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| <b>Title</b>                | <b>: Network Perspective on the Creation of an Online Platform – A Case Study</b>   |
| <b>Abstract</b>             | : The successful creation and development of a platform depend on its stakeholders. Earlier studies try to understand the creation process of a platform mainly from a dyadic perspective: the demand and the supply side. This study examines a platform development process from the perspectives of multiple stakeholders: founder, user, partner, co-worker, and influencer. By interviewing individuals from different stakeholder groups, it aims at creating multi-perspective understandings of platform creation and development, and thereby expands our existing knowledge regarding the phenomena. From a managerial perspective, the study aids to identify and understand the interests of existing and potential stakeholder groups, and the multitude of usages and motivations, all of which contribute to the interactions taking place within the platform and the larger ecosystem. |
| <b>Keywords</b>             | : Platform, two-sided market, startup, new venture, business network, ecosystem   |
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## INTRODUCTION

In the wake of online platforms<sup>1</sup>, including Google (matching content providers and searchers), Facebook (matching people interested in communicating and sharing with one another), and LinkedIn (providing professional networking), a considerable number of new ventures are seeking to take advantage of the Internet and related information technologies through creation and development of new platforms (Evans, 2009). These new ventures (i.e. startups) are considered as source of disruptive innovations and wealth creation (Markides, 2006). In addition, they contribute to creation of new jobs (Neck et al., 2004), and provide valuable learning experiences even in the case of failure (Cope, 2011). Therefore, it is in the interest of several groups, including that of entrepreneurs, academics, managers, policy makers and society as a whole to understand the development process of platform startups, and thus to increase the probability of success (Rochet & Tirole, 2003).

Platform research is generally dominated by some specific topics, including creation of platforms (e.g. Evans & Schmalensee, 2010), competitive strategies (Armstrong, 2006; Eisenmann et al., 2009), and pricing (Rochet & Tirole, 2003). Prior literature has largely focused on the acquisition dilemma of the first users to either side, be it supply or demand (Birke, 2008). Once one side shows up, the other one is also attracted to join. As such, the main focus of the literature has been on strategies to encourage participation of demand- and supply-side agents (Shy, 2011). At the same time, existing studies neglect other stakeholders relating to platform development through indirect mechanisms. Prior literature has also examined the strategic choice of opening or closing a platform (e.g. Boudreau, 2010), but those studies deal with granting or depriving an access to the platform for developers of complements. They do not consider how to motivate stakeholders, how to engage them and how to utilize them as a resource in developing the platform further. In contrast, entrepreneurship literature acknowledges that the entrepreneur's personal network is a resource for expansion. In business network studies, the stakeholder perspective is similarly adopted (Håkansson & Ford, 2002, p. 135): "*A business network is seldom the result of one 'designer', although some companies might believe that. Generally, the network is the outcome of the deliberations, aims and actions of a number of the participants.*" In this respect, platform theory can draw from other disciplines to provide a more granular look into the creation and development of platforms.

This study aims to encourage that kind of linkage. The main argument of the paper is that while "two-sidedness" of platform theory is essential for understanding platform dynamics, studies focusing on development of platforms would benefit from accounting multiple perspectives beyond buyers and sellers. Accordingly, the study examines the platform not only from the perspective of its demand and supply side (dyadic perspective), but also from the perspective of its other stakeholders, including user, co-worker, partner and influencer. Hence, this study includes viewpoints from parties that cannot be readily categorized as supply or demand side actors. It distances from the dyadic setting to consider also effects caused by other stakeholders relating to the platform ecosystem, e.g. employees. It presents a single case study focusing on an international platform that matches startup founders looking for co-founders.

This study adopts a longitudinal case study method, as it allows to study multiple aspects of contemporary phenomena which are embedded within their contexts, examine the aspects in

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<sup>1</sup> A platform can be defined as a place of interaction where members are able to find and interact with one another (Evans, 2002).

relation to each other, make meaningful comparisons, and multiple sources of evidence can be combined together to generate holistic views (Miles & Huberman, 1994; Yin, 2003). The primary source of data collection is face-to-face narratives, which is supplemented with secondary data from multiple sources, including blogs, social media, and newsletters. Qualitative data analysis software NVivo was employed to analyze the data. Our approach demonstrates the plurality of actors extending beyond the conventional dyadic platform perspective of supply and demand sides to network of actors, or the ecosystem. Moreover, the paper offers a longitudinal view in which the development of the focal platform is monitored during a two-year period. Finally, our findings show that even a single employee/intern/resource can be critical in obtaining the first connections to relevant influencers, not always considered by “bootstrapping”<sup>2</sup> entrepreneurs.

The rest of the paper is organized as follows: the next section reviews the existing literature related to this study. Then details of the methodology are provided, followed by the findings of this study. In the last section, we discuss the multiple aspects of this study. This last section also includes discussions on the theoretical and managerial implications of the study, recognizes its limitations, and identifies the opportunities for related future research.

## LITERATURE REVIEW

In the existing literature, platforms are predominantly examined as “two-sided markets” matching buyers and sellers (Rochet & Tirole, 2003). A platform is distinct from a retail setting, since the interaction takes place directly between the actors (Hagiu, 2007). However, they can also be considered as ecosystems or networks (Jansen & Bloemendahl, 2013). In this paper, we adopt the later perspective, and thus aim at expanding the understanding of platform from dyadic interactions to interactions between multiple actors. This perspective is especially important for new platforms, i.e. start-ups, as they face the infamous chicken-and-egg dilemma (Caillaud & Jullien, 2003), and do not necessarily benefit from even setting the price to zero, or then have trouble monetizing later on. This stems from the assumption that the end users adopt the platform due to the presence of counterparts to their needs, and therefore the financial subsidy is not effective in driving adoption if this group of users, referred to as critical mass, is missing. Because economists examining platforms are most often focused on price setting, as argued by Birke (2008), they are unable to comprehensively solve the adoption problem. In this paper, it is assumed that 1) the founder is actively participating in network formation, thereby driving the adoption and interaction taking place in the platform, but 2) the founder cannot entirely control the platform development process due to multiple stakeholders. For platform start-ups, this may not even be a goal since they aim at self-sustaining interaction.

Platforms are dependent on the interaction of their members (Evans, 2002). In order to survive, platforms need not only get users “on board” without a critical mass of earlier users (Caillaud & Jullien, 2003) but also keep them actively interacting with other members. Without a user base, a platform cannot grow. Without interaction, it does not fulfill its purpose of matchmaking. Even after acquiring the initial user base, interaction must guarantee liquidity or the platform risks perishing (Evans & Schmalensee, 2010). Hence, one of the most critical challenges is to initiate a growth path leading to self-sustaining interaction among platform members. Especially important is the notion of network effects (Katz &

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<sup>2</sup> Bootstrapping is to build a company with no or very minimal budget, thus mitigating all costs in marketing and human resources.

Shapiro, 1985) – this typically refers to the complementary value brought by one counterpart to another. For example, the more sellers there are in a marketplace, the better it is for the buyers, and *vice versa*. The benefits arise partly from intra-side competition and partly from increased variety, resulting in a higher chance of matching interests (King, 2013).

‘Platform’ and ‘network’ can be considered as alternative ways of looking at the same phenomenon. A business network can be defined as a web of interdependent companies connected by relationships (Cook & Emerson, 1978; Anderson et al., 1994). In network research, attention has been paid to content, governance, and structure (Hoang & Antoncic, 2003). In platform research, the main focus is on cross-group dynamics, critical mass, and tipping (Rochet & Tirole, 2003; Evans & Schmalensee, 2010).

Nevertheless, both the concepts imply several parties connected by linkages. The most eminent distinction is perhaps the two-sidedness. If it were diluted, many current ways of understanding platforms would diminish. Consider, for example, critical mass in an exchange platform: the theory says there are two sides, buyers and sellers, and that the quantity and type of each group influences the decision to join and level of activity by the other side – the more sellers there are, the more feasible it is for buyers to join due to intra-group competition and variety (Evans, 2002; Caillaud & Jullien, 2003). Thus we could depict the platform as a network of diverse sellers and buyers and expand that their connections – on one hand this may offer more information on the motives and behavior of platform participants; on the other hand increasing the scope risks losing the very meaning of two-sided market and lead to complexity and loss of analytical eloquence (Roson, 2005). Another complication is that the network is traditionally understood as a web of interdependent companies, whereas the platform stakeholders may be independent actors (e.g., Shy, 2011). As such, the platform owner needs to show considerable degree of activeness and assume the role of a “resource integrator” (Vargo & Lusch, 2008).

Hoang and Antoncic (2003) mention that benefits from business networks include information and advice, problem solving, potential investors and employees, and “positive perceptions” through being associated with reputable network members. Greve and Salaff (2003) studied networking activities of founders establishing a firm in four countries. They found that entrepreneurs approach networking systematically and actively seek for external knowledge on local business conditions. The network of informants not only includes their professional connections but also family members. According to Hoang and Antoncic (2003), the support gained through network continues after the early-stage of the venture. According to Johannisson (1988, p. 83), “*The inexperienced new entrepreneur needs support to create a personal network and to manage the enacted environment.*” Teece (1987) refers to the missing resources as complementary assets. Whether it is assumed entrepreneurs have total control over network formation or not, there may be predictable exchange patterns stemming from a company’s need for action in its context (Larson, 1991). Larson’s (1991) approach highlights that networks are not pre-existing but created through series of interactions (Coviello, 2006; Loane & Bell, 2006), when actors collaborate to access resources (Chetty & Wilson, 2003), or when they anticipate being better off collaborating (Casson, 1997).

## METHODOLOGY

Keeping the explorative nature of this study in mind, we adopt a qualitative longitudinal case study method to collect empirical data that can be used to address the multi-dimensional nature of platforms (cf. Welch et al., 2011). The importance of longitudinal studies relating to

network (platform) development is highlighted by Hoang and Antoncic (2003, p. 181) who note that a “*longitudinal approach can allow researchers to go beyond the question of whether networks matter to questions of when and how networks exert their effects on new venture performance and survival.*” The case company, Founder2be, is an international social media startup. It is a matchmaking platform aiming at helping startup co-founders to find each other. The startup is based in Finland and founded in 2011. It is typical example of an idea coming to life, in which a couple of friends decide to start an online platform. Yet, its founders have been very committed in finding ways to grow, especially through networking, and thus Founder2be represents a fitting case company for the purpose of this study.

### **Data Collection**

We collected empirical data mainly through the means of narrative interviews from multiple informants. This research approach enabled us to conduct multiple interviews with the informants to collect process-oriented data (Welch & Paavilainen-Mäntymäki, 2013). Narrative interviews were supplemented by data through participant observation and secondary data (blogs, social media, and newsletters). The data were collected both in retrospective and in real-time between September 2011 and October 2012. As the data were in part collected retrospectively, the total span of this longitudinal research was almost two years. In total, there were 35 interviews and nine less formal discussions with key informants. Interviews were more structured and focused on the themes of the study. Discussions in turn were more *ad hoc* by nature, although providing relevant information concerning the phenomenon and context, and are therefore included as primary data collection. Interview sessions lasted from 15 minutes to five hours. Findings from these interviews were further enhanced by field notes and from brief encounters and discussions with various informants. Real-time observations (Van de Ven, 1992) were made to understand how practices and changes actually occurred in the context.

During the interviews, the co-founders of the focal platform were asked to draw network pictures – a visual representation of an individual’s understanding of the network (Mouzas et al., 2008; Ramos et al., 2012) – to reveal their conceptions of the current and anticipated network development around their platform. These pictorial, conscious images of the surrounding environment can be interpreted by a researcher in order to understand managerial decision making in networks (Henneberg et al., 2006), or platforms. In practice, we asked the cofounders to draw network pictures at the beginning and end of the data collection process with a time lapse of one year. In their prospective network pictures, each co-founder drew a pictorial representation of the anticipated platform one year forward, which was compared with the network pictures drawn one year later. The network pictures formed the structure for the data collection, and later also helped to analyze the collected data.

### **Data Analysis**

While we recognized that there are several ways to analyze and theorize from process data (Langley, 1999), it became evident that there is a lack of the methodological literature focusing on analysis methods in relation to network processes (Halinen & Mainela, 2013). However, Langley’s categorization of strategies to narrative, visual mapping, temporal bracketing, quantification, alternate templates, grounded theory, and synthetic strategy is considered applicable also in the context of platform process research. We decided to employ the narrative approach to begin data analysis. This strategy focuses on ‘restorying’ the case in detail from the raw data so that it is possible to cope with the amount of data (Eisenhardt,

1989). Typical of the narrative approach, the data analysis began by verbatim transcriptions of the audio-recorded interviews, which resulted in 656 pages of transcribed data.

Despite the narrative approach typically aiming at ‘thick description’ (Geertz, 1973) of the case, the large amount of data at hand encouraged us to conduct data reduction (c.f., Miles & Huberman, 1994), which refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data by writing summaries and coding. The Nvivo 10 software was used to assist the data analysis process. The data analysis thus proceeded to written summaries at the actor level to find patterns and processes within the case level (Pettigrew, 2012).

## ILLUSTRATION OF PLATFORM DEVELOPMENT PROCESS

A case narrative report from multiple perspectives has been chosen as the mode of reporting, as it is particularly useful in reporting several bounded stories with multiple actors and research sites (Shkedi, 2005). The narrative told from the perspective of the entrepreneurial team functions as the frame of the whole narrative. Otherwise, other informants are described in their natural context in separate exhibits. Due to space requirements, this report focuses on four of the total 16 case exhibits created as a part of this research. The exhibits are selected to relate the individual to the development process of the case platform.

Frank Haubenschild and Oliver Bremer have known each other for a long time. In the latter part of the 1990s, they both studied Computer Science at the University of Siegen in Germany. Soon after graduation, Frank began work as an automobile engineer for Continental Automotive in Germany; Oliver, in turn, continued his studies in the USA. After graduating from the University of Tulsa, Oliver started working for Nokia in Helsinki, Finland. Despite the spatial distance, the friendship remains. One day, Oliver has a business idea. He realizes he cannot build the service on his own – he needs a co-founder. Oliver recognizes that instead of doing everything on his own, he needs to team up with someone with relevant technical experience. One of the people who Oliver contacts is Frank, as Oliver knows Frank is capable and is eager to work with his old friend. Unfortunately, Frank does not like the idea and decides not to join. Oliver continues the struggle to find a co-founder for his idea. He attends startup meet-ups in order to find relevant expertise, but has no luck. Oliver discovers that a solution to his problem cannot be found in an online environment either. Suddenly, he notices that others are struggling with the same issue, and he soon has another business idea: How exciting would it be to find cofounders online, prior to meeting them in the real world – similar to online dating? This would save time for start-up entrepreneurs who are busy developing their businesses.

Oliver contacts Frank again in order to introduce the idea of a co-founder matchmaking site. The idea is straightforward: to help people who are interested in creating a start-up to find each other. Frank becomes interested in Oliver’s idea, and decides to work on it. Oliver and Frank become a team, the co-founders of Founder2be. The friends start talking to each other more frequently. In early conception, the idea is pitched as “Match.com for finding a cofounder”. Many people warn Oliver and Frank that their idea is doomed to failure: this kind of idea will never work, as thinking about finding a co-founder online is too obscure. Co-founders are instead supposed to be found in face-to-face meet-ups<sup>3</sup> where you can discuss,

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<sup>3</sup> Start-up meetups are run daily by various individuals and organizations around the world. Although they are not all necessarily focusing on people finding a cofounder, they are organized around themes which are expected to attract start-up entrepreneurs: “That cool thing you’re working on”, “Marketing for startups”, “FailChat: Exiting Gracefully” are just a few examples of these events.

and check whether you are on the same wavelength with each other. Startups are considered to require a high degree of trust, which cannot be built on the basis of a few emails. However, based on his understanding of online dating, Oliver thinks that “no one responds ‘I do’ after the first messages sent online”. Instead, you exchange messages and describe yourself as a person. Only after that do you make the decision of whether you are willing to meet or not. Oliver believes that the same logic would apply to co-founders.

### **Perspective 1: User**

David Toborek started his studies in Poland and moved to the UK for Master’s degree. After graduation, David starts working in a professional services firm in Southern Germany, and simultaneously develops his own company. “After working 17 hours a day I just thought okay, this cannot be the reason of my life and I quit my company.” Soon after, he also decides to quit his job, and moves to the eastern part of Germany to start working in the E-commerce.

At the age of 27, David has his passion for his initial idea to combine businesses in an online forum. He is about to open it again. But he treats the project more as a hobby. ”I’m not doing business just to be rich. I’m doing business because making a business is something more of being an entrepreneur.” David enjoys being an entrepreneur. He wants to help people but he cannot do it on his own. “You need a good team, the right time, the right idea, [and] the right place.” For David, the team is more important than the original idea, as a good team is able to develop the idea further. But building a team is not that easy, especially without money. People often say they are ready to help, but in they are not committed to working free for the projects of others.

Eventually, David learns about Founder2be from a German web forum which he occasionally reads. He decides to join Founder2be in order to find committed people for his hobby. In minimum, he wants to get feedback to his idea. Generally speaking, he is skeptical of meeting co-founders online but decides to have a try. “I do not think that you can really establish valuable contact through the Internet.” David discusses the issue with his friend in Sweden, who shares his experience. Yet, David takes a chance and posts his idea in September 2011. He does not get any comments, and decides to post it again three weeks later. Still no comments. In the beginning, David also reads other’s ideas and comments on them. He finds some of the ideas interesting, and tries to help people forward. Soon, he finds reading other’s ideas as time-consuming and the discussion in the website is not rewarding. David soon loses his interest in the website.

As there are so many alternatives available for free, David considers that Founder2be is charging its users too early. They do not have enough content, so “why should I pay?” In David’s opinion the premium version is not really offering anything really valuable. Moreover, paying nearly 15 dollars for a site you visit only once or twice a week is too much for him. This also affects his use of unpaid version, as he is able to find profiles only based on their role, city and country. As a result, David is worried that other users cancel their registration, and decrease the traffic on the site. However, David does not cancel his registration. His profile stays active, as well as his “all-in-one platform” business idea. In reality, David becomes a passive user of Founder2be.

Oliver and Frank receive feedback from the first users. Based on that feedback, they develop the platform further. They add more social features to the service, such as enabling comments and ratings of ideas. In addition, they add more questions in the registration form in order to improve user profiles. This makes the registration process lengthier, but on the other hand

gives more information about the users. While going through the feedback, Oliver and Frank find themselves in a difficult position. How far should they take into account these requests in order to keep the service as effortless as possible, but avoid distorting any potential users? As Oliver puts it: “The key to a great product is simplicity and ease of use. Which means we won’t implement everything that we get asked for. A great product is when you cannot take away from it anymore. And not when you cannot add to it anymore.” As a next step, Oliver and Frank plan to develop a network of partners, and send more invitations for the beta version. Their focus over the following months is on building a partner program. The potential partners for the network include incubators, universities and other organizations and individuals already hosting events, providing co-working spaces, training, *et cetera*.

## Perspective 2: Partner

In fall 2009, Toni Perämäki hears that some students at Turku School of Economics are developing Boost Turku, a student-based network for young entrepreneurs and entrepreneur-minded people. Altogether, they were also encouraged by the experiences of high-level universities in the United States, such as the entrepreneurship societies at Berkeley, Stanford, and MIT. Eventually, eight most active students started planning the activities of Boost Turku as its first board in 2010. Toni becomes the first chairman of the society in March 2010, and later the first paid employee in May 2011.

As a chairman of Boost Turku, Toni is in close collaboration with Aalto ES, and attends some of their events during the year. In one of these events at the Aalto Venture Garage, Toni meets Oliver Bremer. Oliver is about to launch a service called Founder2be, which is potentially beneficial to the members of Boost Turku. After their first encounter, Oliver calls Toni and suggests for partnership. The beta version is almost ready for launch. Toni briefs the board about the service, and shows them the platform. Everyone agrees that Founder2be may be beneficial to startups by bringing together ideas with skilled people. In addition, Toni feels that the collaboration suits the general idea of helping startups. Most of all, Toni considers that there are no major risks involved in the collaboration from the perspective of Boost Turku. Toni signs up to the service and fills in his profile. He does this in order to see how the service works. In reality, he has no intentions in starting up own business. Therefore, he has no need for the service, and after a couple of times he does not return to the site.

In the beginning of the partnership, Founder2be is mentioned in the Boost Turku blog. In addition, collaboration with Founder2be is similarly referred in their newsletters. When people ask for help to find skilled people to their teams, they may be hinted about Founder2be. Otherwise, Founder2be is not promoted actively by Boost Turku. The entrepreneurs of Founder2be are also not actively asking for help from their partners. According to Toni, this influences the partner’s activities: “We don’t have time. And it is not our task to be in contact with them. We do not have ‘promotion of Founder2be’ marked in our weekly calendar.” Naturally, Toni hopes that Founder2be would be able to get more users, as then it would become more valuable to their members for finding matching skills. If Founder2be proves its ability in team building, Boost Turku may also become more interested in collaboration. Until then, Boost Turku will not change its activities in promoting Founder2be. Although Toni believes in ability of Founder2be in initiating contacts, he still thinks that it does not solve the problems of team building and management, which are important in a startup context. “People work around the clock in a small booth. It needs to work out also on a personal level.” On one hand, Toni considers that Boost Turku should not bind itself to one commercial enterprise, like Founder2be. On the other hand, the



collaboration with Founder2be may rule out some of its competitors in the future, as Boost Turku has no incentives or resources to promote number of alternatives to its members.

The team of Founder2be wishes that accelerator programs and other organizations working in the start-up scene would be willing to join their Global Alliance Program. In the end, the aim is that these partners would spread the word and drive more traffic to Founder2be. Oliver and the interns send emails to relevant programs which they find online. They tell them about the matchmaking service that they have for future start-ups. Despite these new partners, the team has not stopped trying to also reach other partners to join the Global Alliance Program. They receive diverse responses, although many of the targeted organizations do not respond at all. However, Oliver often does not know if these organizations are recommending Founder2be to someone in need of a co-founder. Oliver and Frank know that partnering is a good way to facilitate growth, but that it is not enough. This team of two also realizes that they have a limited number of hours to work. They need to focus, and do the things that matter most: and as most of the programs are focused on already established teams, they are not necessarily the best channel for marketing communications. Eventually, what Founder2be needs is more work force. Through a local school, they manage to find an intern.

### **Perspective 3: Co-worker**

In 2008, Lisa Arensburg, originally from Ukraine, starts her bachelor level studies in International Business and Logistics at Helsinki. In her school, there are a few courses which deal with topics on entrepreneurship and online marketing. Lisa finds these topics interesting, and while reading the school blog, Lisa finds out about an innovative Internet company, Founder2be. She finds the company interesting, and three months later she notices a job ad: Founder2be is looking for interns. "I thought it was a very good concept and it would address the real problem, and so I got to be very interested in work on it."

Based on what she has read from the blog, Lisa thinks that Founder2be is doing important job in helping to find a co-founder. In comparison to other alternatives, Lisa thinks that Founder2be would be a good option for her future career development. She expects that in a start-up it is possible to participate more closely to the development of the business model, and combine her interest in entrepreneurship and innovation. Lisa joins Founder2be in June 2011, and works there over the next three months. Founder2be is located in Aalto Venture Garage where they work in an open space with other start-ups. Together with another intern from Metropolia, Solomon Mengistu, she takes responsibility for the business development and marketing of Founder2be. Although Lisa focuses more on marketing (contacting bloggers and writing newsletters), both of them contribute to both areas of work. On a daily basis, they try to find relevant online partners, and attend networking events telling about Founder2be and encouraging people to visit the website. Feedback is easily received from people working and hanging around in the Aalto Venture Garage. These networking opportunities become crucial, and Lisa aims at building on them while promoting Founder2be. Technologically, all the main features are already there, and the only thing is that the start-up needs more users. In addition to getting more users, Lisa is also discussing with the team on how to develop a business model strategy after the analysis of competitors.

Lisa's hard work pays off for Founder2be, when the company is mentioned in various blogs, such as TheNextWeb and Doug Richard School for Startups. Lisa is pleased to notice that the user base increases during her internship, as these blogs bring more users to the site. By working towards the goals of Founder2be, Lisa is also developing herself in terms of creative entrepreneurial spirit, networking with inspiring people, and gaining more experience, which

is also visible to others via CV and recommendations from Oliver. The benefits from internship go way beyond the credits needed for compulsory practice for her school. A year after her internship, Lisa is a student of entrepreneurship in Aalto university. Lisa often participates in the events hosted by the business school's entrepreneurship society, Aalto ES. In the events, Lisa is able to learn from the great speakers, and network with the audience. Networking is again important, as Lisa has formed a new venture with her class mates. No matter where Lisa will work in the future – whether in a company or start her own venture – the internship experience has a lasting influence on her “Even if I don't become an entrepreneur myself this entrepreneurial spirit that I have developed during my internship will be only an advantage whether I work for a small company or a big corporation.”

Oliver and Frank understand that one of the key issues is to get more registered users onto the site, but they have not set any official targets for the number of users. The problem is that most of the potential users have not even heard about Founder2be. Most of all the potential users are difficult to identify, which makes it difficult to inform them about the service. Whereas existing start-ups and entrepreneurs are relatively easy to find with traditional marketing methods, it is much more challenging to find “the guy who has been sitting in his office or at home or at work or wherever thinking about something he might want to do and never told anybody about it”. Oliver and Frank are struggling to find ways of identifying these people and getting their message through to them. Despite the Global Alliance Program and their presence in online content, Frank and Oliver consider that it is mostly the friends of these people who know about secret plans or expertise that could be used in starting up business. Here, blogs are considered as important media to reach these people alongside social media. Yet, Oliver and Frank have not made any press releases or hired any PR agency to take care of media relations on their behalf.

In Christmas 2011, Oliver spends two weeks with his family in Germany. Naturally, this is a terrific way to spend more time with Frank, who lives in the same neighborhood. By working together in the same room, their communication is much more efficient, and they make good progress in some of the development projects on the table. More intriguing, however, is the immense spike in registration following the Christmas day. “We were really wondering, where all these people come from.” Oliver opens their web analytic program, and seemingly there has been a blog post at Mashable.com. Founder2be is mentioned, along with several other companies, in an article by Lauren Drell on how co-founders find each other. Lauren lists different ways that co-founders meet, and among them she mentions Founder2be. “Well, there's TechCo-founder, FounderDating and Founder2Be, for the Match.com types.” The readers of Mashable become interested in Founder2be and decide to register for the service. This all comes as rather a surprise to Oliver and Frank. “You know, you try for months to get published by one of the really big ones and you don't have success and then suddenly you have success and you didn't extra do anything.”

#### **Perspective 4: Influencer**

Lauren Drell helps her boyfriend Luke by taking care of PR activities in his lobster restaurant chain, which gives her insight on how small companies can leverage social media. They are able to build a good buzz around the company, and what starts as a single restaurant in East Village soon becomes a chain of restaurants in the East Coast of the United States. Following her success, Lauren is also encouraged to start her own PR agency but she does not want to do that, as she prefers in-house PR. “Because I see Luke all the time, he talks about it all the time, I know what's going on in this company, I know all the people who are involved... I am so familiar with it. I feel I should do a better job than some freelancers who we hire. ”

Instead of starting her own PR agency, Lauren reacts to a job opening at Mashable in early 2011. Lauren thinks that she could combine her interest and knowledge of social media and start-ups in the news company focusing on these two topics. Lauren applies and gets a position in the company, first started as an Internet blog by Pete Cashmore but since then grown into a digital media news company. As the role of Mashable is constantly evolving, the staff meets regularly to discuss who they are and outline what kind of stories they write about. In 2011–2012, the focus is on “the intersection of digital and technology in your life”. Basically it means that Lauren has autonomy to cover wide range of topics. As long as the stories are somewhat related to interesting technologies which improve life, rather than just covering everything that is available online.

At Mashable, Lauren first starts as an Assistant Editor, and after a few months is promoted a position as an Associate Editor. In her role, she manages advertiser-supported campaigns and writes and edits content in these series. She negotiates about the audience which the advertisers want to reach, and how many posts are required to reach the targeted audience. As the contract is closed, she decides who is writing or making a video blog or an infograph on a certain topic. She edits the articles, and posts them online. Sometimes, Lauren hops in and decides to write herself, as writing is something that she truly enjoys, and is passionate about: “Writing actually isn't my primary duty, but I do enjoy it and I work extra hours so that I can write.” This way she can also meet interesting people in digital media and start-up scene.

Lauren thinks that it is interesting how Luke found a co-founder via Craigslist. In addition, Lauren knows that her former school mate had started business with her boyfriend “I was just thinking like: where do these people meet?” Lauren thinks that this question might be relevant for readers, and suggests the topic for her editor. Her editor, Matt, likes the idea, and Lauren starts working on the topic as a side project in August 2011: “I just decided I would tweet ‘Hey startups, how did you pop out your team’.” The message spreads as entrepreneurs and PR agencies interpret that Mashable is looking for interesting stories to be pitched. As a result, entrepreneurs and PR agencies contact Lauren, and she talks to a number of start-up co-founders in order to gain understanding on the topic. As a part of her story, Lauren tries to find further information at Google on “How to find a co-founder”. She finds information about online service called Founder2be. Lauren thinks that it is relevant to tell people that there are literally services that help you in finding a co-founder. She notices that Founder2be has already a profile at Mashable. Consequently, she thinks that it is already covered in one of the earlier articles. As the website is also visually appealing to her, Lauren thinks that Founder2be is a reliable company which is potentially beneficial for the readers of Mashable. Eventually, her article is published on Christmas Day 2011 under the title “How Do Co-Founders Meet? 17 Startups Tell All”. Lauren mentions Founder2be as an example of an online service which is targeted for finding a co-founder.

The influence of that reference on Founder2be is something she does not really realize but finds interesting. “They [Founder2be] were just an intro... It's just big audience that one mention can go a long way. It's pretty cool. ” Primarily, she is only editing and writing stories. However, the consequence of helping start-ups like Founder2be by providing them an audience of hundreds of thousand feels good. “It's pretty cool, it's weird, and it's funny.” After Christmas, Lauren receives a message and another one from Oliver but she never replies. These are just a couple out of many thank you notes Lauren receives that year.

As a result of the blog citation on Mashable, the awareness of Founder2be increases. Many bloggers copy the Mashable article, and translate it into their local languages; this provides yet more coverage for Founder2be. Instead of having to send press releases everywhere, bloggers are actually contacting Oliver for comment. This increased attention in the

blogosphere drives traffic to Founder2be, and there is a significant spike in the user growth. Oliver and Frank realize that it is not enough just to have users, they also need to be encouraged to post ideas. In the background, Oliver and Frank are working hard to improve the user experience. They are reworking the ideas section so that it would be easier for people to find relevant contacts and ideas. They hope that this would increase the conversion rate of posted ideas. Particularly, Frank and Oliver believe that users need to be able to tag ideas and profiles with keywords, so that ideas and profiles could more easily be matched by automatically notifying other users with similar interests. In addition, this redesigned version that they are working on is meant to enable featured ideas, in order to improve their coverage. Oliver and Frank also discuss the option of adding Facebook comments to ideas so that they could increase their outreach to non-members and eventually get more users to their site.

The number of users Founder2be has managed to attract is already more than a similar company had managed before, which is encouraging news for Oliver and Frank. Nevertheless, Frank and Oliver realize that some money is needed in order to cover the operating costs of running the website. Therefore, Oliver first tries to find relevant advertisers by himself, an attempt soon proving to be unsuccessful. He is able to interest some advertisers, but they eventually say no, especially when these US-based companies realize that the Founder2be is based in Finland and that the company is entirely focusing on the online market with no real-life events. Nevertheless, Oliver considers that they have something unique to offer to advertisers with their focus on future companies rather than established start-ups or enterprises. Finally, Founder2be starts making some money when they sign a deal with InfluAds, which specifically targets start-ups and entrepreneurs. The money from these advertisements is enough to cover the costs of hosting, software licenses and other related costs. At this point, advertisers are a source of revenue generation. However, in the future they expect more revenue from users.

By October 2012, Oliver, Frank and Wolfgang have been able to build the world's largest co-founder finding site. They are proud of what they have achieved. There are already more than 11,000 users. Compared to the situation a year before, Founder2be has become more passive in many fronts, as the entrepreneurs have had less time to spend on building the ecosystem. The global alliance partners remain in the Founder2be's service ecosystem, as they potentially direct users to register in the service. The collaboration remains loosely defined with no formal obligations. In general, the service ecosystem is around the platform, and co-founders who find the platform via partners. Regarding future plans, there are some differences between Frank and Oliver. Whereas Oliver thinks that there is actually no need for seed capital, Frank considers that it may be the biggest change in the coming year for Founder2be. This may be a result of their different perspectives on what is going to happen for the company during the next year, rather than on the importance of external funding. Despite minor differences in their sense-making, they both portray the network rather similarly. Most of all, they do not expect radical changes in the type of actors engaged in the service ecosystem. Rather, they expect that there will be more of the same kind, i.e. more users, more bloggers, more Global Alliance partners.

## **DISCUSSION**

In a platform, the presence of users in superior numbers corresponds to the idea of two-sidedness in which the counterparties always provide value to one another – the bigger the network, the larger its usefulness in spreading messages and persuading new entrants to join.

However, the level of activity taking place in the platform is crucial – if it is not encouraged by both communicational efforts by the platform owner and built-in features, the end result may be passivation.

Interestingly, the collection of user data seems to pose a dilemma – the more data the startup is able to collect, the better for its ability to generate matches. Yet, voluntary data input suffers from issues, such as truthfulness and the lack of users' interest to fill long forms – some users reported they never returned to fill in their profiles, or that they never returned to check their profile. Re-activation could take place e.g. marketing automation based on inactivity, and it is important that the users are alerted about the interest and messages they receive in the platform. The case company received negative feedback from the lack of such a feature, depicting negligence of user behavior. Combining these perspectives may lead to what can be termed as “platform marketing”. This type of marketing is characterized by resource constraints, building marketing features as automatic parts of the platform design, and manual activation of both opinion leaders within the industry as well as the first-generation users whose activation need not take place only online but can be successfully carried out in real-life events.

In terms of monetizing, the case demonstrates the adage of online business that “users do not equal revenue”. Namely, it proved difficult for the platform to generate revenue out of their offerings. The users explicitly demonstrated skepticism towards such efforts based on the availability of free alternatives, such as meet-ups, and the fear that charging users might actually reduce the usefulness of the service by churning out potential co-founders. This indicates that some users may think actively the well-being of the platform, as they perceive it as a community rather than “only” a platform for interaction, and therefore can express concern over its development. However, if the platform owner is unable to provide gratification to these active users, it risks losing them as they fall into passive user mode. The correct solutions, therefore, may include listening to the users not only passively but actively reaching out to them based on the usage patterns. The startup is in a favorable position of information advantage since it tends to know based on Web analytic data how actively individual users are engaged with the platform. This information is useful in nurturing personal contacts, albeit the founders in this study reported they often received positive feedback spontaneously following update to the platform.

### **Theoretical Implications**

In theoretical view, the study confirms the importance of multiple stakeholder perspective in platform/network development. As Håkansson and Snehota (1989, p. 262) argue, “*access to the other party's resources - resources that complement those of the focal organization - constitutes an important asset.*” Although our study describing the stakeholders' view illustrates this point, there are mixed signals of usefulness of partnering. Creating a partner program seems to offer an easy way to reach out to relevant partner networks, in this case e.g. student entrepreneurship societies. However, lacking a formal structure and agenda for the content for the partnerships led into mediocre results. In other words, partnerships require being well-defined in advance and actively managed throughout their existence.

The startup can mistakenly assume that the partner actively promotes the platform to its own audiences – while in practice the promotion requires effort from the platform owner, at least in the form of periodical checkups and more preferably in the form of physical participation in events e.g. as a speaker or just “being around”. This activity, despite being time-consuming, is likely to influence the level of activity shown by the partner. Business network

research tells us that networks are not created by hazard but have a teleological nature (Slotte-Kock & Coviello, 2010). If this assumption is adapted to platform research, examining merely the dynamics of the two-sided motive structure may not be enough to entirely grasp the platform development process.

Finally, the early-stage development of a platform is a complex process that can be contrasted to network development and therefore the phenomenon can be fruitfully examined through network theory. The dyadic view, currently dominant in the two-sided markets discourse, focuses on supply and demand sides and does not represent a comprehensive picture of the network relations influencing platform development. In particular, network pictures can be used to illustrate the current and desired shape of the platform. Through pictures, founders are able to visualize their vision and express it in an easily understandable format. Researchers, in turn, can study how entrepreneurs perceive their current and envisioned networks, and tie this information to their decision-making processes.

### **Managerial Implications**

The case seems to confirm the benefits gained from expanding a network – as the personal network grows through participating in meet-ups, the founders are able to meet relevant people that bring unexpected gains, such as opportunity to become a speaker or hire an intern. Therefore, networking in real life is highly important in building a technological platform. The marketing emphasis of online platforms tends to be on the application of online marketing and networking; while these activities are required, they are not substitutes of “getting out of the building” to either find users or unexpected benefits of networking. This does not only bring tangible benefits such as free promotion and resource expansion, but also expands the scope of potential platform partners as a mental image which can be seen when comparing network pictures in two different time points, separated by two years.

The case demonstrates several tactics for marketing the platform in its early-stage. These tactics, compatible with “bootstrapping” startups, include e.g. event participation to recruit early adopters, tactical use of interns as “cheap labor” especially relating to PR activities, partnering (Global Partner Program), and overall applying a mindset that focuses on growing the user base without conventional advertising. Relating to network activities, it seems useful to recommend that managers think and map the motives for collaboration to be able to create win-win situations that compensate the lack of extant critical mass and/or lack of financial resources. In addition, as long as the platform owner is able to co-align motives and incentives, he is able to attract in additional resources that facilitate platform development and growth. Therefore, not only the motives of users (demand side) should be considered but there is a need for wider understanding of stakeholder analysis. Finally, founders of platform startups should consider ways of modeling their current network, but also the envisioned network, i.e. the partners and stakeholders that should be secured within a given time. This can be achieved in simple ways, e.g. by drawing out the two versions in a sheet of paper. When the goal is visualized, it becomes easier to split it into smaller sub-goals, such as reaching specific stakeholder groups, and start the platform development activities systematically.

### **Opportunities for Future Research**

Several possibilities of future research can be drawn based on this study. To start with, further studies are needed to examine the specific networking tactics of the founders of successful start-ups. In the Internet age, it is possible to rapidly scale many types of

businesses, but there are presumably very significant differences in founders' capabilities to leverage networks and integrating external competences with their core value-added. Further research opportunities also exist to study stakeholder management, especially considering the platform owner's role in reconciling and co-aligning stakeholder interests.

An interesting research question is how the founders of platform startups themselves use social media platforms to grow their international user base. Finally, an interesting conceptual approach is to perceive the founder as a resource integrator. The founder's integration efforts need to focus on issues critical to platform development and competition, for instance, user acquisition to both (all) sides, identification and persuasion of opinion leaders in the industry, resource expansion in terms of hiring, and technical and marketing support. Further research is also needed to deepen our understanding of successful platforms' resources integration processes leading to competitive advantage and solution of the chicken-and-egg dilemma.

### **Limitations**

This paper does not present a model or framework to make predictions about platform development activities. It is based on a single case and thus conclusions might be different in other cases. Finally, the context of online matchmaking platform might involve some particularities based on which the conclusions and recommendations made here would not be applicable to other type of platforms.

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