of the partnerships, we as TradeMachines made the first step, I have only one other example, but probably in a long run it was just a competitor who wanted to check us out...” (Dr. Heico Koch, CEO of TradeMachines)

Big European auction houses, like Dechow and Surplex for example, are experiencing both options – approaching potential partners and being approached themselves. Such a well-established name as Dechow is definitely attractive for cooperation for a number of ventures, but at the same time Dechow is actively seeking for new networks itself. Same count for Surplex which has experience in creating partnerships through their networks as well as some contacts come by themselves.

“...Both situations happen, but mostly we are the ones actively looking for new partners...” (Jan Bröker, CEO of Dechow)

“...In Spain we have kind of partnership. We basically got it through our network. We get in contact with them and that is why we started...” (Michael Werker, Managing Director of Surplex)

The US interviewees have stated that they are more getting approached by other companies, especially in case with Lindsay Auction Service who underlined that they have rather “passive” way of seeking partners.

“...Contacts come themselves through advertising of our business and personal connections...” (Tom Lindsay, Owner of Lindsay Auction Service)

This shows the importance of network building initiative for the small INVs which are not well-known in circles of auctioneers’. Even though auctioneers’ are actively seeking for new cooperation themselves it is essential to have certain connections in industry in order to get introductions and not fall out of the radar of auction houses.

“... in Netherlands for example, I got some connections to Italy and Spain through the auctioneers we met in Germany and that helped a lot when they opened some doors rather than when we had to knock on doors ourselves of the secretaries first, spending a lot more energy and time to convince those customers...” (Dr. Heico Koch, CEO of TradeMachines)

“...Well, we have some connections; personal CEO networks help a lot. It creates trust, necessary for relationship...” (Jan Bröker, CEO of Dechow)

TradeMachines has also experienced difficulties in entering the UK, where outsiders are not widely welcome and being part of the local network might play a big role.

“...Well, the UK was pretty tough to get too because the people are not that open, the market is more or less satisfied, kind of saturated with online marketing. I think they are also more looking for the UK service providers, so maybe being not from the island was a problem, but not in other countries...” (Dr. Heico Koch, CEO of TradeMachines)

Even though personal connections in auctioneers’ business are of great importance in general as stated by all of the interviewees, in the US market it is even greater so.

“...Our business is a family one; we rate a search for partners through relatives. Family ties are the strongest...” (Tom Lindsay, Owner of Lindsay Auction Service)

“...Previous relationships are important. It makes the whole process of search and evaluation easier and faster...” (David Fiegel, President of Blackbird Asset Services)

“...Yes, it’s very important. Especially in the US I think it is helpful to be “part of the family” and not to be like an outsider, small SME from Germany or Europe. It’s very important to be a part of their community and they live a lot more community than they do it here in Europe...” (Dr. Heico Koch, CEO of TradeMachines)

Belonging to the family can also be achieved through multipliers such as auctioneers’ associations in the US. It brings trust and visibility to dozens of potential partners at once. This essentiality of being part of the auctioning community was underlined by the case company and all the US interviewees.

“...And the multipliers, like Industrial Auctioneers Association (IAA), in the US is a multiplier definitely; we have interesting partners in Europe like Lectura, which is definitely a multiplier for us. That’s like about you standing in the market, you reputation...” (Dr. Heico Koch, CEO of TradeMachines)

However, European auctioneers were indefinite about importance of associations due to absence of such organizational culture compared to the US.

“...I mean it could be important if you need to share some new ideas or something like that. For that reason mainly. ...It’s difficult to valuate because I am not 100% sure what they do...” (Michael Werker, Managing Director of Surplex)

All interviewees have expressed their experience of partnerships and networking underlining the importance of connections in the industrial auctioneers’ market. It is remarkable that all ventures have articulated the need to keep long-term connections and a win-win situation for both parties.

But at the same time they are in a constant search for new partnerships or even alternatives of existing ones which fit their business and philosophy.

5.3 Partner Selection Criteria

Essential step in partner selection process is evaluation of potential partner. It is needed for further business operations to estimate the potential benefit the partner will bring and the costs which the company has to bare due to this link. All the interviewees were ask questions related to the topic of partner selection and were required to express their view on this process, importance of reputation and ties with competitors of possible partners. All the participants of interviews have strongly underlined the value of reputation of future network tie. This is one of the main criteria for partner selection in the auctioning business, but the same time one of the respondents underlined that it is not always easy to check.

“...The partner reputation is very important, because we are very young. We have no reputation in the market, and we are growing by collecting bits and pieces of others’ reputations. It’s like a “borrowed strength” principal...” (Dr. Heico Koch, CEO of TradeMachines)

“...Of course, reputation, ranking and experience play a big role. As well as reliability...” (Jan Bröker, CEO of Dechow)

“...We don't do business with a bad reputation... and only people we know or who are recommended by those we know...” (David Fiegel, President of Blackbird Asset Services)

“...Of course it would matter, but it is difficult to check...” (Michael Werker, Managing Director of Surplex)

Personal relations and common views are of high importance when selecting a partner according to all interviewees. Having mutual vision and goal can bind both parties even stronger together and create long-term cooperation or even “company friendship”.

“...Partners for me describes people I want to work closely with, that means a regular client does not have to be a partner. And I basically select partners by how they want to work together. So I try to understand their values – that’s an important part for me and if I have an impression that it’s about bringing each other forward then I would try to intensify the relationship...”(Dr. Heico Koch, CEO of TradeMachines)

Among other points having great influence on decision making process in partner selection are – knowledge and economic stability which can bring mutual benefits rather than improve business operations of one party only.

“...if I have an impression that it’s more ego-driven or self-focused then it’s not a partner, maybe a customer or a business relationship. I would distinguish between those. It’s either friends or business partners...” (Dr. Heico Koch, CEO of TradeMachines)

“...It is important that they have the same philosophy and vision. And at the same time all of us should be economically independent...” (Jan Bröker, CEO of Dechow)

“...I think reliability and honesty are two values that are very important for us and we do not want to be cheated...” (Michael Werker, Managing Director of Surplex)

Surprisingly despite the similarity of answers regarding this topic, the US respondents seem to be seeking more their own benefits rather than common, but matching of businesses for partnerships is still required in the USA as well.

“...Decisive factor for partnering... Types of auctions partner is dealing with, if they match our business and can bring benefit...” (Tom Lindsay, Owner Lindsay Auction Service)

Common reasons that differentiate the favorability of the partnership were not only reputation and mutual vision, but also knowledge that partner can bring. Moreover, one company from the US has

even underlined that geographical position of their potential network partner can play an essential role for them.

“...Geography and skillset are important for us; know-how which a partner brings can raise the possibility of network establishment...” (David Fiegel, President of Blackbird Asset Services)

“...But it is important to have a know-how exchange, joint sales activities especially in the markets where you can't get data yourself...” (Jan Bröker, CEO of Dechow)

Almost all the respondents of interviewed companies stated high chances of partnering up with competitors. One company has even created an association with its competitors in different countries which brings higher benefits to all the participants. The reason for that is knowledge of the market which each party has, combined all together they are rising each other's sales rather than competing.

“...We started somewhere in 2010 and we first created a partnership with BVA – an auction house from the Netherlands. And now through knowledge of complex markets such Austria, Germany, Italy, Netherlands, Spain and Turkey, EARA, consisting of 8 is the first group of companies able to assist customers in every part of Europe...” (Jan Bröker, CEO of Dechow)

“...All members of EARA are our competitors, but if you have same vision a competitor can be a good partner...” (Jan Bröker, CEO of Dechow)

“...Sometimes we partner up with other German auctioneers if we see that we see that we are on the same business or with other dealers. So we go together in order not to get too high with our purchase value. Trying not to make a competition for the deal among each other...” (Michael Werker, Managing Director of Surplex)

The central case company of the study strongly believes that there is always a possibility to coexist or even partner up with the competitors. Certainly it has a unique product which has no direct competitors in the market so far; however, there is a number of indirect ones which provide various

marketing services for auctioneers. Nevertheless, Dr. Heico Koch is confident about cooperation possibilities in most of the cases.

“...Well the question is – what is competition? ... If there is a feeling of competition like stealing each other’s’ clients, than it’s probably not worth going for a partnership; but if both are competing for online marketing budget and you can put something together which will bring more value in the end for a client, then it’s good even though it’s kind of a competition, but it strengthens both partners in the market...” (Dr. Heico Koch, CEO of TradeMachines)

Answers of the US respondents varied from each other. In case of Blackbird Asset Services its President claimed that they are quite open to cooperation with competitors. The reason for that might be his international experience in terms of partnerships.

“...Partnering with competitor is not a problem, we all mix-and-match regularly...” (David Fiegel, President of Blackbird Asset Services)

Another US company is more skeptical about competitors. If their partner is collaborating with competitor Lindsay Auction Service would not feel comfortable about it. It might be explained by the family nature of their business, thus, all the new partnerships, as stated by the interviewee, are created through relatives or friends.

“...Our partners must be loyal to us not to competitors...” (Tom Lindsay, Owner of Lindsay Auction Service)

Regarding the topic of intermediaries which was raised during interviews quite controversial answers were received from all the companies. Intermediaries are considered to be active players in terms of networking, who assist in creating new network links among other players. In most of the cases interest of intermediaries in network building is based on commission from the deals newly linked companies have after being connected by them.

First of all, the case company TradeMachines and Surplex have never used intermediaries so far and expanded its network by its own or through existing partners and social ties.

“...No we haven't used intermediaries...” (Michael Werker, Managing Director of Surplex)

European auction house Dechow already has an experience of working with intermediaries and Jan Bröker explained the necessity of it by lack of knowledge and connection in the new market.

“...Once we have used intermediary as well to establish partnership in Turkey, because we had no knowledge of the market there...” (Jan Bröker, CEO of Dechow)

American interviewees have expressed their lack of interest in intermediaries when new partners are approaching them. They claim that it is not important for them to get new contacts through intermediaries because they prefer personal networks.

“...Do intermediaries play important role in partnership establishment? Not in my world...” (David Fiegel, President of Blackbird Asset Services)

“...Influence of intermediaries... Depends, but not too much. Mostly we do it through personal contacts...” (Tom Lindsay, Owner of Lindsay Auction Service)

Thus, American companies have neutral or even negative attitude towards third parties in network building. Reason of it is based on transaction costs which rise after involvement of middlemen, whose presence in the deal can be avoided or minimized.

Overall measurable factors as costs and time play an important role in partner selection process; however, partner reputation and expertise are claimed to have the highest impact on decision making. All of the interviewees have stated that these factors can make them pick one partner over another.

5.4 Process of partner selection

Establishing a new network connection is an essential point for moving business further for most of the companies and INVs in particular. This process can be quite time and money consuming and, thus, requires special attention. Most of the interviewed companies have underlined their active

involvement in the search for potential partners. It is even of greater importance for young INV like TradeMachines due to lack of reputation in the market yet. All the companies claim the need for new partners when doing business in the foreign market sooner or later; that is why they take active part in partnership search rather than passively waiting to be approached. However, there was one exception during interviews – Lindsay Auction Services do not seem to be actively involved in search for new partners. The reason for that might be purely local family business type which does not feel the urgent need for international partners if compared to those companies, actively involved in foreign operations.

During interviews all the companies were asked about their process of searching for new partners. Answers received had similarities which underlined that auctioneers' market in Europe and in the US has quite a lot in common. However, European companies present more proactive approach pursuing potential partners. All European interviewees agreed that the exploration of new partner for particular purposes is normally starts through several channels such as Internet, expos of used machinery, conferences and other networking events in the industry.

The most active role in new partnerships search according to results of interviews did TradeMachines. Having lack of reputation on the early stage INV had to actively seek for new connections, but step by step it starts being approached itself through recommendations of previous partners. Dr. Heico Koch, CEO of TradeMachines, underlined the importance of previous partners in the process of search, because company has developed certain trust to them and values their opinion, but at the same time TradeMachines looks for new ties on its own.

“...Advice from previous partners is definitely a point, but also pure research and just by calling them. And then after the first call you directly know if there is a feeling for “yeah, let’s be stronger together” or is it just a lonely wolf...” (Dr. Heico Koch, CEO of TradeMachines)

Same has claimed Managing Director of Surplex stating that they have quite successful partnership build through their networks. Another interviewee, CEO of Dechow, has also agreed that connections made through existing partners is the fastest way of growing the network, however, at the same time it can happen accidentally on some event.

“...Well, we have some connections; personal CEO networks help a lot. It creates trust, necessary for relationship. Sometimes it can be a random meeting at the congress...” (Jan Bröker, CEO Dechow)

However, sometimes networks can be created accidentally, like in case with Surplex when an Italian company approached him and after personal meeting Surplex saw a great value in working together.

“...Italian partnership also was an opportunity. The Italian guy came to us or tried to get a contact to us, and we met and found that he was a clever guy and this why I decided to work together...” (Michael Werker, Managing Director of Surplex)

In case of TradeMachines this accidental “luck” happened as well. Their initial plan was to enter the American market in 2016, but they managed to meet one of the influential persons of the industry this year and it pushed their speed of entering the market.

“...The plan was to do it in 2016 and we started in 2014 now because we had a good link to the US. One of the industry dinosaurs where we got a hold on and he helped us a lot first of all to understand the market and second of all to open doors. We took that opportunity, raised some more money to do so and from this point of time it was a good decision...” (Dr. Heico Koch, CEO of TradeMachines)

“...Yes, it was luck...” (Dr. Heico Koch, CEO of TradeMachines)

Not only one contact has helped TradeMachines’ expansion, they managed to get connected to the so-called multipliers – the Industrial Auctioneers Association which consists of over 40 influential auction houses from the USA and Canada. This multiplier is a perfect source of further networks and for that reason TradeMachines has become a Platinum Sponsor of it and is going to its conference in November. TradeMachines underline the more slow integration into the US market compared to others through only one main contact at first and also the IAA later.

“...Well, I think the other markets were a mixture of contacts, people opening doors and cold acquisition, and the US we had that one contact try to build couple

of more contacts and we are only acquiring slowly there to build up a brand with a big shares in the market and we will step by step enter deeper after we have a presentation in November this year. So we are taking the market entry slower there...” (Dr. Heico Koch, CEO of TradeMachines)

The US interviewees rely mostly on previous connections in process of search, or wait to be approached themselves like in the case of Lindsay Auction Service. Their replies concerning partner selection and relationship establishment seem to be the same – in both cases they use previous ties. This underlines even great importance of networking in the US market of industrial auctions.

Another important finding regarding this topic is relations with big companies that have central position in the market and a well-established brand. Being part of their network can open a lot of doors in the market and give to the company certain “weight” even if it has no name in the market so far.

“...Key partners, if you consider also clients as partners, are the biggest clients in each market. So if you have the big ones, the small ones will come...” (Dr. Heico Koch, CEO of TradeMachines)

“...I am pretty sure just by mentioning the name of Dechow GmbH TradeMachines got some doors easily open...” (Jan Bröker, CEO Dechow)

Regarding creation of network ties with international companies, interviewees were questioned if they tend to trust companies from their local market more or vice versa. It was difficult to get some definite answer, because all of the respondents claimed that their trust depends on certain case, previous connections and references of a certain company. Reputation was gain brought in the center of attention which makes it even more obvious that previous networks play the biggest role in company’s future success. Quite definite answer was received from Dechow which states that it is not about belonging to one or another foreign or local market, rather than understanding each other.

“...Doesn’t really matter, because markets are different and they different values and principles there. We need to learn more about the market they come from first...” (Jan Bröker, CEO Dechow)

Nevertheless, the US interviewees had different answers compared to each other. In case of Blackbird Asset Services, which is more open to international market players, the origin of their partner did not really matter. However, a more local company Lindsay Auction Services stated no interest in European companies at all.

“...No difference, we're all in this together and if I need EU help – I need EU help...” (David Fiegel, President of Blackbird Asset Services)

“...We are not dealing with anyone from Europe...” (Tom Lindsay, Owner of Lindsay Auction Service)

“...We do not have dealings with European people; they probably don't fit into our business...” (Tom Lindsay, Owner of Lindsay Auction Service)

Overall all the interviewees prefer to get new contacts through previous connections or references. However, those who stay in constant search themselves, TradeMachines and European companies in particular, state that they search for partners via pure research through Internet as well. At the same time there is always a possibility of unplanned network tie through various events.

5.5 Evaluation of partnerships

Important part of any business relationship, no matter if it is previous or current, is a process of its assessment. Evaluation of the relationships helps to identify benefits and losses it has brought, find existing problems and the ways for solving them and avoiding in future. For the purpose of current research all the companies were asked to describe their previous or current relations which for one or another reason were terminated or became weaker and how these issues were handled.

All interviewees have stated the high value of trust and matching of personalities between partners. Companies underlined the importance of personal relation within industry where most of the people know each other. These factors help to evaluate if new or existing network partner is beneficial and most important, comfortable to work with. This “feeling” was discussed by several interviewees, which arises due to common thinking and goals of partners.

“...The attractiveness for me is the personality of people I work with, and a common view that both parties can profit from this partnership. It can even be with a competitor, if you find the areas where you see advantages. These are the two points...” (Dr. Heico Koch, CEO of TradeMachines)

American respondents have also underlined the importance of personal characteristics in relationship assessment. Apart from trust they have also stated that evaluation of performance plays a great role as well when they decide if it is necessary to proceed with the same partner or seek for a new one. Nevertheless, overall personal feelings seem to be even more important than measurable factors.

“...For me it will be important first of all reliability and secondly that it is well connected in the market...” (Michael Werker, Managing Director of Surplex)

“...Good performance, honesty, loyalty...” (Tom Lindsay, Owner of Lindsay Auction Service)

“...Trust and integrity...” (David Fiegel, President of Blackbird Asset Services)

Having joint operations with foreign allies can bring certain challenges, especially lack of common understanding might create obstacles for business operations and lower the performance of a network tie. All the interviewees were asked about their negative or not successful networking experience when they had to terminate their network connection for some reason. Only one company had to stop its relationship completely, the rest respondents claimed that they either had no such experience or the relationship simply became more passive. Nevertheless, one time cooperation can happen quite often if the auctioneer does not feel comfortable with a partner.

“...And of course we have sometimes partners with whom we work one time only and do not want to work anymore...” (Michael Werker, Managing Director of Surplex)

The most surprising was an answer from CEO of Dechow, who underlined that a relationship which they had to cancel was built through their existing partner. It shows that an advice from existing partner, so widely used as a decision making factor for partner selection, can be quite misleading.

Network tie which suits one company might not suit another. In case of Dechow reasons for stopping joint business activities was a lack of understanding and trust between parties, as well as different philosophy.

“...We established one partnership through already existing partner in Spain, but unfortunately we had to stop this relationship pretty soon. The reason was that we had different view on this partnership and different philosophy in general. We were not confident about them...” (Jan Bröker, CEO of Dechow)

American interviewees have totally denied any experience of relationship terminations, and stated that they always leave a door open for future cooperation. If the network tie is not beneficial now and might play a big role in future and cancelling completing all the connections with it can bring more harm. Thus, they bring it more neutral or paused. However, the US companies which were interviewed has quite limited experience with foreign partners, but experienced no problems with them.

“...I have not experienced difficulties, but in my small firm now I have not had to engage EU partners often...” (David Fiegel, President of Blackbird Asset Services)

Similar non-termination approach uses the case company TradeMachines as well. Even though the company is only one year old it already has a rich international experience and unfortunately not always positive one. However, as a young INV it does not make radical decisions regarding network ties especially regarding ones which can be useful later and bring new connection. In a case of low benefits from a partner TradeMachines becomes less active and committed to this relationship.

“...not terminate, but there were partnerships which were looking exciting at the beginning, but then they didn't return a lot and kind of fell asleep. But I wouldn't say terminate...” (Dr. Heico Koch, CEO of TradeMachines)

The reason for this kind of situation, as agreed by the respondents who had termination experience, is wrong evaluation of partner on first steps of network establishment. Nevertheless, it is not always

possible to objectively evaluate a new partner; that is why it is essential to reevaluate the link after some time again.

“...in the beginning it hopefully looks like a win-win situation for both partners, we like to give and if nothing is coming – we like to give less and at some point it just falls asleep. One example is uShip, where we had exciting ideas at first, integrated them into our platform and did some mailings, etc., and uShip itself did not really do a lot except introducing us to one potential client...” (Dr. Heico Koch, CEO of TradeMachines)

Absolutely all the representatives of companies interviewed have totally agreed that it is possible to handle the small challenges like misunderstanding, but greater issues might take time to be resolved. However, when it is impossible to find a solution for successful cooperation or companies simply do not match then termination can be applied, but all of the companies would do everything to avoid it unless there is no other solution.

As soon as the method of data collection was a semi-structured interview, it allowed introducing additional questions for the purpose of the research. Because all the interviewees have over dozen of years of experience in the industry it was useful to ask for their opinion and advice regarding networking in the industrial auctioneers' market of the US and in general. From received responses, it is seen that interviewees have similar opinions and visions regarding importance of certain factors while creating new networks which should be taken into consideration.

Majority of respondents have stated that the mutual understanding is of great importance, and especially while dealing with a company from a foreign market. European companies have underlined the importance of being tolerant and patient when doing business with foreigners which business culture they are not familiar with. In such cases prior researching is required.

“...I think the most important point is to understand the market with its market players, like interviews, etc. Understand especially the differences from the known market, so how is the business working differently...” (Dr. Heico Koch, CEO of TradeMachines)

Other than considering differences of the cultural norms and market conditions, interviewees suggested to pay special attention to partner selection process and reevaluation of existing ties through measurable factors. Majority of interviewees stated that everything depends on a certain case and a reason for establishing the business connection, but in any case it is essential to constantly evaluate the network link and use references before starting the relationship. Moreover, it is worth knowing which benefits the partner will bring and at which cost.

“...Depends on if it a project-based partnership or a strategic one. But it is important to have a know-how exchange, joint sales activities especially in the markets where you can't get data yourself. For selecting a partner I would say it is important to know their business model, check references through partners you are already working with. However, to some people it is important, to others – not...” (Jan Bröker, CEO of Dechow)

Michael Werker (Surplex) has provided advice regarding the entry itself and again underlined the importance of knowing one key player which can link INV to others. He also stated that market of auctions is really small and thus connections are tight.

“...It is a good idea to get in close contact with one major player, because normally auctioneers know each other and the market is small. So if you get in contact with one guy he can be an opener to another. And if you can you prove that you bring additional value and able to deliver high results, auctioneers will accept you...” (Michael Werker, Managing Director of Surplex)

American interviewees stated importance of several factors, but in the middle of attention were personal characteristics of the decision maker they are dealing with – reliability and trustworthiness. At the same time they also agreed that there is a high influence on their decision of know-how, technology experience and where the potential partner is from.

“...Honesty, knowledge of the market and importance of connections...” (Tom Lindsay, Owner of Lindsay Auction Service)

“...Integrity, trust, geographic and technical expertise...” (David Fiegel, President of Blackbird Asset Services)

And finally the suggestion from the founder and CEO of TradeMachines, implies that as an INV entering new market and seeking for connections it should keep in mind if it wants to stay in its local market as well, or have higher presence in a foreign one. Dr. Heico Koch suggests that it is important to keep the major force of the company in the headquarters slowly expanding through networks further.

“...Second of all, to understand how much level of presence do you need, because I strongly believe that we should have the main part of the company sitting all together. So what presence do you need not sitting at your headquarters, and then slowly try to develop it and partner up and try to be part of the communities which are existing...” (Dr. Heico Koch, CEO of TradeMachines)

5.6 Findings of the study

Industrial auctioneers' market has a high number of players, but at the same time it is quite small compared to other industries which makes network connections within it even tighter, where most of the actors know each other at least within the same market or even internationally. Based on the interviews and preceding theoretical part, case company falls under category of *Lonely International* and *International Among Others*. The reason for that is a high variation in degree of internationalization of auctioneers in the USA – some are highly international, others are purely local, thus, model of Johanson and Mattsson (1988) cannot 100% accurately classify all the cases. TradeMachines is something in between two above mentioned categories.

Definitely, apart from auctioneers themselves there is a number of other players – dealers, traders, insolvency companies, trade associations, marketing organizations and many others. All these network players are positioned differently in the network and, thus, also might have different experience and view on other network ties. For the purpose of the study three different types of actors have been interviewed and were questioned regarding their processes of search for potential partners and ways of establishing connections with them. Based on outcomes of interviews empirical study was concluded and main networking tendencies were outlined within the sample companies.

All five interviewees agreed that networks play an important role in auctioneers' market and being part of the network can be crucial for company success in certain market. No matter of the size of

the company, most of the respondents claimed that most of their relations have started as *Ego-Driven* part from one US company which prefers to be approached or uses only family networks. Attractiveness of the potential partner in that industry was claimed to be based on his knowledge and expertise, trust and as well personal characteristics of the contact person within the company.

The highest attention from all the interviewees has received the topic of partner reputation. They all agreed that in their business the importance of reputation and previous references is of great importance and can influence the decision to establish or not a certain network connection. However, one representative of the company underlined that checking the reputation of a certain firm might be quite challenging.

At the same time companies showed willingness to partner up with their competitors for mutual benefits in order to avoid unnecessary competition for the same project. They also stated that a competitor can be a great partner if he brings new knowledge or has higher experience in certain market or area. Notably, all interviewees stated total indifference towards intermediaries, stating that most of the networks are established through personal contacts only. One company has experience with intermediary in Turkey, but the reason for using the middlemen was more because of the having no connections in the market at all. Thus, it can be stated that usage of intermediary services in the market of auctioneers is irrelevant. Auction houses prefer to deal with partner directly avoiding unnecessary third party which can increase costs and efficiency of cooperation.

Speaking about ways of partner seeking, interviewees have stated several options; however the most used one is through recommendation and advice of previous partners. Respondents also underline the possibility of accidental networking on some expos, trade shows or other events. All of the companies stated that they are using means of Internet as well while searching for new network ties, but only one company is using passive search advertising itself through different channels and waiting to be approached.

Interviews have shown criteria which auction houses uses for selecting potential partner. None of the respondents has paid any attention to measurable factors such as costs for example, but strongly underlined the importance of trust, reliability and honesty. Two companies have stated the importance of personal characteristic of the contact person, showing higher importance of interpersonal relations in the industry rather than prices.

Regarding importance of associations only three out of all companies have confidently underlined their value and influence on networking, however, these companies have their operations in the US which might mean that such communities are of high importance only there. Other two European companies found it difficult to answer this question, saying that membership might be important, but they are not sure how. The reason for that is difference in organizational system between American and European networks of industrial auctions.

Terminations of partnerships in sample companies happen rarely if ever. Most of the interviewees state that radical termination can be not beneficial in a long run because this contact might be more valuable later in future due to market changes. In such cases relationship “falls asleep” and becomes a weak tie unless there is a need for close cooperation again.

Overall majority of respondents consider networks to be the most influential tool in the industrial auctioneers’ market. They outline that the market is relatively small and most of auctioneers know each other. Thus, knowing at least one influential person from industry might open many doors which otherwise would remain closed. Aspect of trust and mutual understanding, which was mentioned few times before, is the main criteria which auction houses use for choosing the right network link. Following the advice which companies proposed can be helpful for INV entering the market to use them as guidelines to get trust from potential partner it wants to collaborate with.

Surprisingly, there were no major differences between answers of European and American respondents. However, it can be stated that networks in the US are even of higher importance compared to European auction houses which do not have certain community culture.

6 DISCUSSION

Following chapter is focused on presenting the general outcomes of the study, answering research questions and discussing possible implications of the study. Limitations, validity and suggestions for further research will also be discussed in the following.

6.1 Answering the Research Question

The central aim of the current work was to identify the influence of connections on INVs network position during internationalization to the USA industrial auctioneers' market and find out the most important criteria for the right partner selection. For the sake of study it was essential to understand how players within the above mentioned market select their partners and what the ways are for outsider INV to approach them. Previous researchers reviewed in the theoretical part have stated the importance of networks for entrepreneurial company's internationalization. However, at the same time there is almost no studies conducted in the context of the current research. Industrial auctioneers' market is relatively small, but has a number of big actors from various markets and strong connections between them. This research was an attempt to combine network theory of internationalization, INVs theory and peculiarities of the US industrial auctioneers' market.

The main research question of the current work as stated before:

What is the process of partner selection for further network relationship development of INVs during foreign market entry?

As stated at the beginning of the research it was logical to split the main research question into three sub-questions according to which the whole work was structured. First sub-question was focused on the identification of network importance in industrial auctioneers' market in general. Second sub-question grew attention to the case market of the US and was aimed at differentiating the main networks actors within the US. The goal of the third sub-question was to define factor which can make the INV attractive for cooperation with already well-established network actors in the market. These sub-questions served as a basis for the research structure, both theoretical and empirical, and they have been also used for creating interview questions.

There are various types of actors in different networks, but major ones are clients, suppliers, government of the market, competitors and dealers (Chetty & Holm, 2000; Axelsson & Johanson, 1992; Sharma & Johanson, 1987). All of these actors provide tangible and/or intangible resource exchange as part of the networking and what is more important – network relations can influence decision making processes of its members (Sharma, 1993), thus, companies should consciously select networks they are entering. Creating a network connection can bring a lot of benefits, but first of all – market knowledge which INV is lacking while entering the new market. New network partners can serve as a basis for further networking and can provide necessary references in case of successful cooperation.

Market of industrial auctions, especially in the US, is highly interconnected. With a number of over 450 auction houses in the US and auction association in each state – the necessity of being part of the community becomes even higher for an outside INV. Depending on the size, role and resources owned by specific actor its influence on the whole network system differs as well. However, no matter which position in the network a player has, it is always seeking for personal benefits and raising its profit. For this purpose companies are motivated to seek for new better partnership and build relational beneficial for both parties. Within the context of the US main players that might have a major impact on INVs entry are auctioneers' associations, as well as big international auction houses which can be a perfect source of references for further network development of INVs.

Answers received during interviews have shown the common trend of partner selection among auctioneers from US and Europe. However, regardless these similarities, there was a major difference in attitude towards auctioneers' associations. In the US auctioneers' associations have a lot of influence and being part of them is essential for any auction house. Moreover, being part of this community develops trust to the company from other network players even if they have no direct connection. These auction associations can be seen as sources of reputation and references for a company. Another major difference between operations in EU and US of auctioneers was ways of partner search. American respondents seem to be more passively looking for connections and waiting to be approached, whereas, the EU auctioneers are always staying in active search for new partnerships which can bring new opportunities. Nevertheless, all the respondents mostly have common views on subjects questioned and stated that they do not see intermediaries as influential player in their networks.

Based on interviews there were several insights developed for INVs entering the industrial auctioneers' market of the USA. Respondents have firstly underlined the importance of mutual understanding and similar philosophy with their potential partner. Secondly, in the US there exist a strong notion of "favoritism" due to family type of many auction businesses there, thus, importance of informal ties should not be underestimated. It is essential, as stated in both theoretical and empirical parts, to be able to bring new valuable knowledge and technology in order to get attention and interest of auctioneers there. Influence of previous partners is even greater in the US than in Europe. As stated by experienced respondents from the market – it is enough to know at least one key player from industry in order to get trust and respect from others.

Nowadays, INVs like in case of TradeMachines enter foreign markets with new product, service or technology which more advanced than local ones. Thus, they might be lacking direct competition and gain competitive advantage due to that. However, auctioneers' market is quite closely related and not easy to get into, therefore, INV should be able to utilize relevant networks as well. New entrants should try to attract new customer- or supplier-partners through all possible means, being flexible and suggesting comfortable conditions to not so flexible auction industry players. INV should remain opportunity driven and constantly approach various potentially beneficial partners unless its brand gets well established and other firms start contacting it itself. However, at the same time network partners can put constrains on further relations with other members (Coviello & Munro, 1995), for this reason companies should carefully manage their strategic connections and avoid dependency as well as redundancy.

6.2 Theoretical Implications

Theoretical implications of the current research are based on combination of previous theories discussed with practical outcomes of empirical part. Theoretical part of the research includes a big number of concepts including internationalization theory, network approach (Network based internationalization approach and ARA model) as well as current network situation within the case market of industrial auctions of the US.

Within second chapter of the research internationalization network theory and its impact on INVs was discussed. Within network and INV theories notion of network is seen from different perspectives. In network theory – networks are engines of internationalization for companies, whereas, INVs internationalization theory sees networks as means (Gulko, 2013). These two

theories are complementing one another and both views are supported in the practical part of the report.

It is evident that INVs entering new market are foreign for it and are seen as outsider especially in a closed market of the US auctioneers. They lack resources, knowledge and connection. It has been as well proved during interview of the case company TradeMachines. All the interviewees have stated the importance of understanding of network actors in the market, which INV on early stage most likely is lacking. Nevertheless, INVs as highly entrepreneurial and innovative companies are able to find ways for overcoming challenges of entry, especially through new connections establishment or using existing networks as this research has proved. Results of interviews has also underlined willingness of companies to bind in cooperation with local firm if they are lacking knowledge and experience regarding new market themselves. Respondents carefully work on relations and for that reason there is almost no terminations of partnerships, mostly because of careful selection process of partners.

Due to lack of resources and time INVs are not able to get experiential knowledge from the market (Hadley & Wilson, 2003), thus, they are utilizing networks connections for the purpose of organizational learning in foreign markets. Such connections with international actors play a role of basis for understanding foreign market operation, rules and conditions. Of course, a company can hire professional with experience in the market, however, until such employee generates certain experiential knowledge of the company might take a lot of time, thus, having little impact on company's internationalization (Hadley & Wilson, 2003), moreover for early stage INVs it is close to impossible due to shortage of capital. That is why INVs have to be creative and search for other ways for accumulating necessary knowledge. Unique service or product offered by INV can definitely attract potential partner for knowledge sharing. INVs should constantly search for opportunities through Internet, tradeshow and other events to find potentially matching partners for their business as well as promoting themselves in the market (Gulko, 2013).

INVs entering a new market feel as outsiders and are striving for positioning themselves among existing actors in the market. It requires high activity in terms of identification and exploitation of opportunities which can come even from their local market or influential individuals from the social network of manager. However, there are no strict guidelines which INV can use for entering industrial auctioneers' market of the US, it is all highly case-specific. In case of TradeMachines for

example, personal network ties of the founder played a big role in internationalization to the US, especially one key contact served as catalysis of the market entry.

Theoretical propositions regarding influence of networks within the case market have been proved in empirical part of the research. As stated in theoretical part, weak type of network ties are more flexible, cheaper and easier to maintain and, thus, more suitable for INVs exploring new market. Weak ties provide access to their own connections which allows INV go out its current network circle in search for new knowledge (Sharma & Blomstermo, 2003). It is much easier to terminate weak ties compared to strong ones, which allows companies to be more flexible in starting new partnerships. This theoretical proposition was supported by practical outcomes of interviews – all interviewees stated that they stay in constant search for new partnerships even though they value current ones. Nevertheless, they prefer to stay flexible in case something changes in current partnership. From this perspective, weak ties can bring more benefits to INV at lower costs and commitment.

Another theoretical aspect of network theory which got reflected and proved in empirical research was competitor ties. Competitor networks give its actors opportunity to share knowledge, ties or even resources of other members of the system (Bernal & Johnsen, 2002). Such way of communication between companies as competition brings a lot of knowledge exchange for both parties, especially regarding market situation. Majority of respondents gave positive feedback regarding their competitors and underlined that quite often they are able to collaborate for mutual success in certain projects. In such a way both companies compensate lack of certain knowledge or resources for each other. Only one company did not provide a definite answer regarding view on competitors and working together with them, the reason for that might be that that company is purely local and family based, using mostly family network for cooperation.

Regarding formality of network ties current research has proved the importance of informal ties within case industry. As a large number of auction businesses are family owned, essentiality of having family or friend connections with them might be crucial. Two companies (TradeMachines, Dechow) have stated that some of their connections were created through personal networks of managers. Formal ties within sample companies were not widely used compared to weak ones.

With respect to intermediary ties, scholars state that they are highly important for companies lacking experience in the certain market (Gabrielsson et al., 2008; Gulko, 2013). This was proved

only by one company (Dechow) which was entering Turkish market and had to use help of the middlemen in order to establish partnership in unknown market. However, in the context of current study which is focused on the US market – intermediaries, according to rest of the interviewees, do not play any role in partnership establishment process. The reason for that is maturity and certain transparency of the US economy compared to emerging markets where third parties might be essential.

Network theory of internationalization, as discussed in theoretical part of the research, states the importance of partner reputation in selection processes. All the respondents have agreed with this statement and rated it as number one in criteria for partner selection. At the same time one of interviewees also stated this importance, but underlined that reputation check can be quite challenging especially from outsider. Reliability, trustworthiness and market performance – are other factors evaluated before starting partnership (Harvey & Lusch, 1995). This statement was supported by the results of all interviews conducted.

It is very difficult according to interviews to get into networks of the US industrial auctioneers' market. INVs might not be aware about all market opportunities and possible connections within network and can sometimes accidentally discover them (like in case of TradeMachines first key contact with US). Thus, it is difficult for a company to strategize its network development to full extent, but even though INV should keep being proactive in opportunity seeking.

6.3 Managerial Implications

Current research has provided a number of managerial implications which can be utilized by INVs entering or planning to enter the US market of industrial auctioneers. The research can be used as explanation of certain trends of networking and creating new partnerships in the case market. Managers can get valuable information from the report regarding benefits network embeddedness can bring them and which actors in the US might be worth approaching.

INVs are highly opportunity driven and are actively seeking for ways of international expansion. Such organizations actively seek for opportunities through available networks and trying to secure and improve their position within network system. Nevertheless, for success in international markets networks are not enough – entrepreneurs should be able to create value around their product/service and have certain competitive advantages to attract customers and partners.

All the respondents of interviews conducted have experience in establishing partnerships and cooperations. They state that all partners undergo evaluation process no matter by which means they were found – via trivial Internet search or through personal connections. For an outsider company this evaluation by network players can be quite challenging. INV should meet all the expectations the actors might have in order to secure a favorable position in the network. Attractiveness of offered conditions from INV and benefits it can bring are other essential factors for securing market position and partnering up with key players.

While the internal resources and market knowledge of INV grow, it starts strategizing its network content where their “high entrepreneur orientation connects with strategizing of network management” (Sepulveda & Gabrielsson, 2013; Gulko, 2013). What it means is that companies should stay highly active in opportunity seeking through networks even when not all the possibilities are vividly seen. As soon as the company steps into the market and gains at least some knowledge regarding its players, managers can be “untied” and able to start development of strategies of connecting with key partners. More proactive interviewees in terms of partner search (Dechow, TradeMachines and Surplex) have positively stressed importance of connections on early stages in order to get to know the market and its players. They encourage other companies entering market of industrial auctions to seek for key individuals within industry who can pass over valuable knowledge and open certain doors. All the interviewees more or less agreed about importance of associations and trade organizations as multipliers of network ties, especially in the US where auctioneers have a strongly tied community.

All the respondents did not deny that problems within partnerships can arise, but most of these issues can be handled by both parties. It can happen that it is a project partnership only which requires only one time commitment, however, in a long run companies require loyalty and mutual goals and commitment. Nevertheless, even when those criteria are not met and partnership looks less attractive, according to interviews it simply falls asleep. In such a closely related market as industrial auctioneers’ one, companies seldom tend to radically terminate relations, but rather make it weaker and use it if ever needed again. Definitely, this kind of strategy can be applied to weak ties, while with strong ones it is more difficult to simply put it aside for a while. For that reason auctioneers state that they have higher number of weak ties all over the world even which they can approach again when required.

Representatives of companies interviewed have also stated their expectations regarding potential partners and what can make partner attractive for them. Definitely, as stated by all the interviewees reputation and previous references are of highest importance. Moreover, for American auctioneers geographical position of partner might play a big role, but most likely depending on location of the project they are partnering up. Managers of sample companies advised INVs entering their market to be honest and reliable, because one negative feedback can be easily spread within the same network and create bad reputation. Market is relatively small and new entrants should keep in mind importance of rules of its operations where knowing the right person can be highly beneficial.

6.4 Reliability and Validity of the Study

The central aspect of any study is its reliability, thus, it is important to check this point with regard to the current research. Yin (2003) defines excellence of the research and empirical study through four criteria: “validity, internal and external validity as well as reliability” (Gulko, 2013). Under validity researchers understand sufficiency of the research method for measuring data within the case study, and at the same time reliability is seen as the extent of common results to which the research leads (Miller, 1986; Gulko, 2013). External validity defines if the research results can be applied in terms of generalization regardless its context (Yin, 2003), whereas internal validity is more applied for explanatory types of works (Gulko, 2013), which is not the case in the current research. Thus, internal validity would be excluded from evaluation of the study conducted.

Theoretical part, preceding the empirical research, has defined the most relevant topics for data gathering and analysis within five sample companies. Companies themselves represent different types of players within auctioneers’ market which has created more multisided view on the topic. Validity of the study could have been even higher if the number of interviews was raised, however, for the sake of study which was aimed on gaining better understanding of network notions within selected context the number of interviews was adequate. Moreover, even within the amount of interviews common trend of companies even from different national markets have been noticed, thus, higher number of interviews was not necessary. Links between theory and practice were carefully carried out in the report and provided logical and structured flow of the research.

Means of data gathering – semi-structured interviews, were not able to be used as a basis for statistical generalization due to the fact that such type of data collection serves analytical generalization. For the sake of the current research five sample companies were divided into three

groups regarding the market of their operations, 2 in Europe, 2 in America and Case Company in both of them. As soon as the above mentioned company was a primary source of information and has experience in both markets, other 4 interviews were used for supporting or declining findings of the primary one. Nevertheless, all the responses were analyzed according to their content and treated separately with no pre-judgmental expectations with respect to possible similarities of answers.

With regard to the selected industry – industrial auctions of the US, even though they have a lot of common features with European ones, but still content certain market peculiarities which put certain limits on application of results to other markets. However, within the US market these results can be used to describe general tendencies there.

Reliability of the research for a qualitative study like the current one can be achieved by created higher amount of steps within research (Yin, 2003). In current research interviews were used as a method of data collection, but their types differ due to physical distance and availability of respondents. Thus, the case company was interviewed personally; two European firms via phone call and American have answered a set of survey questions via emails.

Empirical part of the research has been quoting parts of interviewees' responses in order to show their opinion precisely without any subjective interpretations. Conclusions made within research after each group of statements were rather a summary of interview outcomes rather than retelling of them by the researcher. Judgments of the research were as much objective as possible limiting the influence of researcher's view on the subject. However, due to the fact that the researcher is also operating in the same environment as interviewees and has practical experience on the subject full objectivity is impossible. Nevertheless, all the interviews' transcripts are presented in the report and can be used for own judgments by other researchers using this study for own purposes. It also improves reliability of the current work.

6.5 Limitations and Suggestions for Future Research

The current research was aimed at delivering most accurate and realistic results as possible. First part of the study was presenting the literature review together with market review of the USA industrial auctioneers. Thus, the theoretical basis of the study strongly relied on previous works carried out by various scholars of internationalization and network processes. Apart from relevant

theories and models there has been presented a number of recent articles concerning the same topic, which made the whole research more up-to-date. Disregarding the wide range of theories covered it is impossible to take into account all the views on the context of current report; this puts certain limitations on the research itself.

Theoretical part of the research has served as a basis for gathering data for practical analysis. Based on theories discussed within first part topics for interviews were developed. However, whole research is based on the researcher's understanding of theories reviewed which also implies some limitations. Method of data gathering for practical part was defined as semi-structured interviews in which interviewer is quite flexible in posing additional questions or excluding some of them. In this method there is possibility of results being affected by interviewees individual vision and experience which might not be relevant to others representatives of the same group. Another issue that might have put certain limitations is professional background of the researcher who has working experience in the sample market and has already developed own view on the topic. However, this research was aimed at being as much objective as possible.

The last and well-defined limitation of the study is its context – industrial auctioneers' market of the US, which limits the study geographically and within one industry only. Current research shows ways and reason for INVs to enter certain networks while entering auctioneers' market of the US in particular, however, limitations mentioned above restrict any generalizations of the findings for other markets.

The research has provided several useful results showing the advantages of auctioneers' networks for INVs during their market entry. Empirical study was based on interviewing of potential partners for INVs during their market entry, which means that the current research relied on vision and expectations of the players within auctioneers' market. Even though case company – TradeMachines has also brought insider's view on the topic, for further research it would be useful to have more sample companies and conduct a comparative research between auctioneers' industry within different national markets.

Main results of the study suggest that networks indeed play a crucial role in the US industrial auctioneers' market; they bring certain value, recommendations, open doors and speed up market integration. However, networks alone cannot guarantee company's success. INV should be able to deliver high results and new valuable knowledge itself in order to attract market players. From this

perspective might be useful to find out other important factors for INVs success within the context industry and develop a quantitative research depicting which aspects matter the most or the least.

APPENDIX

Question outline for interviews:

1. What is your position in the company?
2. What is your age?
3. When was your company established?
4. How many employees does it have?
5. Who takes decision in your company?
6. What is your business background?
7. When did internationalization of your company started and how?
8. What were the first international markets and why?
9. Did you rely on your connections?
10. What constrains did you face if any?
11. Did a company have relations with foreign partners? With the US? What kind of relations?
12. How did they start and when?
13. How do you find and select your partners? Do you rely on intermediaries?
14. What is a role of partner reputation?
15. Do you partner with your competitors? What if your potential partner has relations with your competitor already?
16. What makes certain candidate interesting for a partnership?
17. Did you experience any constrains dealing with the USA/European partners? What kind of?
18. Did ever you have to cancel any partnership? For what reason?
19. Do you tend to trust the USA/European companies more than local and vice a versa? Why?
20. How do you look for partners? How does the search for contacts go?
21. Are you the one making the “first step” in partnership?
22. Is it important to belong to the auctioneers’ association to be better positioned in the network?
23. What do you think are the key partners/persons for an INV entering the industrial auctioneers’ market of the EU? Of the US?
24. What are the most important things an INV should keep in mind while entering the US market of industrial auctions?

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