

The Internationalisation Process of an E-Commerce Entrepreneurial Firm: The Inward-Outward Internationalisation and the Development of Knowledge

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ABSTRACT

Objective: The article aims at the description of the internationalisation process of an entrepreneurial e-commerce trading firm, depicting the course and mechanism of the process.

Research Design & Methods: The explorative research is a single case study of three internationalising e-stores managed by a firm. The qualitative analysis is based on in-depth interviews with the entrepreneur covering six years of the firm's operation.

Findings: The increasing international involvement of the e-commerce firm follows the development of knowledge derived from the interrelationships between inward and outward internationalisation. The evolution of internationalisation forms is limited to trade (importing/exporting) and contractual cooperation. The role of entrepreneur in the internationalisation process of e-commerce firm is crucial.

Implications & Recommendations: The simultaneous involvement in the inward and outward forms of internationalisation enhances the development of knowledge necessary for further internationalisation of e-commerce firms.

Contribution & Value Added: The study presents a holistic description of the internationalisation process of an entrepreneurial e-commerce firm, revealing the mechanism of the process.

Article type: research article

Keywords: e-commerce; entrepreneurial firm; inward-outward internationalisation; process; knowledge

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INTRODUCTION

The significance of e-commerce in the global economy is rising, which is observed in the growth of sales, the number of customers and firms engaged in on-line transactions (e.g. <https://ecommercenews.eu/ecommerce-europe-grows-19-percent-2017/>). Simultaneously, e-commerce is becoming increasingly international i.e. the transactions span firms and customers from distant countries and different economies (Terzi, 2016).

At the firm level, the phenomenon of international e-commerce manifests itself in the development of supplementary Internet-based channels of international trade, which enhance the internationalisation of traditional manufacturing or service firms (e.g. Frąckiewicz & Grzesiuk, 2013; Guercini & Runfola, 2015; Plakoyiannaki, Pavlos Kampouri, Stavraki, & Kotzaivazoglou, 2014; Rana & Sørensen, 2013). Moreover, the internationalisation of e-commerce is related to the establishment of a new type of firms named 'e-commerce firms'. This is a wide group of firms which are, in general, defined as enterprises engaged in electronic commerce from inception (Singh & Kundu, 2002), with essential turnover derived from online transactions. E-commerce firms are highly differentiated by their main activity (trading, service and production firms), type of products offered (digital or tangible goods and services) to diverse customers, representing various e-business models (e-stores, international intermediary platforms, etc.), having a different size, managed by the owner (entrepreneurial or family firms) or by professional managers. Their common characteristics is taking advantage of the Internet-based information and communication technologies (ICT) to expand sales domestically and internationally. Like other Internet-based firms, they internationalise their activity easier and faster than traditional firms (Fang, Tung, Berg, & Nematshahi, 2017; Forsgren & Hagström, 2007; Kim, 2003), but their internationalisation paths might differ depending on various factors (Anwar, 2017; Grant & Bakhru, 2004; Gregory, Karavdic, & Zou, 2007; Turban *et al.*, 2018).

There is a number of papers investigating *factors* influencing the internationalisation of e-commerce firms (e.g. Abbad, Abbad, & Saleh, 2011; El Said & Galal-Edeen, 2009), in many cases examined together with other firms conducting business with the Internet use, named 'online firms', 'ibusiness firms', 'e-business firms', 'Internet-related' and 'Internet-based firms'. However, very little is known about the *process* of the internationalisation of e-commerce firms, i.e. *why* and *how* these firms internationalise and what *mechanism* stays behind the process. The literature review shows that only three papers raise this issue (Fang *et al.*, 2017; Forsgren & Hagström, 2007; Kim, 2003), providing only partial answers to the above questions.

The article aims at the description of the internationalisation process of a young, entrepreneurial e-commerce micro-firm, offering tangible goods to business and individual customers. It depicts the course, stages and mechanism of the internationalisation process. The single case study based on three internationalising e-stores managed by the firm shows that the process of the firm's internationalisation is driven by knowledge development in interrelationships between inward and outward internationalisation, supported by the intra- and inter-organisational developments, and the individual aspirations, proactive attitude and international orientation of the entrepreneur.

The first section of the article presents theoretical background for formulating the research assumptions for the exploratory study. In the second section the methodological

assumptions are presented, followed by the description of the data collection process and presentation of the method of qualitative analysis. The third section shows the research results and findings, followed by discussion. The last section includes the conclusions and research limitations together with suggestions for further studies.

LITERATURE REVIEW

Welch and Luostarinen (1988, p. 36) define the internationalisation of firms as 'the process of increasing involvement in international operations'. This broad definition represents a dynamic approach to the description of this phenomenon and includes different types and forms of firms' internationalisation. Particularly, their conceptualisation embraces both the outward and the inward forms of firms' internationalisation. While the focus of the IB researchers is on the outward forms of internationalisation, less is known about the inward internationalisation and its linkage with the outward internationalisation. This manifests in a lack of more comprehensive theoretical concepts and empirical research, which would consider the inward-outward interconnections, and calls for taking a holistic approach to the internationalisation of firms (Fletcher, 2001, 2008; Karlsen *et al.*, 2003).

Firm's Internationalisation Process and Knowledge Development

The core of the contemporary theory of firm's internationalisation is the description of the outward internationalisation process: the conditions, progress and mechanism of internationalisation in a longer or shorter period of time.

The most commonly discussed model deriving from this approach is the Uppsala model of firm's internationalisation (U-model) (Johanson & Vahlne, 1977; Johanson & Vahlne 1990; Johanson & Wiedersheim-Paul, 1975; Welch & Luostarinen, 1988). In this model, the objective of analysis is individualistically considered firm and the progress of the internationalisation of its activities, especially foreign sale and production. The Uppsala model describes the internationalisation process as gradual, cumulative or incremental, stage, sequential or evolutionary and long-lasting. The internationalisation of a firm is preceded by its success in a domestic market, and the international expansion starts from the markets relatively close to the domestic one in terms of geographic and psychic distances. A firm begins the internationalisation from non-regular export activity, and subsequently – exports through independent representatives, establishes foreign sales subsidiary and finally – foreign production subsidiary. Sometimes, the description of the internationalisation process is complemented by the authors of this model with additional stages including the activities preceding export (Wiedersheim-Paul, Olson, & Welch, 1978).

The mechanism of the internationalisation process is described as a process of learning from firm's experience in the internationalisation process, enabling progress in its international involvement. The *exploitation* of the *experiential knowledge* acquired by a firm through gaining experience in conducting operations in the international markets is followed by an increase in resource involvement in the activities in foreign markets (*market commitment*) (Johanson & Vahlne, 1977). The *experiential market-specific knowledge* resulting from the experience in operating in a foreign market and the *general knowledge* related to the specific firm's activity as well as the execution of international operations are usually transferable within the firm. They enhance the current international performance of the firm and are necessary to facilitate the firm's further expansion to more

distant markets by reducing the risk of increasing resource commitment in the international market (Johnason & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975).

In the early 2000s, Johanson and Vahlne presented a revised model of internationalisation process of firms named the 'network model of internationalisation process' (2003) or 'a business network model of the internationalisation process' (2009). The model encapsulates changes in the forms of firm's internationalisation (i.e. the development of the network, contractual, non-equity forms) and indicates new paths of learning, i.e. learning from past experience in another firm (concerns entrepreneurs and firm's managers) and the *knowledge exploration* by mergers, alliances and relationships in business networks. The model still describes the internationalisation process of a firm as gradual, incremental and evolutionary, though it assumes that the process may be accelerated and the sequence of stages is losing importance, since the knowledge necessary for internationalisation development may be acquired from the outside of the firm (*learning in network*). They agree with the researchers who ascertain the diminishing importance of psychic distance (Knight, Madsen, & Servais, 2004; Madsen & Servais, 1997) and point to the embeddedness of a firm in an international network as a means of uncertainty reduction in the internationalisation process. The *liability of foreignness* (psychic distance) is less relevant than the *liability of outsidership* (lack of ties in an international network), which hinders the progress in the internationalisation process of individual firms (Johanson & Vahlne, 2009).

When it comes to the firm's knowledge developed by experience (*experiential knowledge*) and the knowledge developed by business relationships (*relationship-specific knowledge*), some new findings have been added by Eriksson, Johanson, Majkgård and Sharma (1997), and Hadley and Wilson (2003). These authors have indicated that besides experiential market-specific and internationalisation knowledge a firm may gain access to *foreign institutional knowledge* and *foreign business knowledge* available in the international network in which the firm operates. Eriksson *et al.* (1997) stressed that some types of knowledge are accessible only to the network insiders, and the commitment to partners makes gain from their knowledge exploration to create new opportunities to internationalise possible. However, Hadley and Wilson (2003) emphasise that the quality of the knowledge and the ability to make use of it depends on the degree of the firm and network internationalisation.

Another amendment to the U-model (Johanson & Vahlne, 2009) is related to the addition of trust-building and knowledge creation to the mechanisms of change. Trust is considered as one of '(...) the basic prerequisites for developing business' (2009, p. 1421), which together with learning and commitment enables the opportunity of development.

Inward-Outward Internationalisation and Knowledge Development

The widely observed phenomenon of the development of mutual and multifaceted relationships between inward and outward internationalisation (Luostarinen & Hellman 1993; Luostarinen & Welch, 1990; Welch & Luostarinen, 1993), generates a call for a holistic approach to firm's internationalisation process (Jones, 1999; Fletcher, 2001; 2008). This proposal assumes the examination of the interconnections between different forms of both inward and outward internationalisation of a firm, including the contractual or network forms (Fletcher, 2008). The issue of *learning to internationalise* by inward forms of internationalisation (i.e. indirect and direct import, obtaining license or franchise

from abroad, participation in international joint venture in the domestic market, or contract manufacturing at home) is neglected in the main stream of internationalisation studies. Luostarinen, Welch and Hellman (Luostarinen & Hellman, 1993; Luostarinen & Welch, 1990; Welch & Luostarinen, 1993) indicated the existence of varied interplay connections between these two types of internationalisation. Consequently, Luostarinen and Hellman (1993) distinguished other four stages of internationalisation: the domestic stage – when a firm is not involved in any activity in a foreign market; the inward stage – when the internationalisation is based on import or the purchase of a licence; the outward stage – including export, sales or production subsidiaries, sale of a licence and cooperative agreements with foreign partners; and the cooperation stage – pertaining to the cooperation in an international network.

The influence of inward internationalisation on outward internationalisation is supported by the fact that the relationships with foreign suppliers may be a source of the firm's foreign market-specific knowledge and foreign business knowledge. It may facilitate the establishment of the network relationships leading in a longer period to receiving orders from foreign customers, i.e. to outward internationalisation (Luostarinen & Hellman, 1993; Welch & Luostarinen, 1993). The process of inward internationalisation also determines the performance and success of foreign expansion in a long perspective, as indicated by the case of SMEs (Holmlund, Kock, & Vanyushyn, 2007; Li, Yi, & Cui, 2017). The authors (Fletcher, 2001; Korhonen, 1999; Welch & Luostarinen, 1993) undertaking the issue of inward-outward interconnections argue that outward internationalisation is reflected in inward internationalisation: as foreign involvement of an enterprise increases, a parallel increase in the internationalisation of domestic activity may be observed.

Hernandez and Nieto (2016) assume that the connection between inward and outward activities is knowledge-related. In the conducted study, these researchers indicate that the simultaneous undertaking of inward and outward operations influences the turnover growth more than the involvement in only one type of international operation, and that such an effect is even stronger, if both types of operations are performed in the same foreign market. Similar findings derive from Grosse and Fosneca's (2012) research, who state that import activity enables learning which is the source of firms' benefit, and brings the access to foreign knowledge, suppliers and markets.

An interesting insight into the inward-outward internationalisation linkages is given by Freeman, Deligonul and Cavusgil (2013), who presented how inward-outward activities are used by born-global managers in difficult periods of economic decline. The interchangeable implementation of inward-outward activities enables strategic restructuring of firms, which is reflected in the occurrence of de-internationalisation and re-internationalisation phenomena in the internationalisation process.

The Internationalisation Process and Knowledge Development in SMEs – Selected Findings

In parallel to the development of the Uppsala model, the subject literature also describes concepts of accelerated and early internationalisation, and non-linear internationalisation.

The phenomenon of the accelerated internationalisation of firms refers particularly to small and medium-sized enterprises (SMEs) (Bell, 1995; Coviello & McAuley, 1999). These firms were rarely the objects of the interest of IB researchers in the past, but nowadays their international experience is the foundation of the research on international entrepreneurship (Coviello & Jones, 2004; Dimitratos, Voudouris, Plakoyiannaki, & Nakos, 2012;

McDougall & Oviatt, 2000; Oviatt & McDougall, 2005). Early internationalised firms launch foreign expansion immediately or soon after inception, considering the global or international market as the target of their activity (Knight & Cavusgil, 1996; Ciravegna *et al.*, 2018). These firms use their limited resources, especially only those based on knowledge (technology, skills, know-how), to create a competitive advantage in international or global markets (Coviello & McAuley, 1999; Oviatt & McDougall, 1994).

Ciravegna *et al.* (2018) state that different reasons lead to the early internationalisation of entrepreneurial firms. In their search for the causal antecedents of early internationalisation, they found a combination of reactive type of entrepreneur (aware of risk, unprofitability of export markets and limitations of the domestic one), and the antecedents of early internationalisation, such as unsolicited orders reception and the existence of foreign-market opportunities, which such an entrepreneur utilises in the firm's internationalisation. This stays in line with Loué's (2018) results showing that exporting entrepreneurs distinguish the detection of business opportunities skills, among other things. Additionally, Tiwari and Korneliussen (2017) findings on resource-poor micro-firms show that their internationalisation depends on the entrepreneurs' experiential knowledge, acquired from prior experience, participation in international trade fairs and social networks.

While the focus of researchers working on stage models has been put on the internationalisation of sale and production, in the case of early internationalised firms the subjects of research on internationalisation also concern other activities of the value chain and value creation (Oviatt & McDougall, 1994; Sainio, Saarenketo, Nummela, & Eriksson, 2011). Moreover, the international operations considered may be outward-related (e.g. export activities), inward-related (e.g. import activities) or linked (e.g. countertrade), and be subordinated not even to the ambitions of the foreign expansion, but to the general development of an enterprise (Jones, 1999).

Some authors also notice the neglected issue of the nonlinearity of the internationalisation of firms, especially in the case of born globals or 'knowledge intensive' firms, which is expressed in the emergence of the phenomena of de-internationalisation and re-internationalisation (Bell, McNaughton, & Young, 2001; Vissak, 2010). De-internationalisation is defined as a process of internationalisation that cannot be proceeded voluntarily (Benito & Welch, 1997) or intentionally (Calof & Beamish, 1995), while re-internationalisation is understood as specific behaviour of firms which return to given markets in some time after withdrawing (partially or entirely) from them (Loustarinen, 1979). Oviatt and McDougall (1995), Wickramasekera and Bamberry (2003), as well as Zahra (2005) show that, particularly in case of the inexperienced young firms with limited resources and access to an international network, accelerated internationalisation contributes to the emergence of difficulties, leading to the occurrence of the aforementioned phenomena of de- and re-internationalisation.

The Internationalisation Process of E-Commerce Firms – Empirical Research Review

As mentioned in the introduction, though the literature on e-commerce as an economic phenomenon is quite rich, when it comes to e-commerce firms and their internationalisation, it is relatively scarce and disputable in terms of e-commerce firms' definition and the internationalisation process.

There are few papers in which the issue of virtual export is analysed, but mainly in reference to the traditional firms which have started a direct sale through the Internet, complementing the prior sale executed by foreign intermediaries (Andersen, 2005;

Bennett, 1997; Hinson & Sørensen, 2006; Morgan-Thomas & Bridgewater, 2004; Sinkovics, Sinkovics, & Jean, 2013). Still, these are not descriptions of the internationalisation process focusing on e-commerce firms exclusively. This group of studies also includes research on determinants influencing the export of e-services (Javalgi, Martin, & Todd, 2004). The most detailed descriptions of the process of the internationalisation of e-services firms (among which e-commerce firms can be found) are provided in papers by Wentrup (2016) and Blagoeva Hazarbassanova (2016). Wentrup (2016) indicates that the choice of the mode of foreign market entry is determined by online-to-offline interval of the presence of online service providers. The author also states that the internationalisation path of the researched firms is contrasting to the one known from the U-model. In turn, Blagoeva Hazarbassanova (2016) concludes that the source of the differentiation of the internationalisation processes is the diversity of the value propositions of e-service firms.

Actually, only three papers authored by Kim (2003), Forsgren and Hagström (2007) and Fang *et al.* (2017) attempt to describe the internationalisation process of e-commerce firms in relation to the original Uppsala model. Kim (2003) focuses on the Internet portals, which he describes as 'a major US Internet-only firms', and qualifies them as e-commerce enterprises. Kim (2003) applies a range of quantitative methods of data analysis to indicate that the internationalisation of e-commerce firms is likely to be a process taking place in stages, but he does not distinguish these stages. The analysis also lacks a description of the mechanism and the dynamics of the process.

Forsgren and Hagström (2007) focus on the behaviour of Internet-related firms (among which there are three e-commerce firms) during their internationalisation, as well as the extent to which such behaviour can be explained by the mechanism known from the Uppsala model. These researchers indicate the discontinuity of the internationalisation of the analysed Internet-related firms and the limited incremental nature of the process. In the case of all researched firms the international expansion is a top priority in the overall strategy; nevertheless, the pace of internationalisation is differentiated. The investigation reveals that at the beginning of internationalisation, Internet-related firms choose markets close to the domestic one in term of psychic distance, because of the similarity in technological development. The main form of internationalisation in the case of B2B firms is acquisition, hence the stage of experiential knowledge has been passed over and the process is accelerated. The authors ascertain that lots of internationalisation behaviour and acceleration of the process may be explained by the network approach to internationalisation, especially by stakeholders' pressure on international expansion. Forsgren and Hagström (2007) also include the aspect of co-evolution in reference to network relationships. Nevertheless, the outcome of their research also does not provide a description of the internationalisation process stages, nor a mechanism behind the course of the process, and ignores the stage of inward internationalisation.

Fang *et al.* (2017) describe the internationalisation process of Scandinavian firms, among which one is an e-commerce firm. The e-commerce firm is distinguished among others by a strong born-global orientation, and when it comes to its internationalisation process course – the 'leapfrogging' the export stages and implementing the joint venture strategy. The elements of the U-model mechanism, i.e. risk minimisation, learning, resource commitment, opportunity of development, and the network position can also be

found in the description of the firm's internationalisation, though as the features which slow down the whole process, and not as a revealed mechanism of the process.

RESEARCH CONCEPT, METHODOLOGY AND DATA COLLECTION

The literature review presented above entitles the adoption of research assumptions underlying the explorative study. First, the internationalisation process of a firm is usually gradual, stage and evolutionary, though the speed of the process and the stages may differ depending on the type of the firm and other circumstances. Second, the mechanism underlying the internationalisation process of a firm is learning by experience or in network related to the commitment of resources devoted to internationalisation. Third, both inward and outward internationalisation allow for the development of knowledge necessary to internationalise. The fourth assumption concerns SMEs, in particular entrepreneurial firms, which in many cases undergo the accelerated internationalisation process based on internal and external sources of knowledge, in particular experiential knowledge of different type acquired by the entrepreneur.

The review of empirical studies on e-commerce firms' internationalisation revealed an essential research and knowledge gap concerning the internationalisation process of these firms. Although little is known about the main features of the process, there is lack of knowledge about the internationalisation process of selected types of e-commerce firms. Since Polish e-commerce enterprises are mainly trade entrepreneurial micro-firms, this led us to pose a research question:

How and why does e-commerce entrepreneurial micro-enterprise internationalise, and what mechanism stands behind the progress of the internationalisation process?

The greatest challenge related to the description of the process of internationalisation is in the identification of the *mechanism* explaining the sequence of events. According to Welch and Paavilainen-Mäntymäki (2014): 'process theorizing can be viewed as a continuum, with distinctions drawn between 'weak', 'stronger' and 'strongest' process theorizing' (2014, p. 5). In this article, we attempt to make a step towards 'the stronger theory', in which the theory of the process discloses the mechanism determining individual phases in the described model.

The nature of the process of internationalisation, including the context in which a firm operates, i.e. environmental conditions and firm's relationships, is very complex. Therefore, a qualitative analysis based on the case study method seems to be the most appropriate choice for an in-depth analysis of the activities constituting the process, their sequence and mechanism that links them (Madsen & Servais, 1997; Yin, 1994).

The firm chosen for the study is an e-commerce entrepreneurial micro-firm engaged in trade of tangible goods offered to both business and individual customers. This is relatively a young firm, established in 2012, and managed by the owner. It is involved in both import and export activities on the international market conducted by three e-stores managed by the owner of the firm.

The empirical material used in the study comes from a series of semi-structured in-depth interviews and talks with the entrepreneur undertaken between May 2016 and August 2018. Each in-depth interview lasted about 90 minutes, and the transcriptions were

checked by the interviewee. Complementary data were gathered from the firm's websites and their reliability was revised by the interviewee.

RESEARCH RESULTS, FINDINGS AND DISCUSSION

SGroup is a young, entrepreneurial e-commerce micro-firm established in 2012. The SGroup business began from e-commerce of tangible products for business and individual customers. It has been complemented by consulting services conducted by the owner. The fast developing e-commerce business has been executed by three e-commerce stores:

- EP – e-store offering ergonomic home and office products for business and individual consumers, established in 2012;
- 4KP – e-store offering products for kids and youth mainly for individual consumers, established in 2015;
- CP – e-store offering sports products mainly for individual consumers, established in 2015 and suspended in 2018.

Since the establishment, all e-stores have been engaged in the ongoing internationalisation process, which has progressed differently in the case of each store. The first two e-stores: EP and 4KP, continue their international activity, while the CP e-store operations have been suspended after three years of operation, because of unsatisfying financial results. The process of internationalisation of the three e-stores is depicted in the Figure 1 and described in detail below.

EP E-Store

Interrelationship Between the Inward and Outward Internationalisation

The internationalisation process of EP e-store started in 2012 with indirect import of ergonomic home and office products from local distributors and agents for domestic market customers. Soon after the inception, direct import from Germany, Czechia, Taiwan and China was established to extend and differentiate the offer in comparison with the rival firms.

In the second half of 2012, EP e-store received unsolicited orders from Lithuanian, German and Czech firms. The orders could not be executed due to obstacles deriving from the trade contracts concluded by the SGroup with German and Czech business partners: the SGroup could not re-export their products. Therefore, the SGroup owner decided to produce his own ergonomic products on the basis of contract manufacturing. The manufacturing contract with a Chinese producer spanned the second half of 2012 and the end of 2013. However, export of these products failed because of limited ability of stocking required in servicing large markets.

In 2017, the trade contracts with German and Czech firms that had hindered re-export, expired. Hence, successive unsolicited orders from Lithuanian, Germany and Czechia received by EP, initiated sporadic direct export. The orders were mainly made by trading firms, looking for low-price products to resell them in their domestic markets.

At the same time, the owner also started to check other opportunities to internationalise the EP-store. He monitored prices in the neighbouring countries on the market of

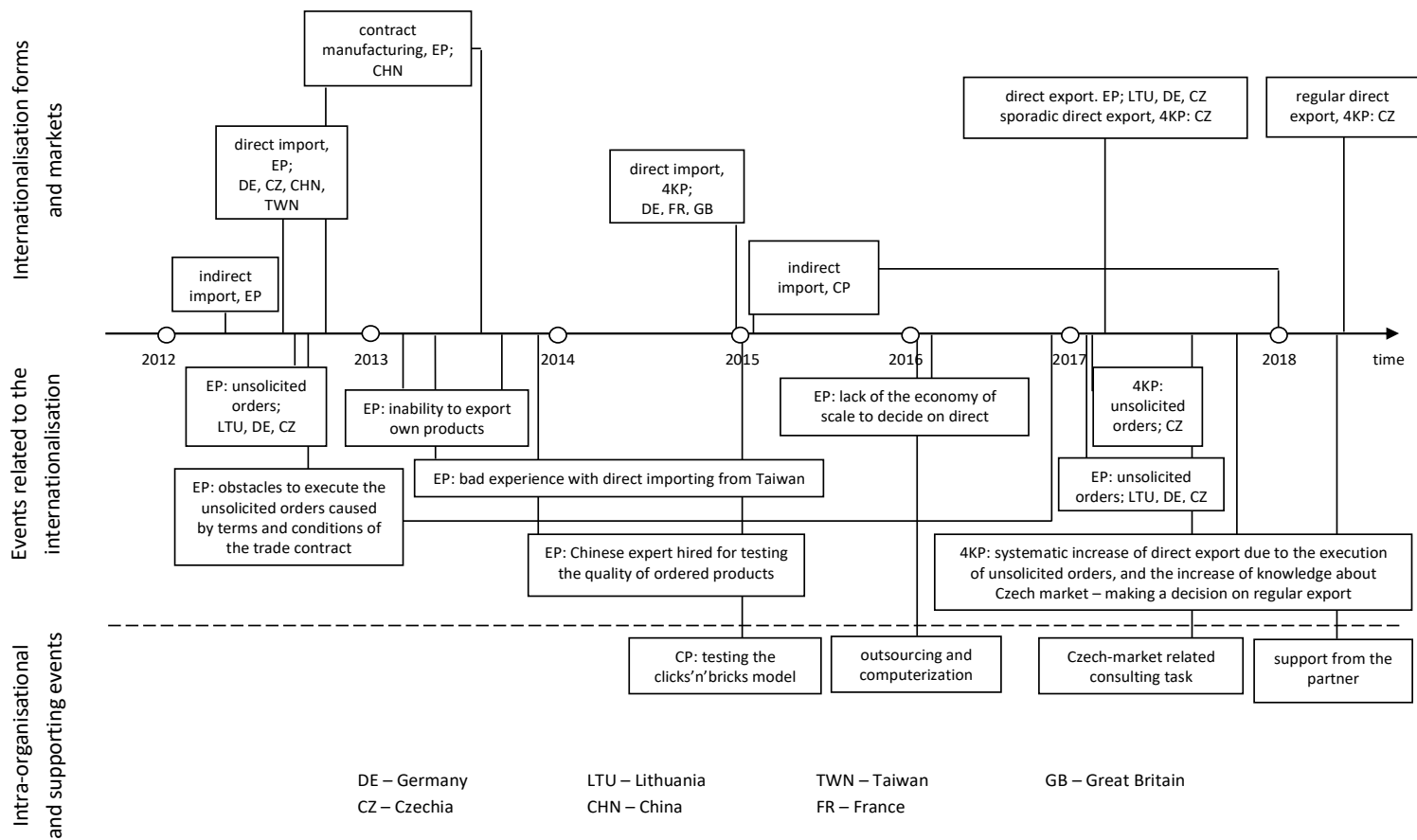


Figure 1. Crucial events comprising the internationalisation process of SGroup e-stores

Source: own elaboration.

ergonomic home and office products. Unfortunately, the ergonomic products market turned to be so niche that the transportation costs and other fixed costs could have impeded obtaining a profit at the existing scope of activity.

Trust Building in the International Relationships

In the opinion of the owner, import experience is strongly associated with the issue of trust. First, direct import from Taiwan was a real 'test' for his nerves, when a big part of commodities could not be sold because of manufacturing defects. Lessons were learnt, and to avoid such situations in the future, a new procedure of quality testing has been introduced. Now, the owner checks the credibility of Chinese contractors: firstly in public commercial register, then at their customers from the Western Europe. Then a small amount of goods is bought to test their quality before its introduction to the market. Trade contracts are very often signed during the European fair trades. Additionally, since 2014, product lines ordered by EP have been checked in Chinese factories by a local expert, who is well-known to the SGroup owner's friend.

Lack of trust in import-related relationships has also a contrary effect: in the case of a sale transaction with no prepayment or trade credit, some contractors of e-stores of SGroup check the financial credibility in a variety of ways. The issue in question has reminded unchanged over the years – the owner of SGroup has been dealing with this practice from the beginning of operations up to now, also in relation to long-time contractors.

In order to answer the question on how to manage the surprisingly stressful and risky import issues, the SGroup owner said: *'Flexibility, willingness to take the risk, not avoiding greater expenditure to test the imported products, checking the contractors, and, at the same time, building the relationships. These are the crucial features and activities leading to the successful import'*.

4KP E-Store

Evolution from Direct Importing, through Sporadic to Regular Exporting

The greatest commitment of the SGroup owner has been related to the international activity of 4KP offering products for kids and the youth. Direct importing from Germany, France and Great Britain has been undertaken since the establishment in 2015 (i.e. from the inception of this e-store). First unsolicited orders from abroad (Czechia) were received at the beginning of 2017. At the same time, the owner of SGroup worked on the Czech market analysis, as a part of the consulting activity, and noticed favourable margins. A thought crossed his mind that he had achieved a lot on the domestic market and it was worth going further. The number of unsolicited orders was increasing systematically. Along with the geographic proximity of the Czech market and the achievement of the economy of scale of the 4KP operations, the decision about direct export to the Czech market was taken in autumn 2017.

Orders from individual Czech clients emerged in 4KP without prior advertising on that market. The owner suspects that the information about the offer spread through the social media. Despite the only Polish version of the e-store till September 2018, the Czechs managed the shopping with no need for help from the customer service of the e-store. Moreover, the Czech consumers' openness and trust to online shopping were another argument in favour of the direct export to that market.

Development of Activities Supporting Internationalisation

Increasing turnover generated by the Czech clients, as well as the geographical proximity allowed the firm to negotiate favourable conditions of the contract with the German logistics enterprise operating in the Polish market. The cost-efficiency of shipping increased enough to keep the entire margin as the e-store's profit. This issue is essential because of the possibility of free return of products within 14-days from the online purchase in Member States of the European Union.

The domain name, 4KP, remains unchanged on the Czech market because of its international character. The layout of the e-store is not going to be changed as well. Both sites will operate on the same 'engine' and use the same computerisation of processes. According to the SGroup owner, there is no need to invest in new IT solutions if the current ones work well – this kind of e-store can be multiply replicated on the basis of one 'engine'.

Along with the decision on the direct export to the Czech market, cooperation has been established with the Polish SEO (Search Engine Optimization) agency employing the Czechs. The agency is responsible for the optimisation of the Czech version of the e-store, including popular Czech search engines, as well as for the Internet promotion in the Czech language.

Development of Foreign Institutional Knowledge

At the present stage of preparations to the direct exporting to the Czech market, the biggest challenge links to the adaptation of the terms and conditions of the sale to the Czech law. This issue is facilitated by the harmonisation of the Community law resulting from the Directive on consumer rights, aiming at the facilitation and stimulation of the international trade, as well as an increase in the trust to e-commerce.

As the SGroup owner commented, the Directive has certainly improved the resolution of the disputes emerged in reference to the online transactions. At the same time, the law has been standardised enough to lower the perceived psychic distance regarding the differentiation of the conditions of managing the e-stores in different Member States of the European Union. The relatively harmonised law in the EU area, as well as the fact that the trade contracts concerning the sale in the Czech market have already been concluded, caused that there is no plan to register a new entity in Czechia. Despite the commonly known fact that the Czech customers prefer Czech firms, the SGroup owner argues that establishing an enterprise in Czechia would complicate the accounting matters in the Polish entity.

CP E-Store

CP e-store offering sports products has been: *'(...) a lesson on keeping the focus on the e-commerce activities, and not dividing it into the Internet and traditional sales'*, as the SGroup owner admitted. The products were imported indirectly, and more advanced forms of internationalisation had not been developed. To jump on the bandwagon of the multichannel marketing, the SGroup owner decided to test a different e-business model, namely clicks'n'bricks. CP stationary store was opened in the most populous city of Silesia, Katowice. At that time, the following tools of mass communication were used: radio advertisements and billboards, but all turned to be ineffective. CP stationary store was closed

after a year of operating, to avoid loss caused by lack of sufficient revenue and costs related to renting the place and the storehouse, staff employment and control duties.

Since that experience, the SGroup owner has decided to go back to the prior concentration strategy, focusing on the e-commerce market, and not to involve any other of his e-stores in traditional sale, '(...) *even if the [outward] internationalisation of the e-store is doomed to fail*' – as the owner added.

Knowledge Development in SGroup

General and foreign business knowledge of the owner of the SGroup related to the e-commerce activity has developed not only in each of the e-stores, but has also been acquired from the consulting activity. Consulting services give the entrepreneur an access to the new ICT solutions that facilitate the management of the e-stores. They also support the development of the foreign institutional knowledge concerning the legal environment of conducting e-commerce activities in the European Union market.

The experiential market-specific knowledge of the entrepreneur was firstly acquired through the operations on the domestic market and the inward internationalisation of the EP e-store. The development of internationalisation knowledge by indirect and direct importing, enabled the immediate inward internationalisation of the 4KP e-store through direct import and was necessary to start the export operations: sporadic, executed by the EP e-store, and regular, executed by the 4KP e-store. The both e-stores have also acquired the specific-market knowledge about the export markets. Each of the SGroup entities has additionally developed the relationship-specific knowledge from the domestic and foreign partners, facilitating further inward and outward internationalisation of the firm by access to their business and internationalisation knowledge.

Inter-Organisational Development of SGroup

Exploiting the rich know-how of external entities is considered by the SGroup owner to be one of the main advantages of outsourcing. '*It is better to manage than to make something on your own, and there is also the matter of the responsibility*' – admitted the SGroup owner. In reference to the direct importing and exporting, he said that outsourcing facilitated it significantly – the external firms are also responsible for attestation of products, as well as accounting and customs-related issues.

The systematic increase in the number and quality of relations with business partners is observed parallel to the internationalisation of SGroup e-stores. The owner's experience shows that currently there are quite many firms in the market which strongly 'invest' in the success of international projects of their contractors through the transfer of knowledge and information. The SGroup owner himself, when conducting the consulting services, struggles to provide customers with the maximum of information because: '(...) *the more a customer knows, the greater is his awareness while making decisions, and everyone profits. Firms which cooperate for a longer period with SGroup e-stores, offer far more detailed and helpful knowledge, whereas in a cooperation with the new firms, the transfer of such knowledge is a matter of building trust*'.

Encapsulating the results of the case study of the internationalisation process of three e-stores managed by the examined firm, one may define it as an e-commerce entrepreneurial micro-firm and, according to Vissak and Masso (2015) typology,

a 'faster moderate internationalizer', which means that the firm has been internationalised within four-six years since the establishment. The internationalisation process of the studied e-commerce firm is accelerated, as in case of the similar firms researched by Forsgren and Hagström (2007) and Feng *et al.* (2017).

The internationalisation process of the SGroup e-stores is gradual and evolutionary as it comprises stages of the inward forms of internationalisation (indirect and direct import), linked internationalisation (direct import with simultaneous sporadic export and contract manufacturing), and another stages of inward forms and linked internationalisation (with direct import and sporadic export, and regular export soon after). There are no premises that the researched firm will use the capital forms of internationalisation, which stays in a line with Zekos (2005) findings. As long as the export-forms generate targeted profit, and no other circumstances force to more advanced forms of the internationalisation (i.e. foreign subsidiary), none of them is implemented (Zekos, 2005). Similar findings derive from the quantitative research on the internationalisation process of Polish e-commerce firms, which shows that only 22.6% of a sample of 259 internationalised e-commerce firms is present in foreign markets on the basis of contractual or investment modes of entry (Grochal-Brejdak, 2016).

The increase in the firm's experiential market-specific and general (business and internationalisation) knowledge deriving from the inward activities let to the subsequent more advanced stages in the internationalisation process of the SGroup e-stores. Hence it can be said that the mechanism of internationalisation by learning, known from the Uppsala model of internationalisation (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975), is also reflected in the case of the e-commerce firm. The elements of change in the revised U-model (Johanson & Vahlne, 2009), namely trust-building and knowledge creating, are other drivers of the internationalisation process visible in the case of SGroup. The knowledge that is used in each of SGroup undertakings is mostly the entrepreneur's own knowledge. It is not an organisational knowledge which could be linked with a firm. Such a situation is very specific to micro-firms managed by the owners.

The perceived risk during the preparation phase of the direct export to the Czech market, as well as the perception of the psychic distance has been minimised by the awareness of the SGroup owner of firm's position in the domestic market and the experience acquired in the inward internationalisation. This stays in line with the results of other research in which inward internationalisation led to the engagement in outward activities (Grosse & Fonseca, 2012; Holmlund *et al.*, 2007; Li *et al.*, 2017; Luostarinen & Hellman, 1993). Geographic proximity of the targeted market is another factor lowering the risk perception, but in the case of internationalisation of 4KP, it was even more crucial in terms of costs and profitability of the whole undertaking. However, the main trigger to focus on the Czech market were the unsolicited orders, which would have probably not appeared if not for the similarity of the Polish and Czech languages. Such an explanation is supported by the results of research on the influence of a language on the choice of foreign markets in international expansion of CEE firms (Gorynia, Nowak, Trąpczyński, & Wolniak, 2014; Musteen, Datta, & Butts, 2010; Sass, 2012; after: Caputo, Pellegrini, Dabić, & Dana, 2016). One of these studies strictly indicates that the internationalisation of firms progresses faster if it takes place in the markets of common or similar language (Musteen *et al.*, 2010).

Although possibilities given by the technology are indisputable, still more than a half of Polish e-entrepreneurs have not undertaken even the inward internationalisation – even after 3-5 and more years from the inception (Internet Standard, 2018). A comparison of these data with the example of SGroup manager may affirm Andersson's (2000) findings that if internationalisation is the objective of an entrepreneur from the very early stage of operating, it starts to be a firm's routine and a knowledge base. Also Freeman *et al.* (2013) indicated that 'the entrepreneur is central to the internationalization process' (2013, p. 156). Outward internationalisation of e-commerce firms seems to be always intentional, regarding the fact that these firms are exposed to the global market *per se* and only the minority takes the advantage of this fact. Therefore, factors influencing internationalisation and manager's attitude towards internationalisation in the e-commerce sector appear to be another interesting matter for further in-depth investigation.

CONCLUSION, LIMITATIONS AND FURTHER RESEARCH

The findings of the study refer to the process of the internationalisation of an e-commerce entrepreneurial micro-firm trading tangible goods via e-stores. They show high importance of the inward-outward internationalisation relationships in the development of different types of knowledge necessary for the internationalisation of the firm. They also ascertain the crucial role of the entrepreneur in acquiring and developing the knowledge, as well as his international orientation present from the inception of the firm. The process of the internationalisation of the e-commerce firm is accelerated, stage, and evolutionary, but the forms of internationalisation are limited to trade and contractual ones.

The main limitation of the study is that it is based on a single case of an e-commerce entrepreneurial firm conducting international trade in tangible goods with the use of online store only. The fact that the studied firm is an entrepreneurial trading enterprise, the traded goods are tangible, and the business model is limited to the e-stores, may have influence on the course and mechanism of the internationalisation process.

The inward-outward relationships in knowledge development may turn out not so important for production or service firms engaged in e-commerce. For firms offering services on the international market, the network relationships may be more significant. The capital forms of international involvement may be of some importance to firms implementing online-offline business models. The experiential knowledge of the entrepreneur may not appear so valuable in firms conducted by professional managers, in which the knowledge transfer within the firm may be crucial. For all these reasons the current study does not enable to formulate more general theory on the internationalisation process of e-commerce firms. It gives only an insight into the possible dependence paths, which should be examined in further studies on a larger and more diversified sample of e-commerce firms.

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The contribution of co-authors is as follows: Magdalena Grochal-Brejdak 60%, and Maja Szymura-Tyc 40%. M. Grochal-Brejdak has individually prepared the theoretical background related to the internationalisation of SMEs and e-commerce firms, the methodological assumptions of the research, and presentation of the research results. M. Szymura-Tyc has contributed to the theoretical background concerning the development of knowledge in the outward-inward internationalisation processes and supervised the introduction, conceptual part, discussion of results and conclusions.

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