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Jari Luomakoski

Why Did Electronic B2B Marketplaces Fail?

Case Study of an Agricultural Commodity Exchange

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Editors
Tuomo Takala
Jyväskylä University School of Business and Economics
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ABSTRACT

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It is very common to study success stories, but examining failures can also be a source of learning. This study analyzes the factors that led to the failure of the case company, a typical neutral Business-to-Business (B2B) electronic marketplace. The aim is to learn from the failure of the case company to help other or future enterprises to avoid similar mistakes.

The study is an interpretative in-depth case study with an abductive approach and it utilizes multiple methods when analyzing the empirical data. In total, ten people were interviewed, each at least twice, and as the researcher worked at one point in the company, the participant observation method was also used. Multiple analysis methods increase the validity and reliability of the study as well as make the different aspects of the empirical data more widely and deeply visible.

The study reports that there was no single factor that alone could explain the failure of the company, but there were numerous different types of reasons that led the company to end its operations. It concludes that external factors had only a small impact on the destiny of the case company. Most of the reasons were controllable by the company itself, yet they also played the key role in the failure of the case company.

In explaining the failure of the company, the respondents were involved in different types of discourses. In total, seven different discourses were identified, out of which there were two opposite discourse pairs. Through the discourses the respondents were rationalizing the failure to themselves.

The case company changed its focus from being an open, mainly a spot-marketplace to a procurement system provider. However, it seems that the company did not change all aspects of the business model accordingly, but instead it kept most of the previous structures and staff. Therefore, there seemed to be a mismatch between the market needs and the capability of the company to fulfill those needs. One could use the following metaphor: the company was operating in the same way as if it were trying to play table tennis with a regular tennis racket.

The key general learning outcome might be that a start-up company should be more flexible with its business model; and when changing one element of it, all the other elements should at least be checked to make sure they fit with the revised business model.

Keywords: B2B, electronic marketplaces, business model, narrative, discourse analysis

Author's address Jari Luomakoski
Pietarinkatu 7 B 34
00140 Helsinki
jari.luomakoski@haaga-helia.fi

Supervisors Professor Matti Koiranen
School of Business and Economics
University of Jyväskylä
Jyväskylä, Finland

Reviewers Ph.D. Heikki Rinne
Adjunct Professor
University of Tampere
Tampere, Finland

Professor Markku Tinnilä
Department of Business Technology
Aalto University
Helsinki, Finland

Opponent Ph.D. Heikki Rinne
Adjunct Professor
University of Tampere
Tampere, Finland

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The thesis process is a long one with many ups and downs. It is mostly hard individual work, but still it can be said that nobody can do it all alone. At this point, when the pre-examiners have given both the green light for the work to be published and for its public defense, there is a sense of big relief.

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There are many people whose names have not been mentioned here, but have shown a great interest in my research as if I was the only one in the world doing his doctoral studies. Thank you for your patience and empathy.

Helsinki May 2012

Jari Luomakoski

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1 INTRODUCTION

In this chapter the background of the study, research questions, delimitations and research method are introduced. In addition, the scientific positioning is done. The description of the research method, case selection, data collection and analysis methods are described in detail and the validity and reliability of this case study are discussed later in chapter 6.

1.1 Background and motive

In the late 1990s numerous business-to-business (later abbreviated as B2B) marketplaces were established. Many experts anticipated great success for them. The Gartner Group anticipated the transaction volume to be 8.5 trillion USD by 2005 (Ng 2005, 218). Strategy Analytics anticipated that global B2B transactions will be $ 2.02 trillion in 2006 (Raisinghani & Hanebeck 2002, 86).

These marketplaces were supposed to change completely the way business was conducted in their appropriate fields by disintermediation, transparency of information, increased efficiency and increased sales (Cousins & Robey 2005, 212.) The first attempts were made by start-ups, which lacked expertise in the appropriate business field, but which were quite Internet-savvy (Stockdale & Standing 2002, 227). Quite soon after, major companies started competing with their own ventures and spin-offs.

After the Internet bubble burst in spring 2000, many researchers noted that B2B exchanges failed in achieving the critical mass of industry participants to join and use the marketplace (Koch 2001). By 2003 many of these ventures had ended operation, changed their focus or downsized dramatically (Cousins & Robey 2005.)

There has been quite a lot of research done about the effects of B2B electronic markets. Razi, Tarn & Siddiqui (2004) studied the failure and success of DotComs, but their main focus was on studying B2C services. Ganesh, Madanmohan, Seshadri & Seshadri (2004) wrote about adaptive strategies of

B2B electronic marketplaces in the situation where a company should justify its strategy in order to survive. Schilling's (2002) study focuses on technology and its success in situations where network externalities exist. Some of her findings can be applied in this study as well.

Thus far the researcher has been unable to find a study that has focused on the success and failure factors of B2B electronic markets and is utilizing multiple theories as background. It can be assumed that there was no single cause for failure of the exchanges, but rather multiple reasons. Therefore it is essential to have a multi-disciplinary study about the failure of the entire business concept. Also, as Lovelock (2001, 305) states, studying failure deserves the same amount of attention as studying success since both lessons can be equally illuminating. In addition, as results from previous research utilizing single or dual theoretical background are contradictory, this study is needed in order to bring a more comprehensive picture of the factors behind and theories explaining the failure of B2B electronic marketplaces. Electronic trading is in certain respects already in active use among companies, but at least in the business domain of the case company, there still does not exist an operating electronic marketplace.

Based on previous research, the need for an electronic marketplace varies from industry to industry. The assumption of the researcher is that the structure and other factors of an industry determine the type of suitable marketplace for that industry.

This research will be limited to marketplaces that mainly trade with commodities or products that resemble commodities. Prices for products like coffee, cocoa, crude oil, food oils, orange juice etc. are quoted every day usually in numerous exchanges. These exchanges do not always facilitate the trading of actual product lots, but rather unspecified quantities with certain product characteristics. Also the main focus will be put on marketplaces that have been trading worldwide, instead of domestic (e.g. US) or regional (e.g. EU) marketplaces.

These global markets reflect best the needs and requirements of electronic marketplaces. (e.g. Eid, Trueman & Ahmed, 2002.) According to G. Hunt (2009), these marketplaces should have succeeded because:

1. They were well funded.
2. Their value proposition was good.
3. The technology was basically in place.
4. There was a strong acceptance by different industry players. (G. Hunt personal correspondence 6.4.2009.) The exchanges should have reduced costs for both buyers and sellers by streamlining the transaction process by eliminating steps and intermediaries (Lightfoot & Harris 2003, 79).

Venture capital companies poured hundreds of millions of dollars into B2B exchanges in the late 1990s and early 2000s. (e.g. Rovenpor 2004.) This capital should have secured the operation of the exchanges for many years to come, despite the "burning rate" for many B2B companies being tremendous.

The electronic marketplaces brought multiple features to the table and charged a substantially smaller commission than traditional brokers. Usually the starting commission was about 1% but with larger volumes it could have gone down to even 0.25%. The features that these marketplaces included among others, are:

-Public exchange
-On-time industry information
-Handling of logistics and sample logistics
-Cargo insurance brokerage
-Financing of the trades
-Automatic documentation for customs etc.
-Anonymous neutral trading exchange
-Private exchange possibility

This dissertation will be handling an exchange in a global agricultural commodity business. This industry is among those product categories which already have exchange-type activities. The largest traded commodity has its futures quoted on the Intercontinental Exchange (ICE). Trading volume in 2009 was less than $ 700 million (Intercontinental Exchanges). I have strong motivation for this research since I was one of the founders of one of the global electronic marketplaces for an agricultural commodity business.

1.2 Purpose of this study

The purpose of this study is to identify the factors that led to the failure of the case company, create a framework that can explain the causes for the failure and thus prevent future enterprises making the same errors.

1.3 Research problem

It can be assumed that there was not a single factor that resulted in the failure of B2B electronic marketplaces, but a combination of factors. (see e.g. Razi et al. 2004.) Vaara (2002) performed a study on the success/failure of mergers. He notes that success/failure can be studied from the perspective of management actions as most of previous research has done, or actions of other social actors such as personnel ones. In addition, success/failure can be studied from the point of view of external events and environment. All of these utilize different theoretical paradigms. The idea of this study is to identify these factors and theories and thus make a synthesis of them in order to better understand the causes of the failure of B2B electronic marketplaces. This study aims to interpret the causes of failure as identified by the people that had run the company.

The main research question of this dissertation is:

Why did the case company, a neutral B2B exchange fail?

Sub problems, as derived from the main question, are as follows:

What were the failure factors for such electronic marketplaces?
What were the potential success factors for such electronic marketplaces?
Which theoretical frameworks from previous literature can best explain the failure of neutral electronic B2B marketplaces?

1.4 Delimitations

This study will be limited to only business-to-business electronic commerce and specifically to B2B electronic marketplaces. In the literature review, examples from some other industries will be looked at and comparisons with B2B exchanges will be made.

This study will not handle technological issues and specifically whether or not the exchanges could actually perform the functionalities they were supposed to. This issue has come up in interviews, but as the measurement of performance from about 10 years ago is quite impossible, it will not be analyzed in this study. Apparently in the case company there were challenges with the technological performance and those will be noted in later chapters.

Another issue, the capabilities and performance of marketplace operator staff, will not be analyzed in this study. By this the researcher refers to capabilities such as the sales and marketing skills of the staff and management and leadership skills of the management and so forth. At this point it could be impossible to evaluate the levels of such skills, especially since quite a long time has passed since the marketplaces seized operation. In addition, the performance of the staff will not be handled. By this the researcher refers to such issues as whether or not the salespeople visit enough customers etc. It is assumed in this study that the skills and efforts were sufficient in order to perform adequately.

The case company started operating during early 1999 and ended its active operations in late 2002 / early 2003 (depending on the definition of when the actual ending occurred). The main office of the case company was located in Florida, USA and it also had a filial office in Finland. In addition, most of the initial system development was done in Finland, but later transferred to Florida. The main focus of this study is on the US office and its operations, however, one interviewee was located in Finland.

This study has been conducted as an in-depth single-case-study and the respondents represent solely the former staff of the case company. Therefore, external views, i.e. opinions of former customers and potential customers have not been studied.

1.5 Research methodology

The following section reviews the methodology of the study. First, the scientific position is presented. Second, the research approach is introduced. Third, the research process is described.

1.5.1 Scientific positioning of this study

Very often, entrepreneurship research problems arise from the real world and theoretical explanation needs to be found. And as mentioned below, very often the theoretical background in entrepreneurial studies comes from other fields of science.

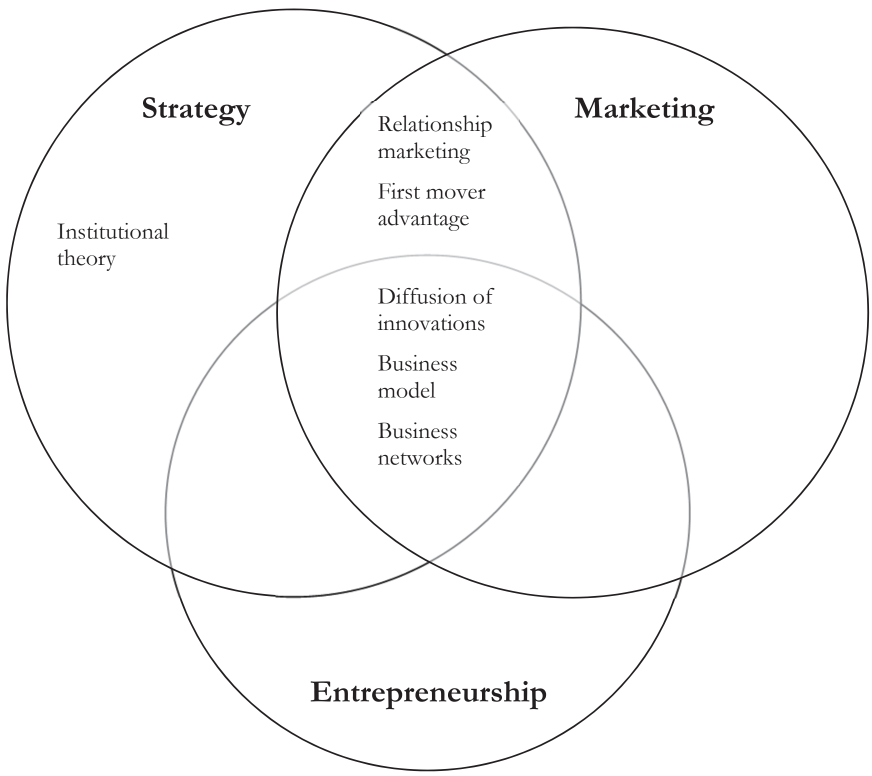

FIGURE 1 Scientific positioning of the study

This study is based on multiple disciplines within business science. The main theoretical backgrounds lie in business strategy, marketing and entrepreneurship. Versedaal & Brinkempper (2003) used also multiple models in their study to create an improved framework for success factors of buyer-owned electronic trading exchanges.

1.5.2 Research approach

Horsti (2007, 64) suggests that research on a particular industry for evaluating the appropriate e-business model should be performed. He also proposes the usage of different research methods (ibid.). Cousins & Robey (2005) conducted their study within the steel industry and mainly focused on the social shaping of the exchanges. They proposed that research should be conducted within other industries. (Cousins & Robey 2005, 226.) Also numerous studies are conducted utilizing one or a maximum of two theoretical paradigms; and as the pre-understanding of the researcher has been that the failure of the marketplaces was a complex phenomenon, a study utilizing multiple theories is needed.

These factors, among others, explain the choosing of the industry. As the topic is 'Why did Electronic B2B Marketplaces Fail' I am looking for deeper meanings of different factors and how they influenced the players in such a way, that they did not actively use electronic marketplaces. It has been taken as a fact in this study that potential customers did not use the marketplace sufficiently enough to make it as a profitable business. As many factors for the failure of the electronic marketplaces involve human behavior, it is natural to use qualitative research and especially the case study method. Also, with the case study method one can create understanding for multiple reasons for the failure of the case company (see. e.g. Yin, 2002).

Very often the justification for qualitative research comes from negation; why research cannot be done with quantitative methods. In this study, the amount of people involved is quite limited and they are spread around the world. Therefore, quantitative research is not really feasible, because no reliable statistical analysis could be conducted with only ten respondents.

1.5.3 Research process

In this study, an initial literature review was conducted and based on previous literature a synthesis model was created. That model was utilized in performing the empirical part, which was conducted as a single-case study with semi-structured theme interviews. These interviews were analyzed utilizing three methods, namely content analysis, discourse analysis and narrative analysis.

As the aim was to study the failure of the case company and through understanding that, to increase the theoretical understanding of failure factors, a single case study was chosen. Multiple analysis methods were chosen in order to be able to explain the many-sided aspects of the failure. Different analysis methods were considered to bring depth and different perspectives to the responses by the interviewees.

Based on the results of these analyses another theoretical review was conducted utilizing the theories that came up as the most important ones from the interview; and eventually, an improved model to explain the failure of the marketplaces is introduced. After this second theoretical analysis was performed, a second round of interviews was conducted. The purpose of these interviews was to fill in the gaps of the first interview round and to gain clarifications and a deeper understanding of the reasons for the failure of the case company. The second interviews were analyzed solely on their contents, since the intention was not to get new discourses or narratives. The final conclusions were made utilizing both rounds of interviews and the new theoretical analysis.

1.6 Structure of report

In chapter 2 key concepts are introduced. In chapter 3 a literature review to identify electronic marketplace success factors is been conducted. In chapter 4 failure factors for electronic marketplaces are discussed and in chapter 5 a synthesis model is introduced for empirical case study testing. In chapter 6 the research methodology is described and the first and second rounds of interviews are analyzed in chapter 7. In following chapter 8, the appropriate theories are revisited and reflected and an improved model is introduced. Concluding remarks are presented in chapter 9.

2 KEY CONCEPTS

In this chapter the key concepts for this study will be defined. The basic terms will be defined only briefly, as more emphasis will be placed on the specific terms relating to the research problem.

2.1 Basic concepts

Business-to-business (B2B)-marketing
Most authors agree that business-to-business marketing is derived from the business market. (e.g. Blythe & Zimmerman 2005, 4, Anderson & Narus 2004, 4) The business market consists of organizations that purchase goods or services for production of other goods or services that are sold, rented or supplied to others. (see. Blythe & Zimmerman 2005, 4, Anderson & Narus 2004, 4). Business-to-business marketing can be defined as marketing activities in a field of business where both parties are corporate entities.

Commodity trade
MOT Collins English Dictionary 2.0 defines commodity as follows:

> **commodity** (kəˈmɒdɪtɪ) *n*, *pl* **-ties**
> **1**. an article of commerce
> **2**. something of use, advantage, or profit
> **3**. *economics* an exchangeable unit of economic wealth, esp a primary product or raw material
> **4**. *obsolete* **a**. a quantity of goods **b**. convenience or expediency

The same dictionary defines trade as follows:

> **trade** (treɪd) *n*
> the act or an instance of buying and selling goods and services either on the domestic (wholesale and retail) markets or on the international (import, export, and entrepôt) markets. Related adjective: mercantile

Geman (2007) discusses in the preface of her book different definitions for the concept of commodity. The word has different meanings for different people, but in this study commodity trading can be defined as buying and selling of such goods that have universally defined specifications, based on which the actual transaction of these goods can be made. In addition, these goods are used mainly for production of other goods where usually the brand or manufacturer of the commodity is not displayed. For example, frozen concentrated orange juice (FCOJ) can be defined as a commodity since if, for example, a Finnish consumer buys a one-liter carton of "Valio" orange juice, the consumer does not know who has delivered the FCOJ for the production of this orange juice and does not make the purchase decision of this carton based on the manufacturer of the FCOJ, but on the manufacturer of the brand "Valio".

Business-to-Consumer (B2C) marketplaces
B2C marketplaces are such services, where businesses are acting as sellers and consumers are buyers.

Business-to-Business (B2B) marketplaces
B2B marketplaces are such electronic marketplaces where both buyers and sellers are organizations (Ganesh et al. 2004, 41). The business is been conducted through electronic channels, such as the Internet.

Network externalities
Network externalities refer to the phenomenon where a product's utility for a consumer depends on how many other users the product has: namely, the value of a product increases when the number of users increase (Tuppura 2007, 27). The terms network externalities and network effect, are often used interchangeably (e.g. Srinivasan et al., 2004), so in this study both terms are used with the same meaning.

2.2 Electronic marketplace/exchange models

There are multiple methods in classifying electronic marketplaces. Each classification takes a different approach and sometimes the same concept has a different name based on the author. Below there are listed a few classification methods. Some of them will be discussed further later on.

1. Functionality (Petersen, Ogden & Carter 2007).
2. Ownership (Johnson & Johnson 2005)
3. Horizontal / Vertical (Tumolo 2001)
4. Target and method of purchasing (Kaplan & Sawhney 2000)
5. Four-dimensional differentiation (Raisinghani & Hanebeck 2002)
    a. Level of information provided
    b. Breadth of services offered
    c. Type of market-making mechanism

   d. Enabling technology
6. Market functions, management needs and technological adaptation (Dai & Kauffman 2002)
   a. Market functions
      i. Aggregation
      ii. Matching
      iii. Facilitation
   b. Management needs
      i. Procurement expertise and knowledge
      ii. Business relationships
      iii. Business processes
   c. Technology adapters
      i. System integrators
      ii. Standards providers
      iii. Outsourcing vendors

Neutral Exchanges

Neutral exchanges are sometimes called independent marketplaces or independent exchanges (Ganesh et al. 2004.) or vertical exchanges (Raisinghani & Hanebeck 2000.) Being a vertical exchange does not make it neutral, but sometimes these terms are used interchangeable.

Ganesh et al. (2004, 42) give a very simplified definition. They classify B2B marketplaces into three main categories. A public/independent marketplace is such that brings together buyers and sellers within a particular industry for the purpose of commerce. They also refer to them as neutral marketplaces or third-party marketplaces.

Exchanges are vertical markets that enable spot sourcing of manufacturing inputs (Kaplan & Sawhney 2000, 98). Cullen & Webster (2007, 209) define an exchange or an aggregator as a marketplace where many buyers and sellers interact and where a distinction is not made between restricted or limited connectivity between partners. Johnson & Johnson (2005, 473) define an independent trading exchange to be operated and owned by an organization that does not trade in the exchange but collects fees from participant companies.

Consortia marketplaces

Like neutral exchanges, consortia marketplaces have multiple names that are used interchangeably. The common feature is ownership, i.e. usually the owners are major industrial players. Sometimes the marketplace ownership is among the sellers, sometimes among the buyers. Some marketplaces are owned by major players from both sides. Ganesh et al. (2004, 42) define consortia marketplaces by the ownership. According to them consortia marketplaces are jointly owned by several large enterprises, and they deploy applications and infrastructure to facilitate collaboration and conduct business among trading partners. Limited to B2B commerce, these exchanges have equity participation or sponsorship from major industry buyers and (frequently) technology partners as well. They act as intermediaries to facilitate B2B e-commerce in industries with high concentrations of buying power. Industry-sponsored exchanges offer the same range of services as other exchanges, including real-time pricing, complete product information, and value-added services and information (Raisinghani & Hanebeck 2000.). Over time, these exchanges will accommodate more highly engineered products and direct materials. Johnson & Johnson (2005, 473) call them affiliated exchanges. However, their definition equals with Raisinghani & Hanebeck's definition and they also use Covisint as an example.

Vertical exchanges

Raisinghani & Hanebeck (2000, 88) define vertical exchanges as trusted intermediaries that facilitate B2B e-commerce with vertical market and product-specific expertise. They offer real-time pricing and complete product information. Eventually, they are to offer a range of value-added services across an array of vertical markets e.g. MRO, spot purchases of commodities and raw materials, capital equipment, secondary markets, distressed inventory and perishables and some direct materials such as semi-finished and engineered products.

Tumolo (2001, 57) describes vertical exchanges as having focus on a specific industry, providing participants with specialized products, in-depth industry knowledge and greater opportunities for collaboration. Vertical exchanges can be neutral or consortium owned.

Horizontal exchanges

Horizontal exchanges provide many commodity products that can be used across most industries. Their primary benefits are a broad array of products and low prices. (Tumolo 2001, 56.) Horizontal exchanges can be either neutral or consortia marketplaces.

Meta-exchanges

Meta-exchanges combine aspects from both vertical and horizontal markets and support a full range of market-connecting mechanisms, including bid/ask exchanges, auctions and reverse auctions (Tumolo 2001, 57).

Functional exchanges

Functional exchanges are trusted intermediaries that facilitate mostly B2B e-commerce involving process, functional or channel-specific expertise. These exchanges market an array of primary services or solutions that automate or support specific business functions or processes (such as HR benefits or energy management). Functional exchanges offer real-time pricing, complete product information, and value-added services. Examples include Tradehub and Celarix.com. (Raisinghani & Hanebeck 2002, 88-89)

Net markets

Net markets will develop from the quilting of functional and vertical exchange capabilities and expertise, and the assembly of value-added services across the supply-chain (e.g. logistics, inventory, demand forecasting). This type of market will deliver more value-added services and will require high levels of buyer collaboration to conduct complex transactions. (Raisinghani & Hanebeck 2002, 89)

Private exchange
A private exchange is driven by a single seller or buyer and it typically involves a company automating its own supply chain. The customer base and participation is generally open to suppliers or customers of the company (Raisinghani & Hanebeck 2002, 89.) Ganesh et al. (2004) use almost the same definition, but limiting it in such a way that only a buyer can be an initiator for a private exchange.

Public exchange
A public exchange is an industry consortium or a third-party dot-com forming an entity (such as Covisint and e-Steel) to aggregate the buying behavior of a group of buyers and their suppliers, with an emphasis on the buy side (Raisinghani & Hanebeck 2002, 89).

Pricing & identification practices
Kaplan & Sawhney (2000, 98) categorize e-marketplaces based on what companies buy and how they buy it.

Manufacturing inputs are the raw materials and components that go directly into a product or a process. These are often purchased from vertical, industry-specific suppliers. Manufacturing inputs depend heavily on the industry and very often they require specialized logistics.

Operating inputs are not parts of finished products. They tend not to be industry-specific, but rather are general in nature. They are often purchased from horizontal suppliers.

Companies can either engage in systematic sourcing or in spot sourcing. Systematic sourcing involves negotiated contracts with qualified suppliers. Because the contracts tend to be long term, the buyers and sellers often develop close relationships (Kaplan & Sawhney 2000, 98). In spot sourcing, the buyer's goal is to fulfill an immediate need at the lowest possible cost. Commodity trading for things like oil, steel and energy exemplifies this approach. (Kaplan & Sawhney 2000, 98)

MRO hubs
MRO hubs are horizontal markets that enable systematic sourcing of operating inputs (Kaplan & Sawhney 2000, 98).

Yield managers
Yield managers are horizontal markets that enable spot sourcing of operating inputs (Kaplan & Sawhney 2000, 98).

Exchanges
Exchanges are vertical markets that enable spot sourcing of manufacturing inputs (Kaplan & Sawhney 2000, 98).

Catalog hubs
Catalog hubs are vertical markets that enable systematic sourcing of manufacturing inputs (Kaplan & Sawhney 2000, 98).

2.3 Marketplace definition in this study

In this study the terms B2B electronic marketplace and B2B exchange will be used interchangeably. The main focus will be on the exchange-type of marketplaces that were mainly designed for the spot sourcing of manufacturing inputs. (see. e.g. Kaplan & Sawhney 2000.) Also in this study the main focus will be put on vertical, rather than horizontal marketplaces. However, in the exchanges there could have been different functions, such as private marketplaces. Different authors have named, approximately, the same marketplace concepts differently thus slightly confusing the discussion.

In conclusion: the concept of B2B electronic marketplace / exchange in this study means a neutrally owned marketplace that can have multiple functions and is operating vertically within an industry, mainly trading manufacturing inputs, which can be considered commodities or commodity-like goods. The exchange is public in the sense that any, usually pre-qualified, buyer or seller can do trading within the exchange. One of the possible features can be private exchange functionality, where a selected supplier/buyer can do trading with its own customer base.

Examples of such marketplaces include: e-Steel, eFruit International, Chemdex etc.

If a major stake of the shares of the exchange are from one or multiple players within the industry, it cannot be considered as a neutral exchange or marketplace and should thus be called a consortia marketplace.

Examples of consortia marketplaces include: Covisint, for the automobile industry and Transoara for the food industry.

3 B2B ELECTRONIC MARKETPLACE SUCCESS FACTORS

In this chapter a review of appropriate management and electronic commerce literature will be made. First, potential factors that should have enabled the success of the exchanges will be presented and later on different potential failure factors will be discussed.

3.1 Success factors of electronic marketplaces in the light of prior studies

Horsti (2006, 26) defines success as being something that has a favorable outcome. He adds that success is always contextual and that there is no absolute success.

There are numerous factors that might have enabled the success of B2B exchanges. Some of them will be briefly discussed here.

3.1.1 General success factors

First, B2B exchanges were created to facilitate spot trading. In spot-purchases the buyer's search costs become important and the relationship between buyers and suppliers is limited. Dwyer, Schurr & Oh (1987, 15) posit that spot contracts are a common practice when both buyers' and sellers' motivational investment in a relationship is low. Each contract is formed without the specific intention to form another contract between the parties. Older theories supported the active sourcing for lowest prices by buyers and seller-directed, limited, relationships (e.g. Dwyer et al. 1987).

Tumolo (2001, 59-60) lists three critical success factors for exchanges; *mass, seamless integration and income*. Sufficient mass of buyers and suppliers increases liquidity, however it is difficult to determine what is sufficient mass for a single market.

Kaplan & Sawhney (2000, 102) write that there should be at first mover advantages, because of network effect and the logic of an exchange or an e-hub. They also list settings where an exchange should work best: (2000, 102)

-Products should be commodities or near-commodities and trading could be done without seeing the actual product.
-Trading volumes should be massive relative to transaction costs.
-Sophisticated buyers and sellers in order to deal with dynamic pricing.
-There should be spot trading for evening up different e.g. seasonal levels of supply and demand.
-Logistics can be outsourced.
-Volatility of demand and prices.

Razi et al. (2004) add strategic causes as potential success factors. One of them can be operating in niche markets where there are not so many competitors.

Promotional strategy can be a success factor or if promotion is not done properly, a potential cause for failure. If promotion is done properly, one must promote the domain name, the Web site and also the products and services traded in the service. (Razi et al. 2004, 240.) On the other hand, Razi et al. are talking about B2C, but the same principles can be applied in B2B. Wang, Zheng, Xu, Li and Meng (2008, 556) posit that since B2C and B2B use similar theoretical backgrounds both research streams can reinforce each other and thus can be used in the same study.

Eid et al. (2002) write about critical success factors in B2B international Internet marketing. Their focus is mainly on the marketplace participants' role, not that much on the marketplace operator's side. They found five categories of critical success factors: marketing strategy, web site design, global dimension, internal related factors and external related factors.

In marketing strategy related factors there are such items as top management support and commitment, setting strategic goals for Internet marketing, integration of the Internet with marketing strategy, collaboration with different partners and deciding of who are the potential audiences (Eid et al. 2002, 112-115). Razi et al. (2004, 240) add product and service differentiation as potential success factors. As differentiation can be considered a typical marketing effort it can be included in marketing strategy related factors.

Web site related factors include for example web site design and effective marketing of the site (Eid et al. 2002, 115-116). Raisinghani & Hanebeck (2002, 94) support this by stressing the richness of content as a key strategic success factor.

Global related factors include the understanding of foreign marketing environment, sufficient resources for working globally, multilingual web site, culture considerations and international delivery availability (Eid et al. 2002, 116-118).

The fourth category, internal related factors, consists of technological infrastructure, internal culture, role of the sales force and training programs for the staff (Eid et al. 2002, 118-119).

External related factors are trust, security, successful relationships, and affordable Internet access and customer acceptance (Eid et al. 2002, 119-120).

Ordanini (2006) studied the business models of B2B exchanges and according to him there are three main elements for a successful B2B business model:

1. Content, meaning that large firms are the main target customers
2. Governance, where established firms are stakeholders
3. Structure, in which dynamic matching mechanisms especially auctions, take place.

Fairchild, Ribbers & Noteboom (2004) studied the success factor model for electronic markets. They divided the success factors into two categories, namely context-related success factors and process related success factors.

Context related factors are:

1. Motives of stakeholders
2. Critical mass
3. Complexity of product description
4. Asset specificity
5. Frequency of purchase
6. Value of products
7. Market variability
8. Regulations

Process related factors are:

1. Learning costs
2. Functionality and support
3. Trust
4. Partnerships
5. Quality of information
6. Security of information
7. Neutrality
8. Geographic location
9. Entry barriers

Some of the above mentioned success factors, such as critical mass, can be considered self-evident. With other success factors, such as ownership, previous studies seem to have controversial opinions and results. There are some commonly accepted potential success factors, such as commodities as traded products and technical security of the marketplaces.

3.1.2 Transaction costs

One justification for B2B exchanges has been savings on transaction costs. Transaction cost economics has its roots in the 1930s when Coase wrote about the nature of the firm and identified a point where the costs of organizing an extra transaction within the firm becomes equal to the costs of carrying out the same transaction by means of an exchange in the open market or the costs of performing the same activity in another firm (Horsti 2007, 18). Williamson continued developing the theory by classifying transactions into two categories: hierarchies and markets. (McIvor & Humphreys 2004, 248; Horsti 2007, 18.) The focus of transaction cost theory is on the conditions under which transactions would be carried out internally, within a hierarchical organization or externally within the market. Firms tend to choose vertical integration, when transaction costs are high. For simple, non-repetitive transactions with e.g. commodities, firms tend to choose markets that are coordinated by the price mechanisms (McIvor & Humphreys 2004, 248). Malone et al. (1987) discuss about coordination costs, which include information collection costs and negotiation costs. Koch (2002, 71) states that organizations choose organizational forms in order to reduce transaction costs in terms of the cost of exchanging resources in the environment and the cost of managing exchanges inside the organization while reducing uncertainty.

Electronic marketplaces were created to reduce these transaction costs. Koch (2007, 71) adds that companies solicited other companies to join marketplaces in order improve information sharing and reduce coordination costs and thus achieve economic benefits. Transaction costs and savings in them have been mentioned by several researchers. (Koch, 2002; Lightfoot & Harris, 2003; Gosain & Palmer, 2004; McIvor & Humphreys 2004.)

3.2 Success factors from electronic commerce hypothesis

Most of the electronic commerce literature refers to either an article by Malone, Yates & Benjamin (1987) or Bakos (1991) when discussing about success factors of electronic marketplaces. This is especially true with studies that have been conducted prior to 2001. Both articles are quite optimistic in nature and see great potential for electronic marketplaces. From these studies other researchers have identified at least the following potential success factors for electronic marketplaces. The articles by Malone et al (1987) and Bakos (1991) are often referred to as being the basis of theories of electronic commerce (e.g. Dai & Kauffman 2002, Joo & Kim 2004, Ravichandran et al. 2007, Wang et al. 2008, White et al. 2007, Yu 2007).

3.2.1 Functionality of the exchange

An exchange should have proper functionalities in order to perform the activities that both buyers and sellers desire, in order to have value for its users. Raisinghani & Hanebeck (2002, 91) state that in order to succeed, B2Bs must focus on transaction capabilities in such industries that have a large number of sellers and buyers and in which mainly commodities are traded. They also claim that a marketplace operator must have industry/domain expertise, backend integration, follow-up service and a strong two-sided value proposition (2002, 92). Raisinghani & Hanebeck (2002, 94) emphasize the ability to execute transactions as a success factor. This can be seen both from the point of view of a critical mass and the technological capabilities of the marketplace. Ordanini (2006, 92) found that dynamic tools, i.e. auctions provide proper savings in transaction costs because a significant part of the transaction costs occur after the transaction has been completed.

A sufficient amount of buyers and sellers should increase the liquidity of the marketplace. However, the amount of buyers and sellers is not enough; they must do trading as well. Also the trading must be constant in order to have stability in transaction fees for the marketplace. Tumolo (2001, 59-60.) This is also supported by Fairchild et al. (2004, 75). They claim that the number of participants is not crucial, but the usage of the marketplace and volume and number of transactions count (Fairchild et al. 2004, 75). Dai & Kauffman (2002, 68) add that companies choose such electronic markets that provide both operating and production supplies. They add that such electronic markets "are destined" to be large and very important players of the Internet in the future (ibid.) Porter (2001, 70) views that in order for a marketplace to be profitable, both the buyer and seller sides need to be fragmented, which leads to weaker bargaining power of these parties.

However, Fairchild et al. (2004, 75) found that ”value added functionality” did not contribute significantly to building of a critical mass. They base their conclusion with case studies of four different B2B marketplaces (Fairchild et al. 2004, 77). Tao, Chen & Chang (2007) found out in their study that medium-sized companies in the Taiwanese steel industry were most satisfied with industry information features, however they did not measure the impact of such satisfaction to the adoption of a marketplace.

Han & Han (2001) divided customer value into two main components: content value and context value. With content value they refer to the benefits offered to the customer through the contents they purchase. Content can mean products, services or information offered at the site. Content value can be considered as the functionality of the service. According to Han & Han (2001, 29) content value can be enhanced more easily with information and services rather than with the actual product itself. Context value can be considered to be the other benefits not included in the generic offering that the service offers to its customers. It is offered in the transaction process and is appealing to the emotional responses of the customers. Content value appeals to logical reasoning. (Han & Han 2001, 29.)

In commodity markets the importance of context value increases, especially when there is no significant difference between the content values of different services (Han & Han 2001, 29). Eid et al. (2002, 120-121) support Han & Han and add that customer acceptance is vital and can be helped by prompt replies to customer requests as well as by functionality in general and ease of use.

3.2.2 Integration with different systems

The integration should be done with companies' financial systems as well as with financial institutions and also with inventory management and forecasting systems (Tumolo 2001, 59-60). Kathawala, Abdou & von Franck (2002, 466-467) discuss about "sticky solutions" that keep the customers using the exchange. By these sticky solutions they mean different value added services, including financing activities, insurance, escrow, logistics and market information. Lightfoot and Harris (2003, 81) support this by stating that logistics firms should be tied in with B2B exchanges in order to provide the ultimate solution.

Dai & Kauffman (2002, 48) discuss about integration of exchanges with other exchanges and other IT systems. They state that compatibility of different networks will boost adoption of an individual network (ibid). They also add that new technologies must be compatible with the current industry's core technology in order to succeed (Dai & Kauffman 2002, 47–48). Compatibility can be achieved with two mechanisms; standardization and adaptation. *Standardization* means that all technologies use basically the same specifications so that components of various implementations of adopted solutions are interchangeable. (Dai & Kauffman 2002, 48). *Adaption* occurs when adapting systems are attached to the components of an existing system (Dai & Kauffman 2002, 48). Ordanini (2006) found that large firms should be the primary customers due to their capabilities in utilizing different IT systems and the integration of exchanges into their internal IT infrastructure. He adds that from the point of view of a marketplace operator, the software platforms should have standardization features to guarantee efficiency gains, business process integration to address users' internal efficiency problems and negotiation tools that allow sellers and buyers to participate in the transaction before, during and after the actual transaction (Ordanini 2006, 93).

3.2.3 Products traded in the exchange

It can be assumed that there was not a single factor that resulted in the failure of B2B electronic marketplaces, but rather a combination of factors. (see e.g. Razi et al. 2004.) Vaara (2002) performed his study on the success/failure of mergers. He notes that success/failure can be studied from the perspective of management actions as most of previous research has done, or actions of other social actors such as personnel ones. In addition, success/failure can be studied from the point of view of external events and environment. All of these utilize different theoretical paradigms. The idea of this study is to identify these factors and theories and thus make a synthesis of them in order to better understand the causes of the failure of B2B electronic marketplaces.

One of the basic assumptions of this research has been that the products are commodities where there are commonly accepted, standardized product specifications (Malone et al. 1987, 486). In addition, the brand of the traded product is not transferred to the next level of the value chain. Malone et al. (1987, 487) add that when product descriptions are complex, hierarchical mechanisms are suited better for trading. Bakos (1991, 298) states that as products are identical across all sellers, buyers will typically choose the seller with the lowest total cost. Total cost includes the price paid to the seller, search costs, transportation costs and other costs involved in the transaction. As an example, a consumer buying a car does not know and perhaps does not want to know who has supplied the steel to the car manufacturer.

According to Kaplan & Sawhney (2000, 102), in order for an exchange to succeed, products should be commodities or near-commodities and trading could be done without seeing the actual product. Dai & Kauffman (2002, 55) add that when commodities are traded in large volumes the marketplace needs to have private negotiation mechanisms, since supplier reliability and qualification are major concerns for buyers. White, Daniel, Ward & Wilson (2007) added that in commoditized products the electronic marketplace can benefit from shared product catalogs and transparency of pricing. Parker (2006, 135) pointed out that if the traded product is of strategic importance, the relationship tends to be more important than the transaction form and with commodities the purchasing can be done from anywhere.

Dai & Kauffman (2006) posit that since direct goods are often strategically more important than indirect goods, buyers prefer utilizing existing, limited supplier networks and relationships with direct goods and marketplaces for indirect goods. Shook, Vlosky & Kallioranta (2004, 37) found that some successful exchanges in the forest industry focused on niche markets, selling off-grade or low-grade products. That was because sellers did not have an established clientele for such products and an electronic marketplace could help in attracting new customers.

3.3 Success factors from theories of innovation diffusion

White et al. (2007, 74) state that electronic marketplaces can be viewed as innovations and thus applicable theories can be utilized in the research of their diffuse. There has been a lot of research done on how innovations diffuse in a social system or in society. Researchers have found basically five different categories of adopters. The adoption takes place in an s-shaped curve where the first ones to adopt an innovation are called innovators. They form approximately 2,5 % of the population. The next group to adopt is called early adopters, who consist of about 13,5 % of the population. After early adopters come the early majority (abt. 34 %) and after them the late majority, which is equally are approximately 34 % of the population. The final 16 % of the population are called laggards. (Solomon, Marshall and Stuart 2008, 260-261.) Later, further discussion will be made about these adopter categories.

There has been a lot of discussion about first mover advantages. When first exchanges were established it was a common belief that the winner takes all and whoever manages to enter the market first will be the winner. (e.g. Razi et al. 2004)

3.3.1 Diffusion of innovations

Rogers (2003, 12) defines diffusion "as the process in which an innovation is communicated through certain channels over time among the members of a social system." So according to Rogers, diffusion is a process that consists of four elements: innovation, communication, time and social system.

The key element of these is naturally the innovation that is been diffused. Innovation can be a new idea, a way of doing things or a product. It does not matter too much whether the innovation is absolutely a new one. The newness of the innovation is decided objectively by each individual user. Even though the product may have been on the market for a while, if the user tries it for the first time, then from his/her point of view it is an innovation (Rogers, 2003).

The second aspect in the diffusion process that Rogers (2003, 18) mentions is the communication channels. According to Rogers, communication is the creation and sharing of information aiming for mutual understanding about an issue that is at hand. It is essential in the diffusion process of communication that one individual communicates to either one or several new people about a new innovation. Communication channels are the means through which information is been communicated. The communication channels can be divided into mass media and interpersonal channels.

The third element in the diffusion process is time. In the diffusion of innovations time is especially linked to the innovation-decision process. Innovations are not spread around in a moment, but require a substantial amount of time to be adopted. Therefore, time is a key element in the diffusion process (Rogers, 2003).

According to Rogers (2003, 23), the fourth element in the diffusion process is the social system. A social system consists of interrelated units that try to solve a common goal. These units can be individuals, informal groups, organizations and/or subsystems. Diffusion occurs within a social system and affects the social system in multiple ways.

As mentioned above, the diffusion of innovations takes time. According to Rogers (2003, 168-169) individuals and organizations adopt a new product in the innovation-decision process. In this process an individual goes through the following stages:

1. Knowledge: An individual learns about a new innovation and understands how it functions.
2. Persuasion: The individual forms a favorable or unfavorable attitude towards the innovation.

3. Decision: The individual engages in activities that lead either to the adoption or rejection of the innovation.
4. Implementation: The individual puts the new innovation or idea into use.
5. Confirmation: The individual seeks reinforcement for the decision that he/she has already made. The individual might reverse his/her decision if conflicting messages about the innovation occur.

Important factors in diffusion of innovations are naturally the perceived attributes of the innovation in relation to competing products. According to Rogers (2003, 222-223) the rate of adaption is determined by five attributes. They are: relative advantage, compatibility, complexity, trialability and observability

Relative advantage means how the innovation is perceived better than the product that it is substituting. Very often the relative advantage is expressed as economic profitability (e.g. cost savings), but the advantage can be also something else, like social prestige. The quality of the innovation determines which of the perceived advantages the potential adopters are seeking for. (Rogers 2003, 229) Hwang & Oh (2009, 11) support Rogers by stating that the quality of the service is crucial for a fast adoption of the appropriate service.

Compatibility is determined in relation to existing values, past experiences or the possible needs of the potential adopters. In his study among Canadian firms, Hadaya (2006, 180) noted that a company's past experience in e-commerce positively affected the future use of such electronic marketplaces. This is especially true among SMEs, not so much with large corporations (Hadaya 2006, 182). The more the product suits the current situation and environment, the less it is surrounded by uncertainty and it is more likely to be adopted in the social system. If the innovation is not compatible with current values and beliefs, it is likely that potential users will not adopt the product. (Rogers 2003, 240-241) Claycomb, Iyer and Germain (2005) studied B2B e-commerce usage in industrial firms and their results showed that the greater the compatibility of B2B e-commerce with companies' current systems, the greater the overall use of B2B e-commerce.

The complexity of the innovation is an attribute that affects the adoption of the innovation. Complexity can be explained by how easy or difficult it is for potential users to understand the functionality of the innovation and in which situations it can be used. As a generalization it can be said that the complexity of an innovation is negatively related to its rate of adaption. Complexity can be considered as a subjective perception by members of a social system. (Rogers 2003, 257) Hadaya (2006) supports this in his study when complexity significantly influenced negatively the future use of electronic marketplaces among Canadian firms. According to Hadaya (2006, 180), this same phenomenon is supported my numerous previous studies. However, the complexity influences more negatively SMEs than large firms. This is because large corporations have more resources in technical support than SMEs (Hadaya 2006, 182).

Trialability means how easily an innovation can be experimented on a limited basis. If it is possible to try how the innovation functions prior to actual usage, the faster the rate of adoption usually is. It is common that early adopters perceive trialability as being more important than later adopters. (Rogers 2003, 258) White et al. (2007, 91) found in their case studies that trialability benefitted the marketplaces in their efforts to have new customers adopt the appropriate systems.

Observability is the fifth attribute that affects the diffusion of innovations. If potential adopters have the opportunity to observe how the innovation works without actually using it, it increases the rate of the adoption. However, some ideas are more easily observed and described to other potential users. A potential adopter can observe how the innovation functions without having the risk of actually testing it. Later on, he/she can transfer to testing and adopting the innovation, especially if testing can be done on a small-scale. (Rogers 2003, 258)

3.3.2 Adopter categories

According to Rogers (2003, 282) there are five adopter categories. Each of the categories adopts innovations differently and in order to get an innovation adopted one must take into consideration the differences of these adopter categories.

Innovators
The first ones are innovators whose interest in new ideas leads them to global social networks instead of staying in local peer networks. Very often they understand complex technical systems and they also can cope with the uncertainty of an innovation. Having economic stability helps innovators absorb losses that unprofitable innovations create. Innovators are not always highly respected members of a social system, but they play an important role as a gatekeeper in the flow of new ideas into a system. As they communicate actively with the outside world they also import new ideas and innovations to the social system. (Rogers 2003, 282-283)

Early adopters
Early adopters are often opinion leaders within a social system. Their opinions are asked by later adopters and therefore they play an extremely important role in the whole adoption process. They are not as far ahead as innovators are and thus play an important role as role models for others. Early adopters are crucial in achieving the critical mass for an innovation, since their “stamp of approval” is conveyed to other potential adopters. (Rogers 2003, 283)

Early majority
They adopt a new idea only just before the average member of a system. They are seldom opinion leaders, but are in constant interaction with their peers. The

early majority forms an important link in the diffusion process, since they are in the middle of the very early adopters and late adopters. It usually takes quite some time for the early majority to adopt a new idea. The early majority is approximately one-third of the whole social system. (Rogers 2003, 283-284)

Late majority

The late majority is also a large part of the social system. It makes up about one-third of the population just like the early majority. Their adoption of new ideas takes place just after the average member of a system. They are often considered skeptical and need to be motivated for the adoption by their peers. The late majority wants most of the uncertainty of an innovation to be taken away before they are willing to adopt it. (Rogers 2003, 284)

Laggards

Laggards are the last ones in a social system to adopt an innovation. They usually are not opinion leaders and are often almost isolates in the social networks. Laggards very often look at the history and are suspicious about new innovations and their agents. For laggards the innovation-decision process generally takes a long time and they try to resist new ideas, which lengthens the adoption process even more. Laggards are also often called late adopters. (Rogers 2003, 284-285)

3.3.3 Critical mass

When one considers the failure factors of global B2B exchanges the concept of critical mass has been raised quite often. Researchers have been writing that B2B marketplaces did not achieve critical mass. (e.g. Day, Fein & Ruppersberger 2002) According to Rogers (2003, 343) "critical mass occurs at the point at which enough individuals in a system have adopted an innovation so that the innovation's further rate of adoption becomes self-sustaining". Based on Rogers (2003, 344) the critical mass has been reached when approximately 20% of potential users have adopted an innovation. However, Rogers (2003, 353-354) adds that a smaller number of highly influential individuals might form a stronger critical mass than an equally sized group that has no such influence. Hadaya (2006) concluded in his study, that consultants and other experts influence significantly the adoption of electronic marketplaces. He states that they act as opinion leaders and change agents and thus speeding the adoption of electronic marketplaces. One can come to the conclusion that a smaller group of influential individuals can already create a critical mass.

Rogers also discusses about individual thresholds, meaning the number of other individuals who must be engaged in an activity before the given individual will join the activity. A threshold is reached when a sufficient amount of individuals in one's communication network have adopted and are satisfied with the innovation. But what is considered a sufficient amount is a subjective figure. (Rogers 2003, 355-356)

Prior to achieving critical mass, an interactive solution (like B2B exchanges) has little advantage or even considerable disadvantage for those early adopters. (Rogers 2003, 352) This can be partly because of certain costs and extra efforts that have occurred for the early adopters (Rogers 2003, 357).

B2B exchanges are by their nature interactive communication technologies. In an exchange there needs to be buyers as well as sellers and the transactions are done through communication between the parties. In B2B exchanges new adopters add the value of all participants of the exchange. As Rogers (2003, 344) calls it, there exists "reciprocal interdependence".

Compatibility standards have been seen to affect the rate of adoption of telecommunications innovations. (Rogers 2003, 351) Even though B2B exchanges were using common Internet protocols, the integration to companies' internal systems requires common standards. As there were numerous B2B exchanges in each business area, none of them were able to create common standards and thus the rate of adoption of this new innovation became slower.

3.3.4 Diffusion of innovations in organizations

In organizations the diffusion process is slightly more complicated than it is with individuals. Organizations must initially adopt an innovation but after the adoption comes the implementation phase, which can be quite complicated. (Rogers 2003, 402.) It has been said that large firms are often slower to adopt innovations, but Hadaya (2006) showed in his study that due to more extensive technological support and use of consultants, large firms can adopt electronic marketplaces faster than SMEs.

3.3.5 First mover advantage

There has been discussion about first mover advantages and how pioneers can claim the territory and dominate the new business area. (e.g. Razi et al. 2004). Rovenpor (2004, 60) claims that most successful Internet companies, like Yahoo, Amazon.com and eBay, have benefited from being the first in their respective market areas. However, Srinivasan, Lilien & Rangaswamy (2004) came to a quite contradictory result on this issue. In their study it was shown that when network externalities exist, the chances for a pioneer to survive decrease. The success of eBay is strongly dependent on the size of the network (number of potential buyers and sellers) so it can be said that it is unclear if pioneering has any effect on potential survival. Schilling (2002) agrees with Srinivasan et al. by stating that being too early in the markets can lower a technology's likelihood of success. Min, Kalwani & Robinson (2006, 30) agree and state that pioneers are often the first to fail in really new product-markets. Market pioneers must overcome a great resistance when trying to attain initial customers. They add that if the market is incrementally new, market pioneers have lower survival risks than early followers, because they can have temporary monopoly and thus utilize first mover advantages. This can be noted especially in cases where the innovation is an extension of existing technology and does not require substantial consumer learning. This issue has been controversial in management literature and there are numerous studies where first mover advantage has existed (see Schilling 2002, 390-391.)

Tuppura (2007) studied in her dissertation the concepts of market entry order and the competitive advantage of a firm. Her study handles high-tech companies in general, but apparently some of her findings can be applied in the context of B2B exchanges. Hwang & Oh (2009, 6-8) discuss also about first mover advantages and especially in the field of B2C Internet services. They state that there is a first mover advantage especially when network externalities are relatively high or high. When network externalities are small or moderate, the first mover advantage seizes to exist. Hwang & Oh (2009, 10) add that in an immature market, the quality of the service affects the market share of the first mover. In order to attain first mover advantage, the pioneer must have sufficient content and features that enable strong network externalities and thus obtaining a dominant market position compared to potential competitors. They add that cumulative content brings stronger network externalities and thus prevents competitors from gaining a large market share. Day et al (2003, 147) conclude their study by saying that "the eventual winners will be those that prevail in the competitive battle by exploring their first-mover advantages and adapting to a slower-growth market that puts a premium on operational excellence instead of entrepreneurial drive".

Tuppura (2007, 43) summarizes market entry order advantages as follows:

TABLE 1 Market entry order advantages (Tuppura, 2007, 43)

First mover advantage	**First mover disadvantages**	**Follower advantages**
• absolute cost advantage • product differentiation advantage • possibility to preempt resources • economies of scale • learning or experience curve • switching costs • network externalities • consumer cognitive processes	• the higher cost of innovation compared to imitation • uncertainty related to new markets • cost of creating the market for the industry • incumbent inertia	• can choose to enter viable markets where the market and technology uncertainty have already ceased • may gain from gateways for entry because of technology discontinuities • can avoid and learn from the mistakes the earlier entrants have made • can free-ride on earlier entrants' investments

According to Hwang & Oh (2009, 10), followers can gain advantages over the pioneer if they can properly differentiate their services and thus attract such customers that have different tastes than those that have already started using the pioneer's service. They add that superior quality of the service can create follower advantages and thus support Tuppura. If the network externalities are low, only a slight improvement in the quality can lead to follower advantage (Hwang & Oh 2009, 10).

3.4 Factors from network theories

Network effect and network externalities are issues that are often mentioned as potential success factors for electronic B2B marketplaces. The terms network effect and network externalities are often used interchangeably (e.g. Srinivasan et al., 2004).

Network effect

The exchanges also face the chicken and the egg – syndrome: in order to have enough buyers, the exchange must have a sufficient amount of suppliers (sellers) and in order to have enough sellers, one must have a stable buyer base (See also Kaplan & Sawhney 2000, 102). Yoo, Choudhary & Mukhopadhyay (2002, 44), discuss about network effect, stating that the network in a marketplace is different in that the value of a marketplace to a buyer depends on the number of suppliers and vice versa. Han & Han (2001, 37) have the same idea, as they discuss about the usefulness of the content by referring to an increasing number of customers that enhances customer value for all participants. Yoo et al. (2002, 44-45) also discuss about the benefits of a large number of participants; namely the increase in choices and for buyers the possibility of lower prices and better transaction conditions. For suppliers (sellers) a large base of buyers increases the possibility to get their product sold (Yoo et al. 2002, 45). So in conclusion, the value of the marketplace for each player is dependent on the participation of the other party. Buyers obtain lower operating and search costs and suppliers can gain broader customer base for their products and thus have the opportunity to increase sales (Dai & Kauffman 2002, 47). When the value increases, it is called a positive network effect (Yoo et al. 2002, 45). Fairchild et al. (2004, 67) discuss about network externalities with the meaning that the utility for a user from consumption of a product or service increases with the number of users of the same product/service. Rogers' definition of network externalities, as a quality of certain goods and services such that they become more valuable to a user as the number of users increases (Rogers 2003, 350), can be considered equal to Fairchild et al.'s definition. Dai & Kauffman (2002, 47) define network externalities as the installed base effect of buyer and supplier participants, which together enable the market to achieve proper presence and size for market liquidity and transactability.

Lack of network externalities slows the rate of adoption of interactive innovations (Rogers 2003, 350) but in B2B exchanges the network externalities exist. So therefore it can be assumed that the B2B exchanges should be adopted with adequate pace.

Network effect can be increased by the actions of participants, e.g. in an electronic marketplace. According to Hadaya (2006, 182), large firms with their bargaining power can encourage their key suppliers to participate and use an electronic marketplace. SMEs do not have this power, so their influence is not as strong as that of the large corporations.

On the other hand, Yoo et al. (2002, 51) give the example of the construction industry where the use of Internet technologies is widely spread and the entry barriers are low. Then the number of suppliers is beneficial for other suppliers since more suppliers attract more buyers and thus the network effect is positive (see also Dai & Kauffman 2002, 47).

The conflicting effects of network externalities will be discussed further in paragraph 4.2.

3.5 Factors from institutional theory

Institutional theory can be mainly be considered as a potential failure factor for B2B exchanges, but some of its aspects can also be considered as causes for potential success.

Ownership of the exchange

Kaplan & Sawhney (2000, 103) also state that neutral e-hubs are most likely to succeed in markets that are fragmented on both the buyer's and seller's sides. This claim is supported also by Kathawala et al. (2002, 456). Kathawala et al. (2002, 466) also mention ownership and operation structure as factors in achieving critical mass of transactions. Gudmundsson & Walczuk (1999, 104) claim that the marketplace should be initiated by an independent market maker and success can be reached when large buyers attract large sellers into the system. Dai & Kauffman (2002, 44) see independent market makers in a crucial role as they try to increase the perceived value for users of the exchange by adding different functions and services. Stockdale and Standing (2002, 227) add that a buyer might choose an independent trading hub in preference to a consortia-owned marketplace because it might fear that crucial information can fall into the wrong hands. On the other hand, they claim that some customers might avoid such neutral marketplaces because of a possible lack of expertise and financial back up. Fairchild et al. (2004, 76), found that neutrality as an absence of shared ownership clearly contributed to the failure of electronic markets investigated in their study.

Ordanini (2006) claims that in order for a B2B exchange to be successful it should be owned by established companies within the field of business the exchange is operating. He adds, that financial shareholders i.e. venture capitalists may only play a significant role in the early stages of an exchange's development (Ordanini 2006, 93). Koch (2002) supports Ordanini by claiming that unless powerful members of the industry form the marketplace, they will not join in and trade in it. Also Hadaya (2006) supports the participation of large firms in a consortium. He claims that large firms are less threatened to cooperate with their competitors by using the same electronic platform and utilizing their common pool of customers or suppliers. (Hadaya 2006, 182). Gallaugher (2002) discusses in his study about alternative trading systems in fixed income e-commerce, where commodities are included. He notes the importance of major player participation, also in the ownership.

Like some other factors, the concept of ownership is controversial in previous studies. Some authors defend the neutrality of independent marketplaces, while others claim that the only viable alternative is shared ownership in forms of a consortium.

Other factors under the institutional theory are the norms of the industry. Scott (2008) suggests that a company must conform with the norms and rules of an industry and Claycomb et al. (2005) found in their study that the greater the cooperative norms with their customers, the greater the B2B e-commerce usage. (see also Lai, Wang, Hsieh and Chen 2007.)

3.6 Factors from relationship theories

Relationships between companies can affect the success of an exchange. White et al (2007, 96) noted that in mature buyer-supplier relationships, electronic marketplaces can deliver common advantages to improve process efficiency and lower the total costs by sharing some of them. Like institutional theory, relationship theories can also be considered as a potential failure factor. Relationship theories are discussed further in paragraph 4.4. One concept that can be considered as a potential success factor is trust and security. Even though these concepts can also be understood as technical features, their theoretical background can be considered to be under the umbrella of relationship theories. This concept also has conflicting results with previous studies, so it will be handled both as a potential success factor and as a potential failure factor.

Trust and security

Lancastre & Lages (2006) write that trust originates from psychology and sociology. They define trust by the predictability of the behavior of the other party and the certainty of the other party not to behave opportunistically and to aim for joint benefits. They also suggest that one viable function for exchanges could be producing trust in order to enable the participants of a marketplace to reach potential benefits. Doney, Barry & Abratt (2007, 1099) define trust in buyer/supplier relations as "the perceived credibility and benevolence of a target of trust". Social behaviors that build trust include nurturing interpersonal relationships, information sharing between trading partners and being concerned and understanding about the buyers' needs (ibid). Eid et al. (2002, 119-120) state that trust can be divided into three stages: trust in the Internet and specific web sites, trust in the displayed information and trust in fulfillment of the delivery.

Fairchild et al. (2004, 76) found that a "high quality of product- and trading partner information" increased the trust level of the marketplace and thus success of the marketplace as well. Doney et al. (2007, 1109) conclude that trust plays an important part in developing loyalty, commitment and expanded business opportunities. Buyers do not necessarily develop loyalty only based on superior offerings (ibid). Trust is also an important mediator for the influence that social interaction has on loyalty (Doney et al. 2007, 1109-1110). Eid et al. (2002, 120) discuss about security issues that are transaction security and Internet security in general. They take a more technical perspective discussing about different technological solutions that increase the security of an Internet site. Fairchild et al. (2004, 76) discussed also about the technological solutions and privacy statements of electronic marketplaces. They concluded that proper security measures contributed to the success of an electronic marketplace. (ibid)

Canavari, Fritz, Hofstede, Matopoulos and Vlachopoulou (2010) discuss about trust in agri-food chains. They posit that trust is a three-level concept, where the objective is trust on the buying side. As objects of trust there are three elements, namely product, seller and market environment. Each of them is divided into different dimensions of the objects of trust.

Dimensions for the product are reputation, specification, product inspection, product certification and price/performance ratio. The seller has four dimensions, namely capability, relationship, reliability and reputation. In the market environment there are three different dimensions, those of private control institutions, informal institutions and public legal institutions.

According to Canavari et al. (2010) some of the dimensions are more crucial and also some have not been taken sufficiently into account, e.g. product inspection or product specification, in electronic marketplaces in the agri-food industry.

In order to be able to define the type of trust required in a marketplace, one must first define what the functionality of the marketplace is. If one is talking of markets as an economic model with classical contracting, then the main reliance is on the marketplace and its legal frameworks (Bryant & Colledge 2002, 36). For example, a spot-purchase can be classified in this category. Then the trust is mainly based on the ability of the buyer to pay for the purchase and the seller to deliver the goods (see Bryant & Colledge 2002, 37). However, very often the aim is for hierarchies where more interdependence comes into place and legal agreements tend to be less important than commercial relationships (see. Bryant & Colledge 2002, 36).

4 B2B ELECTRONIC MARKETPLACE FAILURE FACTORS

Even though there were numerous factors that should have enabled the electronic marketplaces to succeed, there were also many issues that hindered the success and possibly caused the failure of B2B electronic marketplaces. When the B2B marketplaces were booming, some scientists already wrote that there were high risks involved in them and that they might not succeed at all. (e.g. Razi et al. 2004, 229)

4.1 Internal and external failure factors

Razi et al. (2004) studied the failure and causes of failure of DotComs. Their main focus was on B2C services, but many issues can be applied to B2B marketplaces as well. According to Razi et al. (2004, 229-238), there were two main categories of causes, namely controllable and uncontrollable, for the failure of DotComs.

In controllable causes there are strategic causes and operational causes. The strategic causes include lack of business experience, poor business model, free spending pattern, lack of competitive edge and having coders as planners. In operational causes there were insufficient financial resources, managerial incompetence and misuse of funds, poor customer support, inefficient promotion and slow delivery. Technical causes were related to insufficient technological infrastructure and Web design. Most of these controllable issues are similar to Rovenpor's (2004) internal factors. (See figure 2). On the other hand, Razi et al. (2004, 236) refer to over-expectations as uncontrollable factors. Part of the over-expectations can be considered internal factors, since many business executives had extremely high hopes for the success of their company. On the other hand, some of the over-expectations came from potential customers and thus were external factors.

The uncontrollable causes were behavioral and technical. In behavioral causes there were over-expectations of potential success, weak reliability, weak customer loyalty and mushroom growth. The technical causes were about Internet security and missed transactions. (Razi et al. 2004, 228-237). Rovenpor (2004) refers to most of these uncontrollable causes as external factors for success or failure. (See figure 1)

Brady (2000) suggests three important issues that led to the failure of B2B exchanges. (see also Lightfoot & Harris, 2003, 82)

1. Price not being of primary consideration for big businesses, meaning that they prefer long-term reliable relationships rather than trying to save marginal sums.
2. Internet security precautions, where companies fear missed transactions and crucial information being leaked to competitors.
3. Anti-trust concerns, which were however mainly towards industry-initiated consortiums. There were fears that these mega-exchanges would harm competition and some antitrust investigations were conducted.

Dai & Kauffman (2002, 55) agree with Brady (2000) and Lightfoot & Harris (2003) on the issue of price by stating that supplier reliability and qualification are a bigger concern than achieving the lowest price. Gosain & Palmer (2004, 319) suggest that the business model of the exchanges was unnatural and thus led to their failure. Shook, Vlosky and Kallioranta (2004) found in their study also that the business model did not match the needs of customers.

Ganesh et al. (2004) simplistically state that B2B electronic marketplaces failed across the world due to the lack of supplier and buyer participation. They give multiple reasons for the failure, which will be stated below. Most of them are in line with other researchers' views, but they also add some issues to the discussion.

1. Supplier enablement and participation, which handle initial investment requirements and also inadequate value proposition.
2. Path dependency, asset specificity and partnerships and relationships, which all refer to previous relationships between buyers and sellers as well as investments made for them.
3. Privacy issues, where companies are afraid of their crucial information being leaked to their competitors.
4. Technology adoption that refers to adopting new ways of conducting business, new processes and investments to enable them.
5. Price competition and commoditization, which takes place when all information is equal and companies compete solely on price. That is beneficial only to buyers, not sellers.

Privacy and security issues in trade exchanges have caused concerns with suppliers (Johnson & Johnson 2005, 488). They also mention that suppliers have concerns about the long-term business viability of the exchanges (Johnson & Johnson 2005, 488). Razi et al. (2004) support this in B2C where the fear of hackers hindered the potential growth of Internet shopping. They also add that many transactions were missed due to potential connection drops, busy signals or other technical glitches. (Razi et al. 2004, 237-238).

Although most of the B2B exchanges were based on web technology and thus did not require any initial technology investments in order to start trading, researchers claim that there were switching costs involved (Yoo et al. 2002). Johnson & Johnson (2005, 488) add that suppliers have concerns about exchanges, because of constantly changing software and hardware requirements and other unknown costs. On the other hand, when there is insecurity about the prevailing new technology, the adoption of such technologies might be slow (Dai & Kauffman 2002, 47-48). The adoption can be slow also even when the expected benefits are high, but the utilization of old existing technology is low (Dai & Kauffman 2002, 48).

Rovenpor (2004) uses basically two factor groups to predict a company's failure or success. They are internal and external factors.

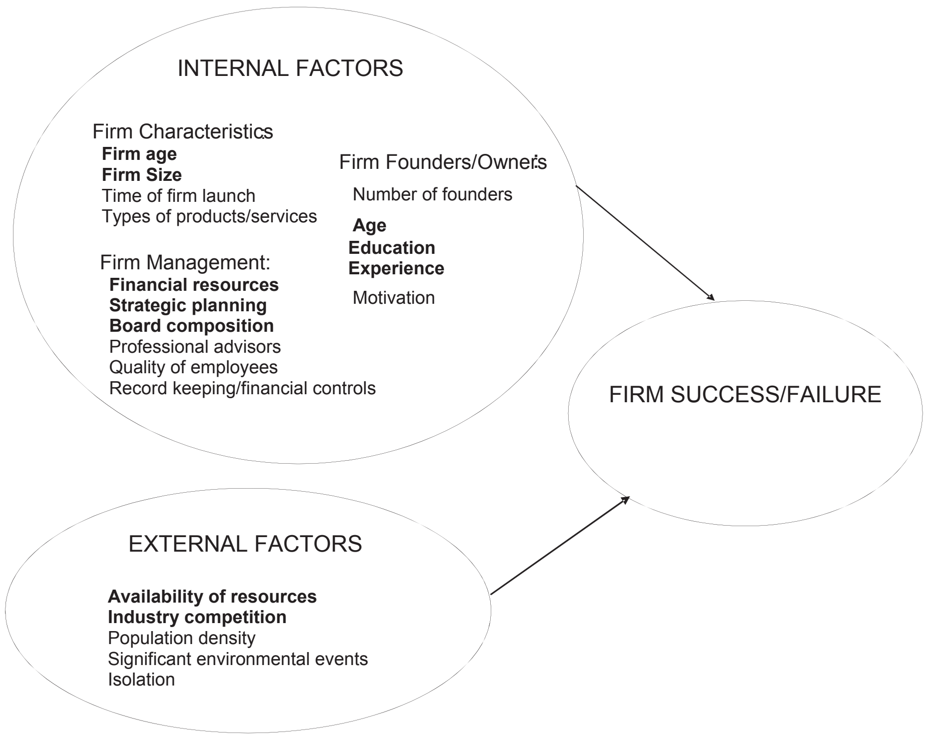

FIGURE 2 Factors Contributing to Firm Success/Failure (Rovenpor 2004, 58).

Internal factors

Recently established firms often face the threat of "liability of newness". This can be partly because of less experience, limited resources and sporadic support from external constituencies. New firms might also have challenges in recruiting professional and high quality staff and managers. (Rovenpor 2004, 55; see also Partanen 2009.)

Small size has also been seen as a potential risk for failure. Larger companies are often more capitalized and therefore have a better chance of survival. Honjo (2000, 567) notes that small businesses do not have the sufficient capital resources for creating economics of scale and thus suffer often from higher production costs (Honjo 2000; Rovenpor 2004). Successful Internet companies, like Amazon.com, eBay and Yahoo had already been in operation for some years when general downsizing began in 1999 (Rovenpor 2004, 60).

Time of firm launch seems to have an effect on potential survival or failure. Firms that have been set up just prior to or during a bubble have a stronger risk of failure (Honjo 2000). On the other hand, Rovenpor (2004) found that firms founded during a recession have a stronger risk of failure than businesses that were started when the economy has been growing, which is slightly contradictory with Honjo's results.

One internal failure factor can be the types of products that a company offers to the market or the width of product portfolio that the firm has. Rovenpor (2004, 57) states that if the products/services that a company offers, are either too new or too old, the risk of failure is increased. If the products/services are in the growth stage the possibility for survival is higher (Rovenpor 2004, 57). Razi et al. (2004, 230-231) discuss about the business model and lack of competitive edge as potential failure factors. According to them many DotComs had similar product offerings and thus could not differentiate themselves from their competitors. Srinivasan, Lilien & Rangaswamy (2008) found that if a company has a wide patent portfolio, the risk of failure increases, since the focus on each individual patent can decrease. On the other hand, the researchers found that the number of trademarks can increase the survival rate of high tech firms (Srinivasan et al. 2008.)

It has been argued multiple times that a firm's management plays a substantial role in the potential success or failure of a firm. Rovenpor (2004, 57) states that business failure increases when management does not have proper industry and management experience. Razi et al. (2004, 228-237) note that DotCom executives lacked business experience and did not have sufficient knowledge of marketing, financing and logistics and thus support Rovenpor. These traits are crucial for the success of a company. Razi et al. (2004, 232) add that many DotComs had coders as planners and they did not have the sufficient experience and knowledge for running a successful business operation.

Management age and education have been also seen as potential causes for business failure. However, Rovenpor (2004, 73) found out that in her study the failed e-commerce companies had well-educated and middle-aged CEOs. Also a business having sufficient financial resources is often considered a management issue. It can be said that it is self-evident that the amount of capital affects the possible survival or failure of a firm. Rovenpor (2004, 57) notes that firms without sufficient start-up capital and inadequate financial control systems have a greater risk of failure. Honjo (2000, 567) poses the assumption that business failure is a function of the financial strength and profitability of start-up businesses.

Management is also often responsible for creation or maintenance of a proper business plan. A lack of such a business plan has been seen as increasing the risk for potential failure (Rovenpor 2004.) This is also supported by Razi et al. (2004, 230) when they talk about poor business models. However, in her study, Rovenpor found that many failed e-commerce companies had proper business plans. Also, in order to have received venture capital funding, the start-ups needed a proper business plan. Very often the values of the companies were mainly determined by the quality of the business plan.

A successful company needs a good board of directors. It has been said that a good board consists mainly of people from outside the company. Also the size of the board plays a role in the success of a firm. In her study, Rovenpor (2004) found that failing e-commerce firms had small boards with not enough outside members on them. When the board is small and does not monitor the management properly or help it with the board members' experience, the management might be overburdened with activities that could be handled by the board (Rovenpor 2004, 73.)

The qualities of the entrepreneur also have a bearing on the potential success of a company. It has been said that there needs to be more than one person starting up a company and they need to have college education, sufficient experience and age (Rovenpor 2004.) She notes that founders of failed DotComs were young with the average age being only 34 years. This can be compared to old economy firms where the average age was 46 years (Rovenpor 2004, 61.)

One factor that Rovenpor (2004) does not discuss, but which studies from e.g. Razi et al. (2004, 231) point out, is the free spending of funds. There are multiple examples of DotComs, both B2C and B2B, where the management spent huge amounts of money, either due to lack of experience or even deliberate misuse of company funds. It is self-evident that if a company spends more money than it can afford, it will eventually fail and go bankrupt or be bought by another company for major restructuring.

External factors

There are many external of uncontrollable factors that can affect a company's potential success or failure. According to Rovenpor (2004, 57), external factors include the availability of resources, industry competition, population density and significant environmental events. Institutional theory can add the concept of general acceptance to external factors. Sometimes new ways of doing things conflict with the set of rules unofficially set by the industry players. (see e.g. Scott 2008)

The amount of venture capital funding decreased substantially in the early 2000s. According to Rovenpor (2004, 62) the venture capital companies raised

$41.9 billion dollars less in 2001 when compared to 2000. This naturally affected the available amount of venture capital funding for firms like B2B exchanges.

Industry competition was hard in some areas of B2B exchanges. Intense competition can lead to an industry shakeout where often those companies that have been the newest comers, fail, since the established players try to maintain their business through fierce competition and the use of sometimes more extreme means of competition (Rovenpor 2004, 62). Razi et al. (2004, 237) call this "mushroom growth", where the market is flooded with similar services and thus intense competition. This has led to failure of some of the weakest competitors. Competing standards pose the suppliers a special challenge since it is difficult to choose in which marketplace to participate (Gulledge 2002, 56.) On the other hand, there were business fields, such as the global juice business, in which there were only 2-3 companies trying to capture that market. (G. Hunt personal correspondence 6.4.2009). Shook et al. (2004) add that in the forest industry there was a "gold rush" mentality and all the companies were almost forced to choose a marketplace, which resulted in customer backlash.

The concepts of population density and entry rate refer to how many competitors enter into a market within a geographical area or business field (Honjo 2000, Rovenpor 2004.) Honjo (2000, 572) found that a new firm is more likely to fail in an industry characterized by high entry rate.

With significant environmental events some authors refer to shrinking venture capital funding due to the busting of the Internet bubble in 2000. (see Rovenpor 2004). However, the 9/11 terrorist attack affected seriously the interest of potential users of an exchange (B. Winseman personal correspondence 7.4.2009.)

4.2 Negative network externalities and adoption of network technologies

According to Dai & Kauffman (2002, 45-46) adoption and growth of networks can cause negative network externalities for suppliers since buyers will tend to keep their supplier network small enough to be able to be managed. They also write that a negative network effect can occur when the value of the network decreases for suppliers when the number of suppliers increases. This is because more suppliers bring more supply and sometimes oversupply and then the prices can go down and profits for the suppliers can decrease (Yoo et al. 2002, 45, 47). Dai & Kauffman (2002, 45) support this claim and add that the buyers get most of the benefits when the number of suppliers increases. Hwang & Oh (2009, 2) discuss about the importance of uncertainty and expectations of a new service and how they can affect the adoption of the service when network externalities exist. Their article is about B2C services, but the same concepts can be applied to B2B services.

According to Rogers (2003, 350-351), network externalities slow the rate of adoption of an interactive innovation before critical mass has been reached, however network externalities tend to increase the rate of adoption after the critical mass has been attained. On the other hand, Srinivasan et al. (2004, 52) came to the conclusion that network externalities significantly decrease the survival of the pioneers: marginal customer's utility over time and excess inertia of customers adopting new products, both shortening pioneer survival, seem to outweigh the advantages associated with achieved critical mass, which prolongs pioneer survival.

Although early electronic commerce authors considered network externalities as a potential success factor, the phenomenon seemed to have at least contradictory effects. Apparently the negative network externalities outweighed the positive network externalities and thus partly led to the failure of the exchanges.

4.3 Institutional theory

Scott (2008, 48) defines institutions as follows: "Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life". Even though cartels are forbidden, there is a lot of cooperation between different players within an industry. Different industries have their own associations and industry players meet regularly at conferences and seminars. Naturally, buyers and sellers meet within ordinary business negotiations. Much discussion is usually undertaken also about the industry itself and its practices in general. In order for a company to succeed, it must operate within the rules set by other players inside the appropriate industry.

According to Scott (2008), social legitimacy is central to institutional theory. Organizations depend not only on raw materials, capital, labor, knowledge and equipment, but also in order to survive they need the acceptance from the society that they work with and within (Scott 2008). If a company is not considered as legitimate, it can be driven out of business (Cousins & Robey 2005, 214). They add that a company's business model and strategy are considered as legitimate if they conform to pragmatic expectations by its potential trading partners.

B2B exchanges tried to change the way business was conducted and thus in a way violated the unwritten rules set by the appropriate industries which apparently was one of the main failure factors. Initially the exchanges were promoting the idea of disintermediation and thus cutting off the commissions earned by the existing middlemen and therefore trying to break the status quo. (see e.g. Cousins & Robey 2005.) An organization does not need to be efficient in order to be legitimate and vice versa. (e.g. Cousins & Robey 2005, Scott 2008.) Organizations might need to conform with appropriate institutional models in order to gain acceptance; and through this conforming, even threaten their economic efficiency. One viewpoint is that the B2B marketplaces were operating in a high velocity environment whereas their customers were not moving so fast and their responses to changes were slow. (Ganesh et al. 2004, 54.) This is one of the issues that clearly conflicts with the norms of the appropriate industries.

Koch (2002) found that institutional theory can explain the decision to participate in a consortia marketplace. She claims that the pressure from other industry participants might force a company to join the consortia exchange and thus not participate in a neutral exchange.

Different participation motives for buyers and suppliers

Buyers and suppliers had totally different motives for participation in the B2B marketplaces. Buyers were looking for lower prices and sellers for new sales. Ganesh et al. (2004, 54) also add that suppliers did not want to join multiple marketplaces due to initial investments and required software. They also add that price savings were beneficial for buyers but not for suppliers.

Rask & Kragh (2004) studied motives for e-marketplace participation among buyers and suppliers. They claim that the motivation is closely linked to perceived outcomes of participation and also possible consequences of not joining an electronic marketplace. In their study they took the approach of drivers towards participation and also the nature of decision to join an electronic marketplace. Fairchild et al. (2004, 75) discuss about "convergence in the motives of stakeholders". Buyers have totally different motives in participating in electronic marketplaces than sellers do. Sellers are concerned with the pressures in prices, which is a vital motive for buyers. (Tumolo 2001, 60.)

There are two types of drivers; namely internal and external and the decision is made either as a planned decision or emerging opportunity. There are basically four types of motivations; efficiency, positioning, exploration and legitimacy (Rask & Kragh 2004, 272). Figure 3 illustrates different motives for e-marketplace participation.

Nature of decisions	Drivers: Internal	Drivers: External
Planned	**• Efficiency** • The decision to participate in e-marketplaces is driven by an internally generated wish to obtain company-specific advantages and is made as a consequence of the careful evaluation of expected outcome	**• Positioning** • Industry specific competitive conditions are the driving forces behind the decision to participate in e-marketplaces. Decisions are planned and taken with the purpose of improving the competitive position of the company
Emerging	**• Exploration** • Initial e-marketplace participation takes place on a trial-basis and the decision to continue or discontinue participation is a direct result of actual experiences. Decisions are internally motivated	**• Legitimacy** • E-marketplace participation is motivated primarily by external drivers rooted in a company's relationships with other companies and happens as a consequence of ongoing political negotiations rather than careful planning

FIGURE 3 Theoretical frame for categorizing motives for e-marketplace participation (Rask & Kragh 2004, 272).

Efficiency

Lowering prices motivates buyers to join an electronic marketplace due to increased price transparency, which leads to increased competition among suppliers. On the other hand, suppliers might benefit from increased integration due to reduction of transaction and integration costs. The transaction costs are reduced when suppliers do not need to contact, communicate and negotiate with buyers by more expensive means, like traveling or by telephone (Rask & Kragh 2004, 272.)

Positioning

Buyers gain a larger pool of suppliers than in non-electronic markets, which may lead to lower prices, wider assortments and better quality (Rask & Kragh 2004, 272). They also claim that e-marketplaces might shift bargaining power from suppliers to buyers. For suppliers, electronic marketplaces might improve their competitive positioning through wider market reach, which can lead to increased sales and lower sales costs. Also suppliers can get rid of excess inventory or even reduce inventories per se (Rask & Kragh 2004, 273). One challenge that suppliers might have is that they are too dependant on single buyers. Electronic marketplaces can reduce this dependency; especially if the buyer base in the appropriate marketplace is wide enough (see Rask & Kragh 2004, 273).

Legitimacy

Sometimes it is less risky to participate than not to participate in an electronic marketplace. For a company it is not good to be considered to be technologically handicapped. Not participating in an e-marketplace can be thus considered to be old-fashioned and companies often want themselves to be perceived as technologically sophisticated. Also, very often buyers draw suppliers into e-marketplaces, since suppliers then feel that they have to be involved (Rask & Kragh 2004, 273). Rask and Kragh (2004, 273) also note that the marketing activities of electronic marketplaces can increase the potential supplier/buyer reach for both parties.

Exploration

In order to develop, companies must sometimes test different things. Suppliers can test different and new sales methods and processes by using e-marketplaces. Buyers can test new sourcing methods, and procurement practices with e-marketplaces. In addition they can increase their sourcing reach with B2B marketplaces (Rask & Kragh 2004, 273). Figure 4 illustrates and simplifies these motives:

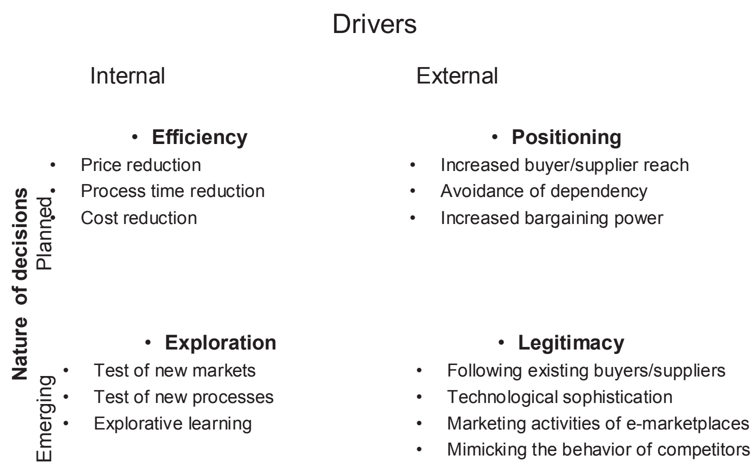

FIGURE 4 Indicators related to the four types of motives (Rask & Kragh 2004, 273).

The different motives of buyers and sellers created one major factor for the failure of the neutral B2B exchanges. Even though there were some common motives, the conflicting motives seemed to have more effect than the common ones did.

4.4 Relationships between suppliers and buyers

Most of commodity trade is done between parties that already know each other beforehand. It is hard to estimate accurately how much trade is done on an on the spot-basis, but depending on industry it can be assumed to be between 5 and 50 % of the total volume. Spot-transactions can sometimes be quite close to so-called discrete transactions, where money comes from the other side and easily measured commodity from the other (Dwyer et al. 1987, 12). However, this is still quite rare, since the parties do not stay completely anonymous and thus relations start to get involved (Dwyer et al. 1987, 12). They also propose that a discrete transaction can take place even when parties are discussing and bargaining over terms of the deal, but a relationship can form only by bilateral communication over wants, issues, inputs and priorities. Since the parties know each other there exists at least some kind of a relationship between an individual buyer and seller.

Relationships are created and maintained for economic purposes or a single purpose. Companies tend to try to create them to last for a longer period of time and they are usually not static (Ritter & Gemünden 2003, 692.) Dai & Kauffman (2002, 46) add that firms tend to develop long-term value-adding partnerships with a small group of suppliers. Gosain & Palmer (2004, 319) conclude that e-marketplaces failed because they tried to commoditize unique relationships between buyers and sellers. Shook et al. (2004) came to a similar conclusion, that marketplaces did not take into account the importance of relationship marketing and personal selling.

The deepness of the relationship depends on many issues. However, it can be logical to assume that the deeper the relationship is, the harder it is for an electronic marketplace to cut in between the parties. Some basic concepts of relationships are introduced here.

The relationship marketing concept got more attention in the late 1970s and early 1980s. David Ford got his quite famous article published about the development of buyer-seller relationships in 1980. Ford claims that the nature of a relationship is determined by multiple factors. He claims that product and process technologies have significant meaning as well as the existing market structures i.e. the availability of alternative buyers and sellers. (Ford 1980, 340.) If companies feel that they can gain cost benefits or increased sales by close relationships, they choose those instead of playing the market (Ford 1980, 340).

According to Ford (1980, 341-349) the relationships develop in five stages. They are:

1. The pre-relationship stage
2. The early stage
3. The development stage
4. The long-term stage
5. The final stage

In the pre-relationship stage partners evaluate each other and there is no commitment between them. In the early stage negotiations of sample deliveries start, but the uncertainty is high and commitment is low. In the development stage the parties sign a contract and actual deliveries start. The amount of uncertainty has reduced and commitment has increased. In the long-term stage parties complete several major transactions as they have already gained a lot of experience of each other. The uncertainty has diminished and commitment is high. In the final stage the parties are so familiar with each other that Ford calls it an institutionalized relationship. (Ford 1980, 342.)

Dwyer et al. (1987) discuss about different types of transactions. Two types can be found, namely discrete transactions and relational exchange. They use Macneil's (1978) comparison of different characteristics. Dwyer et al. (1987) also discuss about the nature of relationship between buyer and seller and compare it with marriage. They also use theories of power and bargaining as background theories for their logic. In addition, they state possible challenges to using these background theories, and justify their use with the logic of discovery. According to Dwyer et al. (1987) relationships evolve through five general phases:

1. Awareness
2. Exploration, which can be divided into five sub phases
3. Expansion
4. Commitment
5. Dissolution

In the awareness phase there are unilateral considerations from both parties. In phase 2, exploration, dyadic interaction occurs and interdependence deepens. In the expansion phase, interdependence deepens even more through mutual satisfaction and partners look for additional gratifications from each other, rather than from alternative partners. In the commitment phase, partners have established shared value systems and conflict resolution mechanisms and they have adapted to each others' way of operating with significant mutual inputs. The final phase, dissolution, is usually initiated unilaterally through an expression of dissatisfaction with the relationship. (Dwyer et al. 1987.)

Their view in general seems to be still quite seller-oriented with seller actions resulting in buyer reactions. Although the names are different, there is not much that differentiates these two models of developing relationships from one another.

Displacing participants and disrupting existing market relationships with new technology might slow the adoption of new marketplaces and thus impact the success of exchanges (Weinberg 2001, according to Johnson & Johnson 2005).

According to Dwyer et al. (1987, 21) termination of fragile association is simple in the exploration phase. They also posit that it is easy to terminate exchange association in the awareness stage (Dwyer et al. 1987, 20).

On the other hand, relationships are maintained increasingly in the expansion phase, so it is less likely for parties to dissolve relationships in this phase (Dwyer et al. 1987, 18).

Relationships between companies can be considered as a meaningful factor in the failure of the marketplaces. Companies did not want to jeopardize their existing relationships through opportunistic behavior. As more and more business is conducted in hierarchical transactions due to increasing interdependence of companies, an open market can seriously risk these relationships. Even though some exchanges added the possibility of private trading functions in them, they did not achieve sufficient liquidity and thus the private exchanges within the marketplaces became obsolete.

4.5 Critical mass and strategy of the exchanges

Many B2B exchanges put their marketing efforts into attracting small and medium sized companies as members of the marketplace. This approach is rejected by Ordanini (2006) who found out that only large firms have real meaning for the marketplace. This is because single deals are big enough to utilize the need to reduce aggregation costs (Ordanini 2006, 92). In order to achieve critical mass, the exchange should have sufficient customer acceptance. According to Rovenpor (2004, 62-63), consumers first want products that provide functionality and after that need is served, consumers seek reliability. After that, competition will be based on convenience and finally on price. The same analogy can be used with companies. Hwang & Oh (2009, 11) add that when preferences of consumers are heterogeneous, a competing service can obtain critical mass with the influence of such customers that prefer the new service over the pioneer service. However, B2B exchanges started competing with price compared to the traditional way of conducting business and forgot to fulfill the basic needs of the customers, functionality. In this event, functionality can be seen as one of the preconditions for achieving critical mass, since trading with no potential counterparts is not worthwhile.

The concept of critical mass can be considered as self-evident as a potential success or failure factor for B2B marketplaces. It goes without saying that in a trading system there needs to be a critical mass in order to achieve sufficient liquidity in the marketplace. As the studies have shown, the number of participants is not as crucial as the number of active participants. The exchanges need a sufficient amount of transactions conducted through them in order to prove their worthiness as a proper, functioning trading environment.

Porter (2001) posits that marketplaces need to create sufficient entry barriers to prevent competitors entering the market as well as buyers and sellers forming a joint marketplace. He also states that without sufficient entry barriers the profitability of the exchanges would not be sufficient.

In B2C promotion of the sites was quite often inefficient. Some companies poured money into advertising but at the same time forgetting e.g. market research. This led to poor media choices without any actual results (Razi et al. 2004, 235).

5 A SYNTHESIS VIEW FOR THEORIZING THE RESEARCH PHENOMENON

It cannot be said that a single factor was the reason for the failure of the exchanges; however, some factors seem to have had a stronger effect on the failure. Table 2 illustrates some of the previous studies about potential success and failure factors for B2B exchanges. Some studies have had their focus on either B2C marketplaces or other applicable businesses. As can be noted, each study uses different background theories and the same factors can be found both as success factors and potential failure factors.

In the theoretical backgrounds both institutional theory and relationship theory come up more than once as failure factors. The studies that have used the above-mentioned theories as background theories have been handling B2B exchanges, and have found solid causes for failure from these theories.

The studies that rely mostly on theories about electronic commerce are usually positive by nature and potential failure factors are quite general and have not been analyzed very thoroughly. Transaction cost theories seem to have supported the potential success of the B2B exchanges.

The concept of network externalities has also had in a way, surprising effects. The early literature about electronic commerce has used network effect or network externalities as a potential success factor, but later studies have shown the controversial consequences of the phenomenon.

TABLE 2 Previous studies about success and failure of electronic marketplaces.

Authors	**Theoretical background(s)**	**Success factors**	**Failure factors**	**Other results**	**Research subject**	**Research method**
Cousins & Robey 2005	Institutional theory	Legitimacy; private and hybrid exchange	Legitimacy; public exchange, processes not matching social and cultural values of users, relationships and trust, concerns of transparency, independence and neutrality, transaction fees, different motives among players	Value added functionality not adding real value	B2B metal exchanges	Case study (multiple methods, desk study and e-mail interviews)
Fairchild et al. 2004	Critical success factors, electronic markets and hierarchies	Partnerships with domain experts, Information quality and trust (partially), Localization, High entry barriers (partially) low product complexity (commodities), Low asset specificity	Convergence in the motives of stakeholders, Neutral (not shared) ownership, complex products	Value added functionality not helping to reach critical mass. Number of users not essential, but number of transactions for critical mass, questionable if exchanges will change the way business is done because or relationships	B2B marketplaces, metals, chemicals and medical supply	Case study (4 cases)

Authors	Theoretical background(s)	Success factors	Failure factors	Other results	Research subject	Research method
Ganesh et al. 2004	Strategy adaptation, hypercompetition	Process integration, adaptation to changing environment, evolution to integration stage	Lack of buyer and supplier participation, (supplier participation, path dependency, asset specificity, relationships, privacy, technology adoption, price commoditization) exchanges operated in high velocity environments, their customers in stabile environments	Focus of the exchanges was on small and medium-sized players, adaptation is essential, bundling of services	B2B electronic marketpla ces	Case study, (3 firms, abt 8 people each)
Gosain & Palmer, 2004	Relationship theory, network exchange theory	Informational benefits, Transactional benefits, Relational benefits	Unnatural business model, commoditizing relationships	Transactional benefits, no relational benefits, horizontals have more traffic than verticals, resources bring traffic, first mover advantage, vendor operated more successful	B2B exchanges	Multiple methods, 194 marketplaces analyzed
Koch, 2002	Relationship theory, institutional theory, transaction cost, resource dependency	Consortia ownership, in non-competitive industries, large players need to be involved	Independent ownership	Distributor (middlemen) and trad. organization involvement might help	2 B2B consortia marketpla ces	Case study, ethnographic approach

Authors	Theoretical background(s)	Success factors	Failure factors	Other results	Research subject	Research method
Petersen et al. 2007	Electronic commerce, B2B marketing	Good value proposition	Lack of focus		B2B exchanges	In-depth interviews with 50 e-marketplace executives and survey for 350 marketplaces + customer interviews
Razi et al. 2004	Strategy, electronic commerce, marketing	Niche market, promotion, differentiation, infrastructure, back-end support and logistics, customer service, web-site design, information security, behavioral causes	Lack of business experience, poor business model, free spending pattern, lacking differentiation, coders as planners, financial structure, Managerial incompetence and misuse of funds, poor customer support, inefficient promotion, slow delivery, technical causes, over-expectation, weak reliability, week customer loyalty and mushroom growth		B2C marketplaces	Desk study
Rovenpor, 2003	Management literature on organizational failure	Larger and older firms	Small firms, one founder, little experience, limited resources small, internal boards timing		31 failed e-business firms	Case study (desk study) historical data

Authors	Theoretical background(s)	Success factors	Failure factors	Other results	Research subject	Research method
Schilling 2002	Network externalities, timing and learning orientation	Continuous learning processes, early leadership (not pioneering)	Small user base for technology, poor availability of complementary goods, entering very early or very late might lead to lockout	Strategic bundling relationships to gain large installed base advantage against competitors	High tech firms that have been locked out	Survey and archival data, quantitative approach, 89 respondents
Shook et al. 2004	Electronic commerce hypothesis	Increase in revenues, decrease costs	Business model, dot.com crash (external events), old-fashioned industry, relationships, over-selling, benefits not actualized, world not ready	Motives for marketplaces were questioned, IPO seemed to be more important than real business	11 forest industry marketplace executives, 2 of which had failed	Qualitative survey
Srinivasan et al., 2004	Network externalities, first mover advantage	Pioneers that focused on promoting and delivering network utility to customers survived	Network externalities significantly decrease the survival duration of pioneers - first mover disadvantage		45 office products and durables	Historical method for data collection, regression analysis

Authors	Theoretical background(s)	Success factors	Failure factors	Other results	Research subject	Research method
Stockdale & Standing 2002	B2B Marketing, decision making	Critical mass, transparency, sufficient income streams, security, technology infrastructure, relationship management, value-add for participants	Privacy		B2B exchanges	Conceptual study on marketplace selection motives
Tumolo 2001	Electronic commerce	Transaction volume, seamless integration, consortia marketplaces	Lack of venture capital funding, downward pressure in commission		B2B exchanges	Conceptual study

5.1 Synthesis model

There are multiple factors that can lead to either the success or failure of an electronic marketplace or a B2B exchange. This can also be noted in table 2. There is a variance in the strength of different factors. And even though there is a larger number of factors that should have enabled the success of the exchanges, the failure factors that had a stronger impact on the destiny of the marketplaces, caused the failure of the electronic marketplaces. Some of the factors could have made possible the success of the exchanges, but on the other hand, they could also have been reasons explaining the failure of the exchanges. Figure 5 illustrates different factors that made the success of electronic marketplaces possible and factors that prevented the exchanges from succeeding. Some factors, such as trust and security and ownership of the exchanges had contradictory effects.

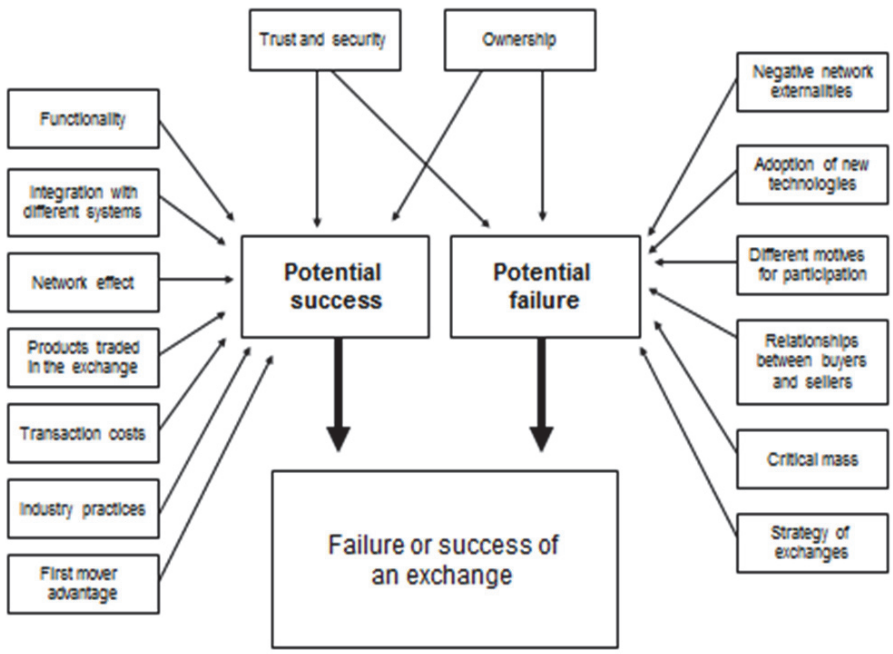

FIGURE 5 Factors affecting failure or success of an electronic marketplace.

These factors are only identified and listed in Figure 6. Their impact or importance is not assessed since the identification is derived from previous studies, which do only identify the appropriate factors.

From previous literature, there can be found multiple theories, which try to explain the potential success of neutral B2B marketplaces. Some theories have conflicting effects on the outcome, such as diffusion of innovations and business strategy theories. They are shown in figure 6 as affecting both the success and failure of the exchanges. On the other hand, institutional theory has in some studies had some bearing on the success of the exchanges, but the main effect has been on the failure of the marketplaces. The success-enabling factors of institutional theory have mainly been towards consortia marketplaces and since the focus of this study is on neutral marketplaces, institutional theory is displayed in figure 5 only as a failure-resulting factor.

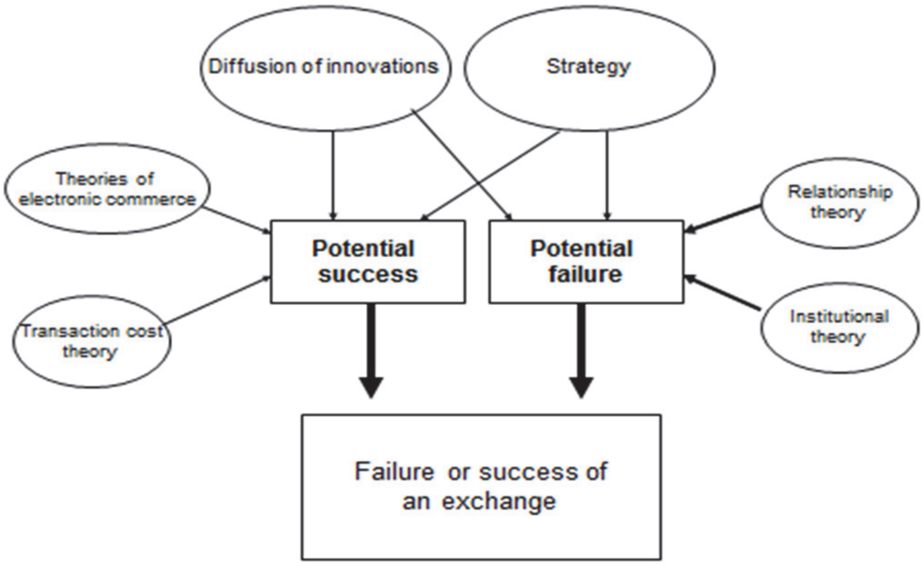

FIGURE 6 Theories describing success or failure of an exchange.

Figure 6 illustrates how different theories can explain the failure or success of an electronic marketplace. Some theories, such as diffusion of innovations and business strategy seem to give explanations for both success and failure. Electronic commerce hypothesis and transaction cost theory seem to mainly explain potential success whereas relationship theory and institutional theory seem to be able to explain the failure of an electronic marketplace.

5.2 Critique

Most of the articles in the electronic commerce literature have handled B2C e-commerce and their applicability to B2B e-commerce can be questioned. However, some studies cover both B2B and B2C and the same concepts seem to apply.

Also, the magnitude of different factors has not been studied. However, the main purpose of this study has been that of identifying different factors and theories that have affected the failure of the marketplaces. Hence, the magnitude of different factors and theories has not been the scope of this study.

5.3 Concluding remarks

Despite the high expectations, commodity B2B electronic marketplaces failed in the early 2000s. There were many reasons for the failure, but a comprehensive study of the failure factors has not yet been done. This study has briefly added the understanding of the causes for the failure of B2B exchanges. It has shown that there were numerous reasons why the marketplaces should have succeeded. On the other hand, this study has shown that there were also multiple causes for the failure of the marketplaces. This study also illustrates some of the theories that can explain the failure and on the other hand theories that predicted their success.

Previous research results have been slightly contradictory since some authors claim a specific factor as a success factor and others as a failure factor. In order to gain a more comprehensive understanding of the effects of these factors, the theoretical background, such as the concept of network externalities needs to be researched more thoroughly.

The main theories that predicted great success for the exchanges are theories of electronic commerce and transaction cost theories. This dissertation will analyze these theories more thoroughly and try to match their impact against the theories that seem to be able to explain the failure of the exchanges.

6 RESEARCH METHODOLOGY AND STRATEGY

It is my understanding that no absolute truth, but multiple realities, about why electronic B2B marketplaces failed can be found. So the so-called "truth" is constructed by all the parties involved and the aim of the researcher is to interpret and understand the different realities. This is in line with Spector-Mersel (2010, 211) where she notes that the narrative paradigm is drawn from the constructivist paradigm. As Spector-Mersel (2010, 216-217) notes, positivistic research assumes that the researcher has no biases and is completely "neutral". This study utilizes narrative elements where the researcher studies the stories through his own values, personality traits and images. There are clearly numerous realities within the case company and it is the aim of this study to find an outcome that can be accepted by the researcher as a believable interpretation (see Niiniluoto 2003, Rubin & Rubin 2005, Spector-Mersel 2010, Stake 1995.)

Yin (2009, 9) posits that case studies are especially suitable in such studies that have the word *why* as the research question. As this study can be considered an explanatory one, the case study research method is appropriate. Although this is a single case study, it aims to increase the understanding of the phenomenon of a company's failure. As the aim is not to create statistical generalizations, but rather proposals that can be utilized in other studies, according to Yin (2009, 15) case study research can be used.

I am seeking a common understanding of the reasons why the case company failed. I do not consider all views equal, since some people had a better knowledge of what was happening as well as a deeper understanding of the factors behind the company. Stake (1995, 102) notes that based on their credibility and utility, some views can have a stronger value in the analysis of the events. Therefore, I believe in relativity rather than absolutivity.

In this study there are respondents from different cultural backgrounds, mainly from Finland and the United States. As I am Finnish, I understand the world and subjectively interpret different things through my own cultural background. (see also Spector-Mersel 2010, 212)

As Yin suggests (2002, 3-4) case studies can be used in exploratory, descriptive and explanatory studies. This study can be considered explanatory, since it tries to find the reasons and causes for the failure of the electronic B2B exchanges. Eisenhardt (1989) claims that the case study research method can also be used for building and testing theories. This gives already the researcher quite a broad array of opportunities when choosing the case study research method. Case study research can be considered as a useful research strategy when the topic is broad and complex, when the amount of theory is limited and when context has a great meaning in the study. (Dul & Hak 2008, 24) This is in line with Gillham's (2000, 1) description of a case when there is human activity in its context involved. Also Dubois & Gadde (2002, 554) add that learning from a case, when it has been conditioned by its environment, should be considered a strength in a study.

Often, the case study approach is used in the inductive approach, where a researcher studies more closely single cases rather than deriving the study from theory. (e.g. Silverman 2004, 378 and Clarysse & Moray 2004, 62) However, the case study approach can be used also in the abductive approach, where the researcher starts from the empirical side and moves from there to theory and then back to empirical research. (Partanen 2008, 302)

This study can be considered as being both inductive, where general theories are built based on a single case (Laine et al. 2007, 29) and where the phenomenon from a broader perspective is described with the narratives, and is understood with the content and discourse of the interviews as well as explained with the combination of previous theory and the case analysis. Also, the abductive approach can be considered since this study will start from theory, analyze the case and then go deeper into selected theories (see e.g. Partanen 2008, Kovács & Spens 2010). The whole study has started from an empirical event, namely the failure of electronic marketplaces and proceed from there to theory and again back to the empirical side (Kovács & Spens 2010). The idea is that by interpreting what happened with the case company and re-contextualizing the phenomena with contextual framework, I try to understand what happened and why from new perspectives of the conceptual framework (see e.g. Dubois & Gadde 2002, Kovács & Spens 2010)

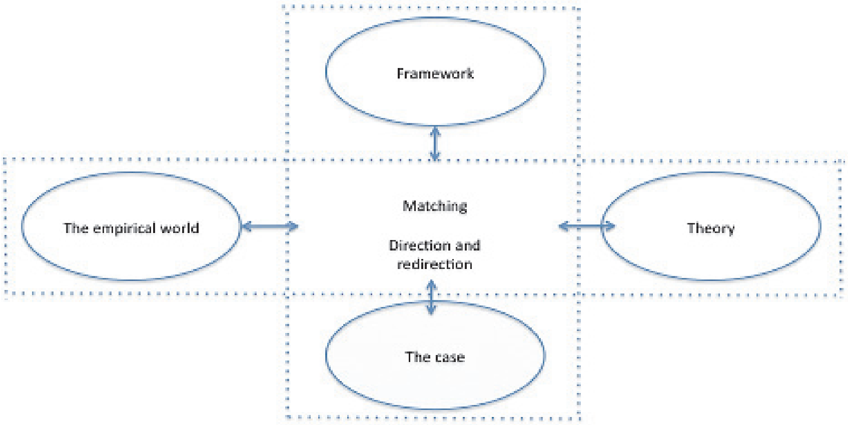

FIGURE 7 Systematic combining (Dubois & Gadde 2002, 555)

Figure 7 illustrates the process of systematic combining. I am utilizing the framework introduced by Dubois & Gadde 2002. There is constant moving back and forth from theory to empirical world as well as with the case company. (Dubois & Gadde 2002.) The initial framework is introduced in chapter 5 and revised in chapter 8.

I have interviewed people from different levels of the case company organization in order to find out possible differences in reasons for failure of the marketplace. This is because the marketplaces had a different effect on different people's life. The managers had a totally different perception on new systems than did the office workers who actually had to use them. Therefore, it is essential to obtain different views.

With abductive research, having a constant dialogue between theory and the empirical side, one can develop the existing theory about failure factors of a business model (see Partanen 2008, 19 and Dubois & Gadde 2002, Kovács & Spens 2010).

6.1 Case selection

This study is a single case study. The case company "E" was a pioneer in its field of business. It operated within agricultural commodities, i.e. the main product traded in the exchange was quoted in different futures markets. The annual trading volume globally of the main product was approximately $ 5 billion. The products that were traded in the exchange were strategically important for both parties. Generally, they were almost the sole income for the seller companies and for the buyers; the product accounted for approximately 50% of the manufacturing costs. For the buyers, this product was the essence of their product. The main reason why this company was selected was that the researcher had access to the majority of its staff in order to get a comprehensive picture of why the company failed. The case company was typical in its field since it concentrated on one product category and had also industry expertise within its staff. (see Laine et al. 2007.) As the case company is typical, with its teachings, one can both broaden and focus the existing theory (Laine et al. 2007, 33, Yin 2002, 38.) The case company had a single owner who fully financed its operations throughout its existence. Legally, the company still exists in February 2011 but does not operate within electronic trading. Dubois & Gadde (2002, 558) suggest that when there are many interdependent variables to be analyzed, it is better to go deeper into one case rather than increase the number of cases.

The interviewees were chosen so that both the top management and middle management were represented. Altogether there were nine people in the executive team of E. They did not work there simultaneously, but usually the size of the executive team was 4-5 people. Most of the former staff of E still has contact with each other but no former E staff member knows the place of living of two former executive team members. One of these was in charge of sales, but he held that position for less than six months. The other person was the former chief financial officer, so he had no actual interaction with customers. With the middle management, a special emphasis was put on trying to get as many people from the customer interface as possible. The interviewees represent both the European side of sales as well as the US side. Piekkari & Welch (2006, 569) support this view by stressing that often people from other organizational levels are actually more equipped to answer the interview questions than top executives.

6.2 Research process

In this chapter the method of data collection is described as well as how the data was analyzed. Several researchers (e.g. Kyrö 2003, Spens & Kovács 2006, Gibbert et al. 2008) suggest a detailed description on data collection and analysis and therefore the research process has been described as thoroughly as possible.

Figure 8 illustrates how different interview themes correspond to research problem and sub-problems. The figure shows how the narrative element contributes to all research problems.

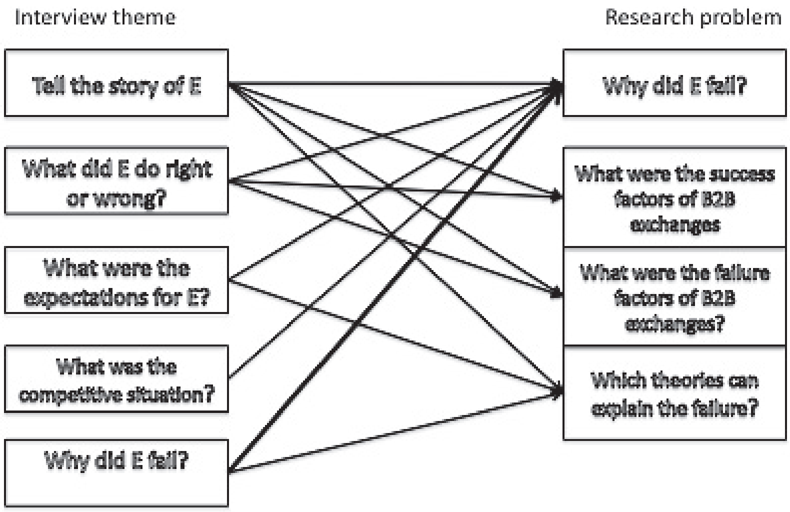

FIGURE 8 Relation between interview themes and research problems

6.2.1 Data collection

Initially a literature review was conducted with the aim of identifying factors and theories from previous literature that could explain the failure of the marketplaces. Based on the findings of the literature review, a round of interviews was conducted among people who were involved in the company. The interviews were tape-recorded and transcripts have been written.

The interviews were conducted face-to-face and in undisturbed environments. Prior to each interview a cozy atmosphere was created with a general discussion about the topic (see Rubin & Rubin 2005, 31). This was quite easy, since the researcher knew most of the interviewees beforehand. People that were selected for interview had been working for the case company. The assumption is that they have sufficient knowledge about the phenomenon that is being researched (Tuomi & Sarajärvi 2009, 85-86.) They included the former president of the company, executive vice-president of marketing, technical product manager, sales manager/marketplace director, logistics manager, chief technology officer, director of product development and finally the owner. All interviewees knew the topic of the interview beforehand, but the themes of each interview were not revealed in advance (Eskola & Vastamäki 2010, 41.)

The interviews were conducted in different types of locations: four in the homes of the respondents, one in the researcher's home, two in their own offices, one in the researcher's office and one in a cafeteria (see. Eskola & Vastamäki 2010, 29-31.) These interviews were semi-structured theme interviews. First the interviewees were asked to tell the story of the company in their own words. Other themes included expectations towards the company, why the company failed, why all B2B marketplaces failed and could a new marketplace succeed in that field of business. The themes were created from the researcher's pre-knowledge and from previous studies (see. Eskola & Vastamäki 2010, 35.) In each theme additional questions were asked to get more detailed information or other perspectives. The researcher assisted the interviewee by asking additional questions to fill possible gaps. Sometimes the interviewee asked the researcher about certain details and if the interviewee accepted the reply, the researcher asked for confirmation about the matter.

Interviews lasted between 40 minutes and 1.5 hours. Even though some researchers (e.g. Stavros & Westberg 2009) suggest that transcribed interviews should be given back to the respondents to be checked, the researcher has chosen not to do so in order to achieve authenticity of the comments. The topic is still quite delicate to some of the interviewees so they might have had to second thoughts in order not to bring harm to anyone. In total, ten people were interviewed.

The theme interview method was chosen because it suits well with situations where the topic is sensitive and emotional (see e.g. Puusniekka, Eskola, Itäpuisto, Launonen & Rautsiala 2003, 44-48.) Also the interaction between the interviewer and the interviewee is emphasized and thus difficult topics can be handled (Malmsten 2007, in Laine et al. 2007, 67). In theme interviews the interpretations of the interviewees are emphasized as well as how meanings are created in interactions (discursions) (Tuomi & Sarajärvi 2009, 75.)

The themes of the interviews were:

1. Please tell the story of E?
2. Please tell about expectations from the point of view of the entrepreneur and people within the company?
3. Please tell about the competitive situation of the marketplaces?
4. Please tell about the ending of E?
5. Please give me your analysis of the reasons for the failure of E?

After each answer the respondents were asked to specify certain issues and clarify details.

Failure is very often considered as very negative, and as people tend to deny their failures (Cannon & Edmondson 2005, 302-303) an indirect approach was used in order to get truthful answers. The narrative approach was chosen in order to make the situation more relaxed and the respondents to open up. Through narratives the interviewees can tell the story of E in their own words, emphasizing things that are meaningful to them and leave untold such things that they do not want to express explicitly (see Eskola et al. 2003, 5). Discourse analysis was chosen because respondents can produce meanings through discourses and construct their perspective of the world, in this case the failure of E (Jorgensen & Phillips 2002, 119). Some respondents were initially somewhat reluctant to participate in the study since even though the researcher tries to keep anonymity as much as possible, other interviewees can quite easily identify each other. Husted and Michailova (2002) discuss about learning from mistakes and note that it is very common that people do not share knowledge about their mistakes and therefore an indirect approach in posing the questions was chosen.

The questions were not asked in exactly the same way to each interviewee. As they all had different backgrounds and positions within the company, stressing certain aspects for each respondent was considered proper (Stake 1995, 65).

In addition to the interviews, one respondent provided a written 15-page analysis report, which he had done for this study only. He has also given permission to use this analysis report in this study.

As the researcher had worked for the case company in its early phase, a participant observation method was also used. The researcher was involved quite a lot, since the researcher was a member in the executive team and involved in every major decision during the time that the researcher was working for the case company (see. Tuomi & Sarajärvi 2009, 82.) On the other hand, the researcher left the company about two years before it ended operations, so the researcher does not have first-hand knowledge about this period. In qualitative research, the active involvement of the researcher is accepted and even encouraged (e.g. Rubin & Rubin 2005, Stake 1995, 95) but special attention must be paid to neutrality issues. On the other hand, as Stake (1995, 104) notes, a participant observer does not necessarily create deeper meanings than passive observers, but one or other of the roles might work in certain situations. Grönfors (2010, 164) suggests that memories without notes are not sufficient. While the researcher was working for the company, the researcher did not keep any diary nor does he have any notes from that time. The researcher did not know that he was observing for a later research project. Therefore at best the researcher can treat his recollections as any interview that he has conducted. In this case the whole research process started from the researcher's active participation in the company and the big question mark in the researcher's mind; why did the case company fail?

Extreme caution is used when the experiences of the researcher are expressed in the data collection phase. Therefore, when the researcher's opinions are expressed it is clearly marked in the text. This does not naturally apply in the analysis chapters of this study.

6.2.2 Second round of interviews

After analyzing the first interviews, a framework of failure factors was created (see. figure 13). This framework was introduced to the interviewees, explaining the meaning of different factors. Then the respondents were asked to name the three most important failure factors, highlighting that they could be others that had been identified in the first interviews. The respondents were also asked to name three factors that in their minds did not have a major effect on E's failure. In addition, they were asked to clarify the value proposition and elaborate on what they feel they had learned from the experiences of E.

These second interviews were mainly conducted face-to-face, tape-recorded and transcribed, but with the exception of two respondents, due to practical, geographical reasons. Both these interviewees received by email the figure 13 and I explained over the phone what different factors meant. With the first of these two respondents, the interview was conducted over the phone, and the interview was tape-recorded by the interviewee. The recording was transcribed later on. The other respondent requested that the answers were sent by email and those were analyzed as other responses. Additional questions were later asked by phone, in order to confirm the answers and the respondent verified them without separate transcripts.

6.2.3 Data analysis

In this study, three different forms of analysis were used. Content analysis is self-evident, since the data is collected through semi-structured interviews. In interviews the content is the most natural outcome but besides the content there are other elements in the interviews that are analyzed by other methods. Narrative analysis often reflects to sensemaking (e.g. Rhodes & Brown 2005, Brown et al. 2008) where respondents try to explain what happened by converting concepts into an understandable form for themselves. Also, discourse analysis was conducted to supplement interpretations from other analyzing methods. Supporters of e.g. discourse analysis posit that content analysis does not tell all what has been said. Sitz (2008) posits that there are different meanings behind the words and as content analysis is focused only on the words, it cannot analyze all the meanings what a respondent has communicated. Spens & Kovács (2006) support this by adding the challenges in the coding process of content analysis and that latent contents are not analyzed in content analysis.

Multiple analysis methods were used, since failure is often considered a difficult topic to discuss about and as Mellahi (2005, 264) posits that it is extremely difficult to gain access to corporate governance problems. Therefore it can be assumed that direct answers do not necessarily illustrate all potential aspects of the failure, but often people try to hide unpleasant things in complicated stories. Cannon & Edmondson (2005, 303) add that even small failures are not properly addressed, but denied or covered up, so expressing failures openly and directly can be difficult. Multiple analysis methods can find the small expressions that only one method cannot necessarily discover.

Initially a content analysis was conducted, where the replies of the interviewees were classified under different categories, the number of instances was counted and the weight of expressions was assessed. (Silverman 2001, 123, Rubin & Rubin 2005, 224-225). For each interviewee their primary explanation for failure was listed. The assumption was that the respondent stated first the reason that he/she considered most important. The more often a cause for failure was mentioned the more important this cause was considered to be. Also the order of different causes from each interviewee was marked with the assumption that a respondent mentions a cause that he/she considers important earlier than a cause that he/she considers less important. Explanations for failure were themed and themes from each interview were put in a spreadsheet (MS Excel) in order to form a clearer picture of failure factors of the case company. For each identified theme, the theoretical background of the theme was identified.

Content analysis was conducted mainly with the material-oriented method. Figure 9 below illustrates the procedures used in the content analysis.

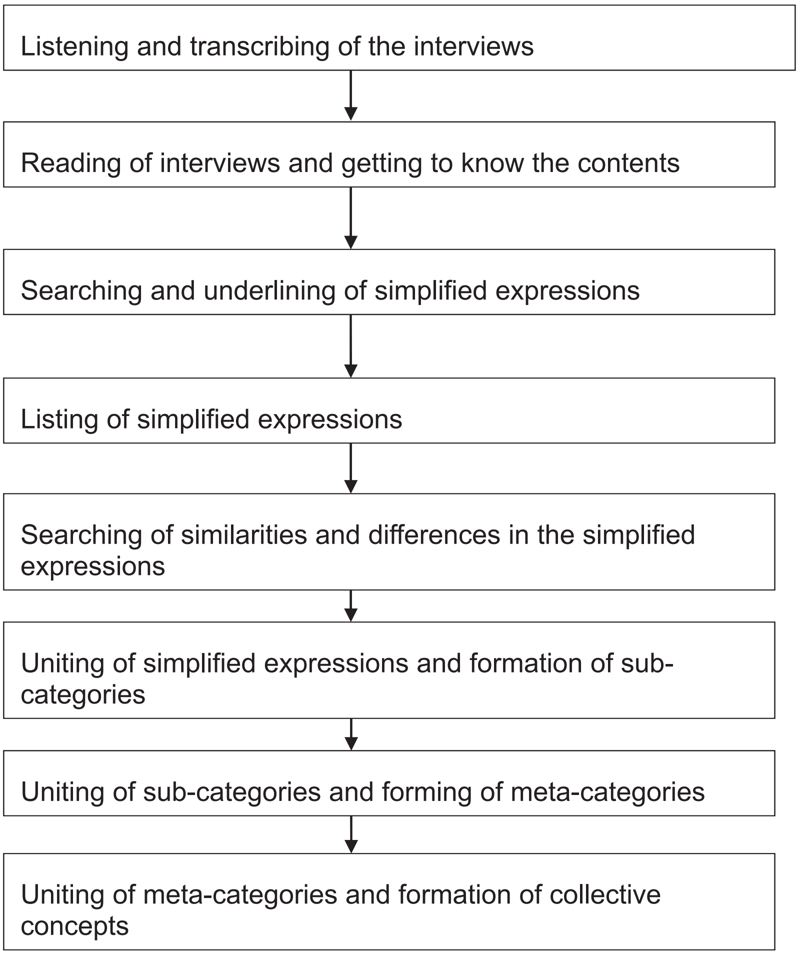

FIGURE 9 Proceeding of material-oriented content analysis (Tuomi & Sarajärvi 2009, 109)

As Silverman (2001, 123) notes content analysis has also challenges and one can be deflected from uncategorized issues. Therefore multiple analysis methods should be considered. (Silverman 2001, 189.)

Second, the analysis method was discourse analysis where the expressions and the used language were analyzed (e.g. Silverman 2001, 178-179, Sitz 2008).

Phillips and Jorgensen (2002, 1) describe discourse as "*a particular way of talking about and understanding the world (or an aspect of the world)*".

Discourse analysis is conducted to supplement information obtained from content analysis as well as to try to find differences and additional perspectives. In addition, as Skålén (2010, 105) notes, discourses are constituted in relation to what they exclude and also in relation to the signs that are situated outside the discourse. With discourse analysis I'm aiming to discover and identify inconsistencies, contradictions and paradoxes in each discourse. I am utilizing the framework of critical discourse analysis represented by Fairclough as presented in Phillips and Jorgensen, 2002.

As analytical strategies (Phillips and Jorgensen 2002) I am using comparison, where expressions from each respondent in response to main issues are put next to each other and differences and similarities of expressions are compared and analyzed (Phillips and Jorgensen 2002, 149.) In addition, as Phillips and Jorgensen (2002, 150) suggest, I will substitute certain key expressions with appropriate substitutes to see how the whole response changes. This will also be done by grouping different informants based on their appropriate discourses (e.g. top management vs. middle management, sales vs. technology) (see also Vaara 2002, 217). Exaggeration of details will also be used to identify possible isolated issues for explaining the failure of the exchanges as suggested by Phillips and Jorgensen (2002, 150.) Final analytical strategy in discourse analysis will be multivocality where I will identify different "voices" and their characteristics (Phillips and Jorgensen 2002, 151-152, Vaara 2002, 217.)

Third, the analysis method for the empirical material is narrative analysis. Narratives are interpretations of sequential events. (e.g. Rhodes & Brown 2005, 167, Vaara 2002 216, Brown et al. 2008). Elliot (2005, 36-37) notes that defining narrative analysis is difficult and that there are no standard procedures described for how to conduct narrative analysis. Based on the suggestions of e.g. Boje (2008) a narrative based on the interviewees' stories of E was written. Harling Stalker (2009, 230) supports the concept of having two types of narratives, namely first-order narratives, that she calls ontological and second-order narratives, which she calls epistemological. She emphasizes that in narrative research both are needed to also communicate to readers of the study, that there are individuals behind the stories. Similarities and differences of each story are highlighted.

There are many narratives among the interviews that do not fulfill the entire definition of a narrative. Each of these incomplete narratives is categorized based on Gabriel's (2000) classification:

1. Opinions, where no actual plot can be seen and there are no real characters or action.
2. Proto-stories, which are usually fragments of stories, possibly emotionally charged. Plots are usually very simplistic.

3. Reports, that have a factual approach, but with plots and characters. They do not tend to analyze the events very thoroughly, but report what has happened. (Gabriel 2000, 25-26).

The common narrative (my synthesis) is written as a report, with very limited analysis of what took place and why it took place. More emphasis is put on the characters and especially on the events. However, not all respondents could produce a full narrative, illustrating the beginning, the middle part (life during its existence) and the ending of the company as Boje (2008) illustrates. How the respondent tells the story of E illustrates his/her attitude towards the events. Each story was analyzed as well as the common narrative.

The main focus in this study is in the content of the narratives. Additional perspectives are sought from the structure of the narratives, (see Vaara 2002) but the narratives' performances are of no major interest in this study (see Elliot 2005, 38).

In structuring the narratives a model presented by Labov and Waletzky in 1967 (Elliot 2005, 42) was used. It has six different elements:

1. **Abstract**, which summarizes the matter.
2. **Orientation**, where information about the setting is told. This setting includes place, time situation and participants.
3. **Complicating action**, which tells what actually happened and what happened after that.
4. In **evaluation** the narrator tells what the events mean to him/her.
5. **Resolution** tells how everything ended.
6. And in **coda** the perspective is returned to the present time.

In this study not all narratives clearly contained all the above-mentioned elements. However, I will mark each narrative with a/m coding and analyze how strongly each element is illustrated and which elements are missing and why. A more holistic approach analyzing the narratives will categorize the narrative to its appropriate genre; i.e. comedy, tragedy, epic etc (Elliot 2005, 46-48). The genre can illustrate the narrators' attitudes towards the whole episode of E.

The narratives are also deconstructed with the model suggested by Martin (1990, 355), (see also Gabriel 2000, 107, Skålén 2010, 107). It has nine different techniques and as many as possible of them will be utilized.

1. Dismantling of dichotomies.
2. Examining silences or absences of content in the text.
3. Examining disruptions in the text, i.e. when the text does not make any sense.
4. Putting focus on the most alien elements in the text.
5. Searching and interpreting metaphors.
6. Analysis of double-entendres

7. Iterative substitution of key features of the discourse in order to find sources of bias.
8. Reconstruction of story with small changes to see what ramifications that brings about.
9. Identification of the limitations of reconstruction.

Some of these techniques resemble those that are used in discourse analysis, so there is sometimes a very thin line between different analysis techniques. This supports using chosen techniques and also Vaara (2002) and Sitz (2008) seem to come to a similar conclusion, but do not explicitly present it. Some of Sitz's analysis techniques are exactly the same, but he is referring to discourse analysis in his article.

Gabriel (2000, 108-109) also suggests techniques that may enhance the robustness of interpretations. Initially there must be consistency between analysis of a part and the whole narrative. In addition, different analysis mechanisms should lead in the same direction. Naturally there can be differences, but they somehow should follow the same roadmap. Also differences between strong and weaker interpretations should be noted.

For the analysis, there were two transcripts of the tape-recorded interviews, one with markings of all the pauses and other sounds and the other with only the texts. Both versions were used in the analysis, the latter only during the phase of the content analysis. In addition, the tapes were also listened to during the analysis and in moments when some word or expression by the interviewee seemed to have a specific meaning to the point handled, that part of the interview was listened to several times supported by the transcript. No analyzing software was used, but the researcher used the transcripts and also wrote notepapers where parts of the analyses were conducted and written. (see e.g. Stavros & Westberg 2009.)

The second interviews were analyzed only by their contents. The most important failure factors were put on an Excel-spreadsheet and the factors were given numerical values based on how important the respondent felt they were. In addition, the number of interviewees that mentioned a specific topic was counted as well as how many felt that the appropriate factor was the most important. These interviews were analyzed both from transcripts and the actual tape recordings, which were listened to numerous times in order to be able to interpret the answers.

6.3 Validity and reliability of the study

Although there is a lot of discussion as to whether concepts of reliability and validity can be used in qualitative research, some researchers (Miles & Huberman 1994, Gabriel 2000, Gibbert, Ruigrok & Wicki 2008) suggest that they can be applied in such studies at least in some respects. Again, since this study is not aiming for the absolute, one and only truth, the narratives should be treated with the same kind of criticism (Gabriel 2000, 151.)

6.3.1 Validity

In entrepreneurship research one can dig deeper into the meanings of different phenomena and questions like why, how, who, what and where. Very often the cases are so unique that generalizations like in quantitative research cannot be obtained. On the other hand, Leino (2007, 214-215, 225) claims that a successful case research offers the possibility for generalizations. She continues that a unique single case and generalization are not the opposite ends of a continuum (Leino 2007, 215). Elliot (2005, 23) refers to previous studies (Graham 1984 and Mishler 1986) and claims that:

> "*interviews that attend to individuals' narratives would produce data that are more accurate, truthful, or trustworthy than structured interviews that ask each respondent a standardized set of questions"(Elliot, 2005, 23.)*

Regardless, if this statement is true or false, with qualitative interviews and narratives one can obtain very comprehensive information and the challenge is in the analysis of that information.

A researcher can select such cases that most probably will bring contradictory results and if the results in this case are in line with the initial one, the generalizability is more apparent. Naturally, one must perform a sufficient amount of repetitions in order to improve the possibility to generalize the results. This applies especially when the study has been repeated in different types of cases and the results have been confirmed in each of the cases. Very often the concept of transferability is mentioned. This means that instead of generalizing the results, one can talk about transferring the results to another field of business.

A common perception is that results in qualitative research and especially case studies cannot be generalized. Some supporters of quantitative research claim, that the results are not scientific when acquired with qualitative methods and they can be called "soft" results. Elliot (2005, 22) also discusses the validity issue in qualitative studies and emphasizes the differences between internal and external validity. Her interpretation about external validity is closely tied with generalizability and she emphasizes the link between the positivist paradigm and quantitative research. Gibbert et al. (2008) posit that in case studies there needs to be internal validity, which in a way leads to construct validity and then to external validity and finally to the reliability of the study. (see also Eisenhardt 1989, Yin 2002). In order to obtain internal validity, a study should contain a clear research framework, which demonstrates how different variables lead to appropriate outcomes without a spurious causing of an unknown variable. In addition, one should do pattern matching with previous studies in different contexts and also triangulation utilizing multiple perspectives. (Eisenhardt 1989, Yin 2002, Gibbert et al. 2008.)

Lack of validity and reliability in case study research is sometimes mentioned by supporters of quantitative methods. However, these issues can be handled properly when the researcher starts considering these issues already in the planning phase of the research. Miles & Huberman (1994, 262-276) use 13 different tactics in order to assess data quality. For this study the applicable ones are:

1. Checking for representativeness
The case is typical in the sense that it was a start-up and was owned by an outsider of the industry. Also most of the staff of the case company was interviewed focusing on people that had direct involvement with customers.

2. Checking the researcher effects
Miles & Huberman (1994, 265) discuss about two types of biases, namely the effects of the researcher on the case and the effects of the case on the researcher. In this case there might have been risks regarding the interests to protect the integrity of some respondents. It clearly seems that some interviewees have made their own role more important and have also embellished their own activities and accomplishments. For the latter possible bias I have interviewed people from all levels of the organization, however some opinions can hold more weight than others.

3. Triangulation
Triangulation is used in this study in the sense that more than one method of data collection has been used, namely interviews and participant observation. In addition, one informant has provided a written memo about the company's destiny and his version of why it failed. (see Miles & Huberman 1994, 266-267.) Unfortunately, it has not been possible to gain access to the company's internal documents.

4. Weighting the evidence
It is clear that the management team members have had more inside information of why the company has been shut down than people in the sales department. For those kinds of questions I will rely more on certain people's opinions than others. On the other hand, people with constant interaction with customers have more insight on their views than those who have handled administrative duties at the headquarters.

5. **Checking out rival explanations**
During the analysis phase different explanations will be tested as Miles & Huberman (1994, 275) suggest. Different explanations will be clearly displayed in the text.

6. Getting feedback from informants
As the study will be abductive, a second round of interviews will be conducted and the informants will have the opportunity to give feedback and possibly

give new responses and elaborate on their view points if they do not agree with the analysis that I have made. However, they will not have the opportunity to look at their interviews and thus try to alter their responses.

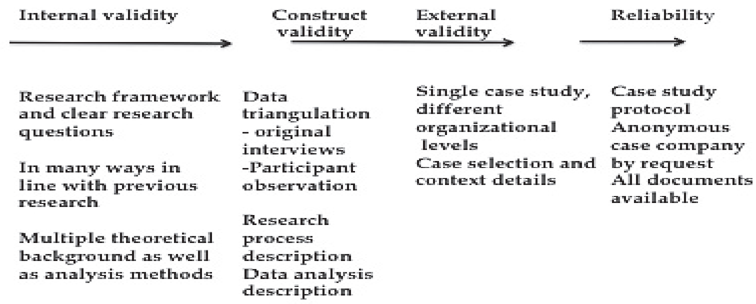

FIGURE 10 Methodological rigor of this study (adapted and modified from Gibbert et al. 2008, 1467)

In figure 10 the framework presented by Gibbert et al. (2008) is been applied in this study. In order to achieve internal validity in this study the research question is quite simplistic and it is based both in the empirical world through the case company and its business domain as well as general discussion in the context of why companies or business models fail. The study is relying heavily on multidisciplinary also in scientific background and general results are in line with previous research. In addition, multiple analysis methods have been used. Construct validity is perceived by data triangulation utilizing two types of data collection as well as with very thorough description of the research process and data analysis so that the chain of evidence can be observed. Even though this study is based on a single case study, the utilization of different organizational levels increases its external validity. Also the case has been selected carefully in order to increase the validity of the study. The case company is anonymous by request of its owner, however this should not lower the reliability. Reliability is increased by thorough description and following of the research procedures. (Gibbert et al. 2008, 1468.) In addition, all the transcripts and interview tapes are stored for possible future use. Again the purpose of this study is not to create statistical generalizations but its results apply in this context only, so too much emphasis should not be put on reliability issues that are designed for positivist quantitative studies.

Analyzing qualitative data and especially data retrieved from case studies is quite challenging. If the researcher uses multiple methods in the analysis, the results can be considered more reliable. (e.g. Laine et al. 2007, 23-28) However, there is always the issue of subjectivity in the interpretation of interviewees' comments. A researcher must use extreme caution in trying to separate him from the case. Also, as this study is utilizing narratives from the respondents the validity of those need to be considered as they are told as part of the interviews (Elliot 2005, 24).

Triangulation

Triangulation means that multiple sources of evidence, or analysis methods are being used. Multiple sources of evidence can be obtained by utilizing different data collection methods or different types of data per se. (see. E.g. Kyrö 2003, Gibbert et al. 2008.)

Ganesh et al. (2004) used the same type of method, as in this study, for interviewing people from different levels within the organization and they also obtained information from consultants, analyst reports, business magazines and promotional material. According to Ganesh et al. (2004, 48) this achieved sufficient triangulation of sources and methods. Kyrö (2003, 115) suggests utilizing methodological triangulation where data from different points of view can support each other and thus lead to the same direction.

Using multiple methods also increases the validity of this study; especially construct validity (Yin 2002, 33). As the abductive approach will be used, and the data analyzed continuously, pattern matching can be used and thus increase the internal validity of this research. (see Yin 2002, 33.) Phillips and Jorgensen (2002, 172-174) suggest two criteria for validity of discourse analysis, namely coherence and fruitfulness.

6.3.2 Reliability

Some researchers (e.g. Eisenhardt 1989, Yin 2002, Stavros & Westberg 2009) suggest that utilizing the multiple case study method increases reliability. According to Stavros & Westberg (2009) by utilizing multiple cases, a researcher can transfer some of the learnings to other cases. While this study is a single case study, the abductive method increases the reliability, as certain respondents will be interviewed a second time in order to verify previous findings.

Most of the informants in this study can be considered as experts. Very few of them had prior experience of e-business but working within the company apparently developed their skills in that field. All of them were actively involved with creation and the running of the marketplace. In addition, they all had interactions with the company's customers and thus accumulated knowledge of their expectations and opinions. As Alastalo & Åkerman (2010, 374) note, experts are only seldom replaceable but on the other hand they can give wrong answers. This can take place if the actions of the informants could have changed the outcome of the event. In this study, as the company E failed, some respondents may express issues in such a way so that they cannot be blamed. Vaara (2002, 218) adds that success is often presented as a result of one's own actions and failure due to external factors.

As the researcher was one of the founders of the company, it creates special challenges for the objectivity of the study (e.g. Elliot 2005, 152-154, Gabriel 2000, 151.) However, being familiar with the initial process and knowing different events and their backgrounds can also create specific trust or break the so-called professionalism wall (Alastalo & Åkerman 2010). All the interviews were conducted in a very friendly and cozy atmosphere and it can be assumed that the interviewees answered the questions as truthfully as possible, but from their own point of view. As Elliot (2005) notes, respondents tend not to tell about unfavorable things about themselves. Whether it is intentional or unintentional forgetting, this can be a challenge for this type of a study. On the other hand, other respondents can bring out issues that can put another person in a so-called bad light.

6.3.2.1 Time

The case company E started its active operations in 1999 and ended in 2002-2003. It can be assumed that time has taken its toll, i.e. respondents have forgotten details and especially dates (see Elliot 2005, 66-67). In this study the dates do not have any actual bearings but naturally some details might be forgotten. This issue will be handled in the analysis comparing different narratives and their contents. It can be assumed that not all respondents have forgotten the same single events. If so, it can be assumed that this event has not been a very meaningful one (e.g. Elliot 2005).

6.3.2.2 Language issues

The interviews were all conducted in English language. It is not the native language of the researcher or some of the respondents. About half of the interviewees are American and the other half Finnish. This fact raises also the issue of cultural knowledge. The researcher is Finnish by nationality and has lived in the United States for a total of over 2,5 years and travelled in the country dozens of times. Therefore, it can be assumed that the cultural knowledge and language skills are sufficient. For some of the respondents there seems to have been some misunderstandings with the language, but in those cases the interviewer has clarified the issues and sometimes even used Finnish in explaining the appropriate concept. (see Pietilä 2010.) On the other hand, Piekkari & Welch (2006) noted that language issues often do not occur when both interviewer and interviewee are not native English speakers. They add that in some cases when the respondent is a native speaker of English and the researcher is not, the respondent might try to take control over the interview situation (Piekkari & Welch 2006, 570).

Another language issue is the professional language, since the researcher was at least at one point part of the culture and therefore some issues can seem to be taken-for-granted, common-sense understandings for the researcher as suggested by Phillips and Jorgensen (2002, 21). For this reason, I will try to take their advice and play the anthropologist and distance myself from the material.

7 CASE STUDY OF "E"

In this chapter the case study of E is presented. Firstly, a brief case description is told and after that the story of E is told as a common narrative and that is analyzed. Secondly, a content analysis is conducted. Thirdly, discourse analysis is conducted, based on multiple discourses. In paragraph 7.4 a synthesis is made based on all the above mentioned analytical tools and the setting for the second round of interviews is presented as well as the required deeper literature review.

The initials JL denote the researcher. His position was in the operations and he was at his time a member of the executive team.

TABLE 3 People interviewed for this study

Name	Function	Position and time
OA	Administration	Executive 1999-2003
TH	Administration	Executive 1999-2001
MG	Marketing	Executive 1999-2001
TK	Technology	Middle mgmt. 1999-2001
MB	Marketing	Middle mgmt. 1999-2001
MA	Marketing	Middle mgmt. late 1999-2002
LP	Operations	Middle mgmt. late 1999-2001
MC	Marketing	Middle mgmt. late 1999-early 2001
TM	Technology	Executive late 2000-2003
OM	Operations	Executive early 2001-2002

7.1 The story of E

In all versions of the story of E all names have been converted into acronyms and all references to the appropriate business areas into X as the primary business area and into Y as the second business area.

7.1.1 Chronological case description

Based on five interviews with the original staff of E, there seems to be a common understanding on at least the beginning of the company. Although there seems to be some discrepancies especially with timing of different issues, the commonly agreed story is told in the following narrative.

In 1998 the Finnish company IN (an acronym) and especially its owner OA were in the state that they had the opportunity to invest in some new e-business venture. The parent company was supposed to be sold to a major corporation and the owner would have a major sum of money in the near future. As he was an entrepreneur he wanted to reinvest a good part of his money into new ventures.

A former member of the board of the parent company, TH was asked to evaluate all venture-candidates to the board of IN, in order to decide to which ventures IN would go to. An employee in the parent company, namely JL had invented this new concept to trade commodity-type products within the agricultural industry utilizing electronic platforms. Some of the platforms were been used in other business ventures within IN.

JL had been involved with the appropriate industry some years ago and he knew MG as being his former supplier of the appropriate product. The board approved an initial investment to study the viability of E’s business concept and JL contacted MG in order to obtain feedback from the industry and especially to help him with the initial design of the system. This design was especially for handling the product specifications and other needs that the industry might have. MG was at that time working for an organization, which was formed for the industry to help its marketing activities both in the USA and in other countries. Through MG’s contacts, JL got an appropriate amount of meetings with different industry players, both in Europe (mainly buyers) and in the USA with mainly sellers. In these meetings, JL introduced the concept of E and received very positive feedback and the results were presented to the board of IN, which approved the initial investment.

An organization was formed within IN, in order to create a demo version for the marketplace platform. It included functionalities such as trading, which was a negotiating mechanism. In that, one could put a product for sale, place offers and counter-offers of the product and finally agree on the terms of the deal. The basic features and specifications of most commonly traded products were built in the system as drop-down boxes. Some product searching features were also created, so both sellers and buyers could see what was put out for sale and what type of purchasing requests were on the virtual bulletin board.

The system also included an industry information section where news and other stories of the industry were published.

Some future product features were described, such as handling of logistics, namely booking of transportation and the tracking and tracing of the product and its whereabouts. In addition, there was a plan to include handling of cargo insurance and financing of deals through the system.

IN decided to establish a new daughter company in Florida, since most of the key industry players were located in that state. As it was considered extremely important to have good industry connections, MG was asked to join the company. After visiting Finland and seeing the offices of IN, MG decided to join the company as executive vice-president of marketing. OA asked TH to take the position of CEO and JL moved to Florida in early 1999 to become director of operations. The new company leased an office space and recruited MB to be the sales manager and BH as executive assistant. Some parent company employees worked on a full-time basis for E.

The initial business model was such that E was supposed to facilitate mainly spot trading. Its primary customers were processors of product X and packers of the same product. Processors were located mainly in South America and the USA and packers worldwide. E was supposed to make its revenues mainly from transaction fees, which were charged from the seller, but also a small registration fee was charged. E also had the opportunity to create advertising revenues, but in the budgets only minimal amounts were calculated to come from advertising.

System building was initially made in Finland, by the parent company. The staff of E provided the specifications and there was a technical liaison whose task was to translate the specifications into such a form that the system developers could do the appropriate coding. The first platform was bought from a Finnish software provider, but the customization was done mainly by the parent company.

In the beginning, the majority of accounting was done by the parent company. There was a controller, who made sure that everything was done properly in the US offices.

Sales and marketing activities were led by MG. Sales were organized mainly geographically. E's employees handled US and Canadian sales and Europe was initially subcontracted to a Belgian company, but quite soon E hired MA to be in charge of European sales. Sales in the Far East were handled through a subcontractor located in Japan.

Trade information, banking, insurance, sample shipping etc. were mainly handled through partnerships. In the early phases, E had an editor who collected industry information from different partners and other sources and edited the content on a daily basis. Initially E was supposed to create its own logistics management system, but already in late 1999 it decided to provide logistics services through partnerships.

Not much was told about the early part of E, except that the reception from the industry was excellent and the sales people were warmly welcomed by all potential customers. The main selling point was supposed to be substantial savings for the industry in the form of transaction costs and other processing costs.

In the summer of 1999 the B2B boom became extremely big and soon there was a race among the different marketplaces to "claim territories" for new marketplaces. Also venture capital companies became very active and as an estimate two contacts per week from venture capitalists were received by E's executives to receive money to fund expansion of E to new industries to run e-marketplaces. MG and JL were running the company and TH was officially the CEO, but held another position in California. TH visited Florida frequently where all the management team meetings were held. The spirit of the staff was good and everybody expected to become rich, because all the key people were awarded with stock options.

The executive team tried to convince OA to get more funding for the company, but at that time he was reluctant to bring in any outside ownership. Finally, in early 2000 OA gave approval to the executive team to start negotiating with potential venture capitalists and quite soon one potential company was found and after quick, but thorough negotiations a term sheet was signed and the company received a pre-money valuation of $ 47 million. The deal that was supposed to be signed consisted of money from OA, the venture capitalist firm and two of its customers/investors. In the spring of 2000 the dot-com bubble burst and many venture capitalists pulled away from financing deals. However, in early April 2000, representatives from the venture capital firm and one of their investors came to the office of E. Officially they came to sign the financing deal, but in actuality they informed that they would not sign the contract.

TH left the CEO position but remained as a board member. It was then decided that MG would be the president of the company. MG made some adjustments in the organization and the company tried to create sufficient cash flow in order stay in business. In June 2000 JL left the company and returned back to Finland.

In the fall of 2000 OA finally got the main business of the parent company sold and suggested to TH that he may start working for E on a full-time basis as the President of the company. OA told TH that he would invest $ 10 million in E in order to make it work. OA moved to Florida and he took the title of CEO. Quite soon new people were recruited to be in charge of technology development and also the sales staff was increased substantially. Even though the original office space was increased threefold, they were not sufficient for the growing company. The company decided to lease new office space in the downtown area of the city and the old office spaces were left empty, even though rent had to be paid for them as the leasing terms were fixed for five years. The total amount of people was approximately 30 at its best and a special focus was put on sales and technology development.

At some point in late 2000 or early 2001 the people at E started noticing that the company was making no actual progress. Even though they visited customers frequently and improved the system, only a small amount of products were put on sale and only a few purchase offers were placed on the marketplace. Also other efforts were made in order to activate trading within the system. Those include a major investment in a new logistics system and also a software platform. Most of the efforts were focused on the big customers worldwide, although outside of the USA E's representatives were also active among smaller players.

The company decided to shift focus from the original spot-market approach to that of a procurement system facilitator. It also had in-depth negotiations with a fairly big company S about investing in E and E handling S's procurement system creation. This was not eventually actualized and E continued through its owner's financing.

In late 2001 the company decided that it needed to cut costs and started to lay off personnel. By 2003 everyone was laid off and E stopped operating as an electronic marketplace. As of 2012, the company still exists and conducts other business ventures.

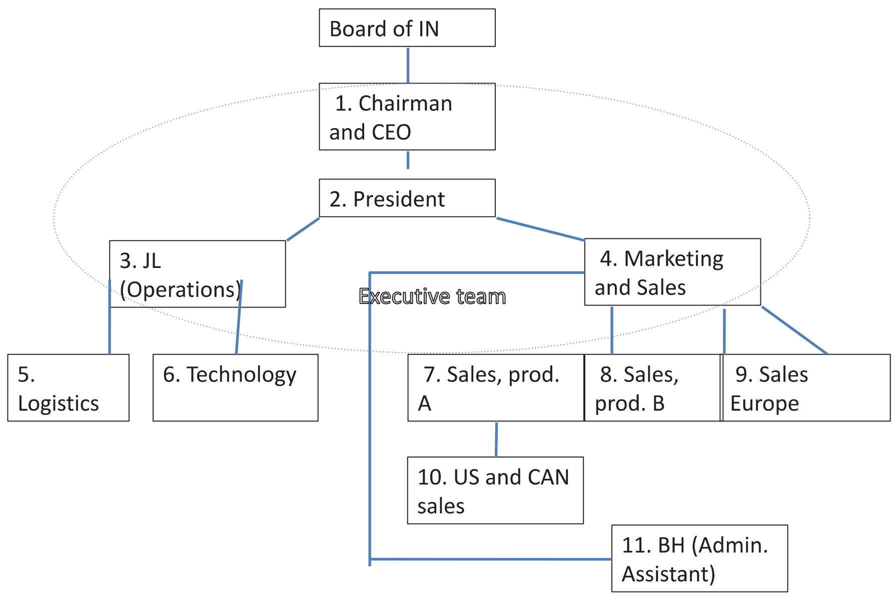

FIGURE 11 Initial organization chart OF E

Initially the organization was basically divided into two functions. GH was in charge of sales and marketing and also general administration. JL had his responsibilities in operations, which was divided into two parts, namely systems development and partnerships and services. TH was the president, but had a full-time position in another state and visited Orlando approximately every two weeks. TH, MG and JL formed the executive team. OA participated in the executive team meetings whenever it suited his schedule. OA lived at that time in Finland.

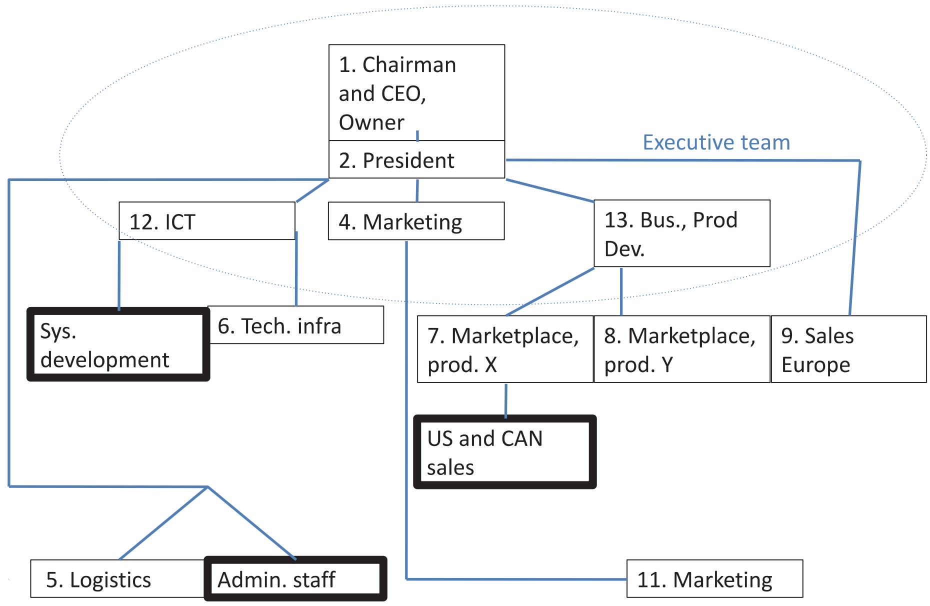

FIGURE 12 Organization chart of E when R was at its peak in size

When E grew, the organizational structure basically remained the same. The duties of JL were divided between two people. TM became CTO and established a fully functional technology department and OM took the business development side. In addition, the operating of the marketplaces was put under OM's responsibility. TH was in charge of the administration and financing. The executive team consisted of OA, TH, TM, MG and OM.

The thicker line in the box indicates several people. In addition, there were outside consultants who mainly reported to TH. There were also some short-term employees that had different positions, but they are not illustrated in this organization chart.

7.1.2 Common narrative

This narrative is constructed from the narratives of the interviewees. Names have been taken away. There were a few respondents who gave a more comprehensive narrative and their versions have naturally more emphasis put on them than those of interviewees who did not tell very much about what took place during their involvement with E.

Before operations started

There are different versions of how the whole thing got started. As TH was there right from the beginning he starts his narrative from the time before the company actually started. As TH was a board member in IN, he was involved with E already during its creation phase. Here is an illustration of how he saw the beginning:

> "Well, so many stories could be told, but I guess it all started when you recommended investment to in, to IN when I was in the IN board, of, aa, of investing in this xX , X market place. And if I remember right the first recommendation was done in the spring of 1998, okay. And then I went to China when OA asked me to look at the, you know, Chinese market overall and asked kind of evaluating all the different investment possibilities for IN after he had sold, sold to company SG and he had lots of money. And a, so as one of the, I had different criteria, I don't remember what the criteria exactly were but in terms of revenue, in terms of potential, in terms of how difficult it would be to execute. Different characteristics. And then I had maybe 5 to 7 different, alternative places where to invest. And what has to be remembered that really the reason that OA got so much money for IN was because of his b-to-b, or his electronic market places. Otherwise it would just have been a small invest, a small investment but SG was going to pay (thinking) a lot of money for it. So there was a kind of a hype of electronic market places or in general electronic, e-commerce and so and so, it probably got much, relatively high valuation and point of potential, and so one of the issues was that there were two places where I recommended that, IN would invest. One was a Chinese business, and a, the second one was this E (marketplace) and you know, that's what I remember, one has to find the report. But, but this was, and really the attempt of that one, my thinking at that point was that we would invest a little bit of money. I don't remember how much but just a little bit of money, in this, to investigate whether or not it's a viable option. And then, the board approved that, and then, you went to Florida."

MG tells about the same but differently:

> "But, yes, you had visited the DC (an organization where MG worked, which promoted the sales and marketing of main product in X market) and we were talking, at that time my thoughts were that something like this went forward and you were able to put out offers to buy and sell over the Internet, and show up in your computer, we wanted to make certain that Florida was not left out in the cold. And I had gone to the executive director at that time and said this is something that we really should look at, because if we leave it to the main competing country, why, we'll be done. It was a very early stage and we were all quite naïve about what to expect from the Internet and what it will be doing. But we all sort of learned together at the same time. So the, the next time I had gone over to Finland and met the people at IN who had the software that you had, you had been, you were working with them at the time, as I recall, and you said you thought some of the functionalities of the software would fit very well with the X business. And you guys asked me if I would look and help you with the design of this and we talked with the software, the geeks, the engineers as to how they were gonna map this out so it's, it was a very useful exercise to sit and work with you all and say laying out "here's what happens in the deal and you want to sell it and somebody wants to buy it and here's all the constituent parts". So it was, it was interesting to me, as a non-specialist in the electronic side, to be able to say, all right these are the pieces of information that have

to go backwards and forwards. And it was very clear to me having been in an X company in the international sale and then back at the DC, so I had an overview of the whole global industry as well, that if you could have the connectivity to put all these pieces of information together in one system and it could be pulled out by, not just the buyer and seller because the buying and selling is, is the easy part, it's very simple, if you already have a customer to say "here's my price it's agreeable, yes it is no it isn't ok the deal is done". The, the savings, really, would come in everybody else who would have to be in the deal in terms of paper had access to the same data that was pretty much determined by the buyer and the seller. So it was extremely interesting to me and by extension to the DC, that they, I went, I remember I went back and explained to them what was gonna happen."

OA is very limited in his expressions by telling:

"So we had certain good foundation to start E from certain perspective. We had in-house software development, software development understanding, we had e-commerce understanding, we had other e-commerce initiatives going on at IN, like (main cash cow) KP online auction, CD and online funding, so we had good understanding from the business point as well. So that was the starting phase and e-commerce was a big trend by that time and we saw that we have fairly good, decent understanding and a platform to go to e-commerce world and make some business, make some business over there. So we started E as a spot market place if I recall right."

TK, who was the fourth person among the interviewees who was involved with E even before it was founded, described the start like this:

"Okay it was started as a project in a Finnish company called IN the idea was to build a marketplace for Y and X industry. After realizing that the biggest possible customers were mostly situated in Florida it was then decided that we would found a company in Florida to be close to our customers and then first the marketing activities were moved there and then gradually also the technical development was about to be moved there. We were trying to build the marketing, the negotiation engine ourselves to be kind of like "let the buyers and sellers of Y and X industry to negotiate with each other" but we were also, we wanted to utilize some existing other services for example related to shipping. Some ext, like existing Internet services to exchange the documents related to the shipments and so on."

The starting phase

Usually it is been told like the beginning of the company just took place, like in the following by MB:

"Well the story of E I think was I think it was an attempt to develop a trading exchange for the international X market. It was a one of many exchanges that were being developed at the time and I think it, at least from my point of view, it targeted a good industry but it had some flaws in that we didn't really recognize when we started out in the business model."

MA's description was also quite straight to the point:

> "As I remember it, E used to be one of the most advanced ideas in the late nineteens where we had a goal of creating a marketplace for the X and Y industry. And the basic concept was to create a system where we would get all the buyers and sellers into a same place to do daily business, without getting the spot markets. That was the basic idea. Then the system were to, was supposed to include all custom duties, transports, stock things for the fruits that needed, whatever, basically, our customers needed to do the daily business."

MC's very brief version of the start:

> "It started out as a business-to-business marketplace for X and the work I did was to develop a step-by-step procedures on how to trade on the marketplace, putting that into a PowerPoint presentation. And then I was hired full-time, I did that part-time and then I was hired full-time to help develop the Y marketplace."

LP also joined E at quite an early phase. In this narrative the beginning was described like this:

> "I remember it as being an exciting venture at the time. I had been working for ship lines most of my career and was offered the opportunity to come on board as the logistics manager in 1999 and I remember it as being new to me but exiting and as much that I was offered the chance to share my knowledge of the supply chain and integration of all of those parties in the supply chain and how we could get that into an electronic commerce business."

Then it was decided that the offices would be located in Florida. MG's version of the story illustrates certain motives:

> "That I remember going over to Finland, in the winter time, and working on the, you know, bringing this into what we thought was a more sellable unit and I remember thinking "oh my good people are not going to believe that an Internet company" that time we really didn't appreciate that you could be anywhere with internet. But to sell this to, to the X companies particularly product XX which is all grown in very temperate climates, to say that the company that was running this new Internet buying and trading system was in Finland and not just Helsinki, at least people knew where Helsinki was, but to be in northern Finland. It was like "oh these guys, oh they understand XX, right their up with Lapland reindeer herders". So, I remember when OA came over, you brought OA and, I forget who else came with him. No it was another Finnish guy, because, you came to Orlando and I remember I met you at the airport and you said "when we left it minus 50" and you got off and it was bright sunshine it was in January in, in Orlando and OA the, into the Orlando, for those who haven't been to Orlando airport it's very tropical and it's very moderns and there's palm trees and water everywhere and OA got off and went "Aaah, this is paradise" which by extension it was. Coming from northern Finland in minus 50 it was just sort of unbelievable and he made the decision and we looked at some office spaces and we took him around and showed him basically the industry. And, he made the decision that, yes it did not make sense to have the company have E itself located in Finland. And it just, there were too much cognitive dissonance involved there you know, "wait a minute, wait a minute, the Finns are really good with Nokia

> phones but what do they know about growing XX or anything for that matter that's out of, doesn't grow in that region" so he made the decision that time, all right he's funding the company, he wants to put it in Orlando and it was shortly thereafter that you guys made me the offer to leave the DC and come onboard with it."

TK who was involved with E even before it started had a more practical viewpoint on the location issue:

> "After realizing that the biggest possible customers were mostly situated in Florida it was then decided that we would, found a company in Florida to be close to our customers and then first the marketing activities were moved there and then gradually also the technical development was about to be moved there."

Other respondents were not involved with E during its first year, so they did not have anything to tell about the beginning.

Blooming phase

After E was set up, then came the hard work. Everybody was optimistic, but still this period of the company was not described very thoroughly; but something was told by TH and MG:

> "At that point I didn't have any role except just consulting in some ways, with E. I don't remember if I had a title or position I was probably the CEO but I were, but I, but I wasn't really day-to-day operations in that situation. And then, moved to, California. And a MG and you really stayed in, kind of charge of the operations, at that point, when I continued as a CEO and, in paper, and traveled quite often to Florida… But at that, that, that was really the height of the of the e-commerce market places. And, a, so in some ways because of MG's contacts and your contacts the concept of E and E's brand, became relatively well known. Actually relatively fast. Because there weren't that many players, in the market place."

He continues:

> "And OA had a good, I mean he had big visions and he kind of was a few steps ahead of the rest of the crowd but he really saw that this was really, really big. That he wanted this to be the global market place where the whole X and Y industry and, and in some ways I'm guilty, and probably your guilty as well in terms of building the numbers to the point that, I mean the calculations for the, for the a kind of potential were probably. I don't think we were dishonest, I think we really believed that that's possible. So, we looked at the total volumes and what kind of volumes and, and getting, and because the pricing model didn't exist so we could put all kinds of pricing models where we get some percentage of some, some kind of volume which in some ways looking afterwards, seems silly but it wasn't silly because everybody, I mean 1500 marketplaces came up with this same model and thinking that well this is kind of solve the problem. But OA really saw that this is, this is gonna be paradise, we all did, I mean we had stock options and we had I mean we thought were going to be rich for the rest of our lives and (laughs). It is interesting because we can look at this one place but there is but it's important in terms of your dissertation, how often this happens that we look afterwards and we think people were absolutely crazy. But when you're in the middle of it and

everybody else is doing it and whether you talk about house, is a housing mortgage loans, now you look at "these people, I mean what were they thinking" and I look back and I say "I mean what were we really thinking" there's the pricing model and all the issues but we saw that there's a transaction, decrease in transaction cost, a more perfect market place where if we can create that we would get some part of it."

MG is very vivid with his expressions:

"At the time even the term e-commerce was brand new. And there, there was a beginning excitement that nothing like it would be a year later when it was dotcom this and dotcom that and money was just flowing like water, more than orange juice. So that was, it was an interesting start and interestingly I had no problem getting people with experience and the expertise that we needed to stop what they were doing with the hard part of, you know, the real XX business and X in general and join E. Everybody once they heard the basic premise and what it would do and of course we were assured, by the geeks, that it absolutely worked "yes it works" and we all asked "does it work" "yeah, oh yes, yes, yes, yes, yes" so that that was really the beginning. People were extremely enthusiastic about doing it was sort of like here's a new frontier and from our standpoint it was "aaah the brilliance of this concept is, it's the last way to wring any inefficiencies, and therefore cost savings, out of the industry". I remember telling people "look, we cannot possibly grow any more that, we're as good as we can get", you get some efficiency's but the cost is now too much to gain any more, the, X side of it. I had been working with WG, and actually at the plant, and I knew there were very few efficiency's left to be gained and how to squeeze the product and turn it into X. The real waste was taking place with the paper work and all of other insularly parts of putting the deal together and watching it and the transportation and just the man-hours and the number of pieces of paper. I think that after we had mapped the process out there were something like 26 separate pieces of paper that could be involved in export transaction. And then when you throw in everybody's time, the cost, secretaries, sales people and we could wring a huge amount of that cost out, the, even starting right with T the top guys at T, at that time the largest, well still the largest brand in the world for XX, understood it instantly "yes that's millions of dollars in savings, that's something we would like to be part of". So that, that really sold me and everybody else in the company on it, I remember thinking, "ooh this is, this is a no-brainer, this stuff works the geeks promised us it worked so it's just a matter of time". Yeah that, that was the beginning …that was the, the really interesting time."

He continued his optimism by telling about the early times:

"The split, in, in all the dotcoms, and I talked to enough people who were in all the other add dotcoms and of course read the other horror stories from the non-agricultural dotcoms. Everybody with product expertise was convinced that this was the way of the future, it was logical, it made all the sense in the world, we assumed the technology was there and, aa, you know a faulty assumption at the time but in reality everything we thought was, was in fact the case. The those, those things will still happen, the inefficiencies are there today they're becoming less so the technologies that are being adapted, keep in mind, this was back when, for us on this side of the ocean, cell phones were brand new. It was the Finns that made me get a cell phone and at the time I remember distinctly that I would turn the phone on when I wanted to make a call and mister JL used to go, "MG is your phone

> working?" I said "yes it works fine" you said "but I've been calling y-y-you don't answer" said "I don't have it turned on" "you must turn it on" and I'm, myself and every one of my generation was of the background that phones cost money and you used them to make a call, you get the information and you hang up. And if you've gone to the expense of getting one of these horrifically expensive cellular phones and remember the phones that we started off with were the size of a brick, a large brick, and they cost a fortune to use "ha, better not stay on the phone, yes, no" hang up. And the Finns arrived with, by the standards of the day, tiny little Nokia phones I'm like "whoa, look what, look at this, this is so cool" but we were, it took me months not to think oh my god I've left my phone on what must the bill be. It was a totally different mindset whereas all the Finns and JL pointed this out to me when I was over there in Finland and you were saying "look, look around", I said "what, what" "see that guy across the street" there was a guy across the street from us waiting for the light to change he was talking on his phone, and he was talking to the guy next to us. And ok "oh my god this is cost effective", here's a guy that can't even shout across the street it's worth it to him to talk on his Nokia to the guy standing next to us like on the other side of this room we are in. So that was a, a real eye opener so it was quite natural that the, the Finnish exposure to the technology side was so much greater than anyone in the U.S. at the time, certainly in Florida and even more certainly in agriculture industry. I mean no one had the technology, so for us it was all new and we made the assumption, we were quite willing to make the assumption, that "oh this is the way of the future."

And one more example of MG's recollections about the early phases:

> "We had started off, we had a grand opening and I remember I had friends there and they came to see it, and the press, we did it downtown in the C Club in Orlando and we had the first ever Internet conversation for the sale of Xx between a buyer here in Orlando, and a sell, no a seller was here in Orlando and the buyer in Germany, I think it was. And we, it much like Alexander Graham Bell and mister Watson, you know, the first message went out, but it wasn't "come here Watson I need you" its "I'm selling ww specifications product Xx at this price" and the answer came back "yes it looks good to me", and we went "woohoo" and I remember a friend of JL's and Mine here in Orlando said "I'm in a room with millionaires, I've seen the future and it works" it was (DS) he was proven wrong unfortunately it was a heavy time for starting this off."

TM came onboard late in 2000 so he saw his beginning naturally quite optimistically, but had an incident on the first day:

> "There was a real opportunity that came out to get in there at, as the Chief Technology officer and try to improve or at least bolster up the technical part of E. So I came onboard and really didn't know anything about X industry. My background was supply chain and automotives, quite different than the X industry. So I got onboard and we had two other people, TK and AG. So over the from the IT side, they were managing the servers and I joined with them and I started to identify what could be done, so once I took a looked at what we have and I noticed that we had some problems with the, some of the servers were having trouble the first day I started, so the servers crashed and then I watched them in agony trying to rebuild it so we fixed that and put a more robust system in. And then I started go out in the field with the sales people and trying to understand how the X industry worked. So

> over time I was looking at all the different contacts we got out to meet with us. Lot of the producers in the X industry, I was actually quite surprised looking at their titles and they were like the directors of procurement and directors of X production so it seemed like they were all the right people and they were telling us what they wanted and of course each of them had different needs."

Others remember in the same way that E raised a lot of interest within the industry. MB expresses it in the following manner:

> "I believe that two things I think that the competitive situation was such that in the beginning people were really interested the institutional players the people with proprietary interests gotten away you know, a sharing exchange idea I think there was great interest in that but I think most of the interest was in what are these guys doing if they're doing if they have a grasp on technology that can make, create more efficiencies in the way we do business then we wanna know about it."

All the above saw the times as being quite optimistic, but as MC was in charge of the marketplace of product Y he saw those times in a different way when he talks about customer acceptance:

JL: How was the customer acceptance to what you were doing?

> MC: "Very slow, lot of the customers were used to, were used to person-to-person relationships and the use of the internet was very limited at that time by the broad range of population."

LP agrees with him in stating that:

> I think they (customers) were a little leery of how it would work because we didn't even have a clear understanding of how it was going to work while we were forming it.

Retrospectively, the owner OA also sees that time in a similar way:

> "It's easy to sell concepts. I think e-commerce is a wonderful topic so it is easy to sell as an idea. It's easy to sell some benefits, customer benefits, end-user benefits, it's easy to manage that on conceptual level and I believe when concept is sold that way everybody says ok, that's good, that's interesting. So I think that is easy and e-commerce is kind of, that's kind of concept that you can sell that fairly nicely to everybody. So on that level I think we got audience."

So, some people considered that everything was going fine, whereas others in quite the opposite way. My own recollection was, that everything seemed to proceed very well, we had a very positive response from our customers and expectations for success were extremely high.

About competition

In business there is always the element of competition. E was considered to be either a pioneer or at least among the first ones within the industry. As TK notes about competition:

> “I didn’t know of any competitor really at the beginning.”

And when asked about later competition, he noted that:

> “Well I along, along the journey so to speak I did learn of some similar services, not necessarily on this very same field but, but similar concepts but for other business fields.”

OA is in agreement with TK about the competition issue:

> “I recollect, my recollections might not be exact, but my recollection is that we didn’t have much serious competition. We could identify some early stage businesses, but no big player.

TH also did not see direct competition as a major threat:

> “I mean of course initially I think we really were the at least the first one, and it think in a, my, my perception now afterwards is that we remained the, almost the only Y, you know, X marketplace, there were several agricultural commodity places, I think that the one big that we followed was this A, I don’t remember what the name was, A dot com, A dot com from S California were very similar thing and they got into X. I would actually say that from a marketing side we did a one heck of a job, because we were very well known as the X marketplace. I can’t remember if there were, were there any other Y, you know, X marketplaces? JL: there were a few TH: but, but they never had any traction in terms of at all but I think we basically had the, I mean S were interested in as T talked to us I mean basically all, and we had, we had some of these meeting with a, I don’t know if you were still there, but meetings with a, with a kind of industry and almost everybody came. It was just amazing to me, in terms of how much interest there was but nobody quite knew how it worked so I would say per say we didn’t have any real, any real competition, there’s not in Florida, the commodity in California, we felt it was competition because their marketplace looked better than ours.”

MG, being in charge of marketing, found some competition:

> “That was the guys remember the British con guy up in Connecticut. Can’t remember, they had hired the former, the woman who had been the former head of T and she was disastrous, they fired her, and she, her golden parachute was like 3 million dollars just for going away.”

MB was in the same function and with assistance remembered something about competition:

> “Competing exchanges I don’t think any of them did any better.

JL: But do you remember any of them?

> MB: "There was AG, three or four really that were trying to compete with us. I don't remember the names specifically right off the top of my head, there was one here in Florida, there was one out based out in California there was one based in Chicago as I recall. And one from Connecticut, the one that this former head of T was leading."

JL: Do you happen to remember the name?

> MB: "Happy trying to provide I can look some of the try to look some of them up and provide them for you. The competition I think they faced the same hurdles that we did because as far as I know none of them are existing. And so I don't think anyone else had the form or the flexibility of the technical in terms of what the technical product was, what the features of the product we I guess you should say that we had."

MC also remembers some competition:

> "For X it was little competitive, operations that I was aware of, but in the Y marketplace were quite a few produce, business-to-business operations that were trying to get started at the same time."

MA saw competition in a broader perspective, but did not recall any direct competitors:

> "Well actually we didn't have competition or quite a lot of competition in the early days we had none and then we got in Europe I was introduced to two information sites which I never considered as a threat to us or competition because they, they went by far the same that we had, one was from R-bank if you remember they had this kind of information site that they wanted to pick up after we had discussed with R-bank at that time and then there came from this German was it SGF or what was this who was in charge of analyzing foods and getting these processed things you SGS or something, something like this where I sat for couple of things so they came up with an information site also and then their site so they kind of caught up with our news for the market. So we kind of delivered ideas to the market and news were the only things, today I don't know I haven't heard what's going in couple of years nothing I used to hear quite a lot when B was still active but they sold their business a year and a half ago so I'm totally out of the X business. But at that time I used to hear quite a lot but that's the only competition I faced in Europe. So we basically had none.

LP did not seem to care too much about competition:

> "Well it was all pretty new, really, so I think it was an open opportunity but I think everyone wanted to jump in there and do it, it was you know, it was the boom. So I'm sure at that, at the higher level I didn't focus on that part of the marketplace as such, I mean the competitors but it had to be tough because everybody was vying to be the first to do an integrated marketplace and be successful at it."

Venture capital attempt

Then started the attraction for venture capital funding. Naturally executive team mainly handled this process, so managers were not that much involved in it. TH's version of that episode:

> "So, a, anyway the, one of the big issues was then to get financing, for this, when one, OA wanted to get the evaluation and all the other marketplaces were receiving, in a, or financing and we had the some California guys, I don't remember their names, who were very, very close to bringing in financing for E. And at that point my plan was to come full-time; it would've been fall of, 99 I guess."

JL: No actually it was in April, 2000 when we had the investors coming to sign up, April 2nd , if I remember correctly, or April 12th .

> TH: "And then the market had fallen and it was, it was right in those days when the market fell, so I mean you can go back and look at that Dow Jones and remember the days. And then but we were still very much in, and the concept was well accepted. We had, technically we probably did not have a product that was functional, even if people had wanted to, work out the market to, or in, or at least it was very elementary, in its way. And then, when the financing fell through, then I left. I went back to California and just said ok, this is, this is not gonna work."

His comments already seem to have some desperation in them. MG told with quite many words about the financing episode:

> "At the same time, we were also being inundated with, that was the hay day of the venture capitalists. These kids today won't understand what that market was like, there were venture capital firms springing up several times a day there'd be a new announcement "here's a 100 million dollar fund" and its being run, basically by twelve year olds, I had to go be interview by several of these twelve year olds out in California because that's the home where all the money was. I remember thinking "these little jerks, don't understand anything and here they are pushing us saying "you gotta grab more space you've only got 2 of these portals and the juice just looks great and fresh is going along well but we need five six, a dozen more of these, what else you got" I remember writing up a piece saying "what other commodities can be traded" and we were talking about having wood dotcom and nuts dotcom and natural rubber that was another one and we were finding stuff that other people hadn't thought of yet. So we had, and this was all driven by the venture capitalists saying " you gotta have more, you gotta have more, you gotta have more, I'm sitting here and we want to give you this money" and of course we were like everybody else we went " ooh we're going to be rich this is so much money there, our options are expanding day by day oh my god" at the same time I did go home and tell my long suffering wife "sweetheart, we are virtual millionaires" I remember you had said "your shares are now worth a million dollars" and I'm going "whoa" because we had gotten an evaluation on the company based on what other companies like that were doing. Now keep in mind, no one was making a dime, not none of our competitors not, no, there was no income coming in, it was from investors and the dotcoms were pouring hundreds and hundreds of millions of dollars into this."

Dark clouds in the sky

In the spring of 2000 Nasdaq crashed and the the so-called Dotcom-bubble burst. This led to a dramatic drop in the general belief of the success of the electronic marketplaces. MB tells about those times as follows:

> "I think the biggest external reason would be first loss of confidence in the Internet in Internet companies to begin with and I think E if you look at the timeline we started when that, well I became involved and we sort of began the public marketing effort of it almost towards the end of the bubble maybe a year or so before the bubble bursted we were very close to that so there was late entry if that makes any sense for a publicly marketing point of view there was early entry in terms of conceiving and building the early model and that kind of thing and that not an internal issue that's a market issue and so I think general economic conditions for Internet companies and the collapse of that market in general and a big impact and I think the collapse of that market wasn't so much to do with the B2B models but the collapse of in general these broader initiatives these retail based initiatives these B2C initiatives that failed cause I can remember going on a time I think I was asked to go and speak in San Francisco and in the room I was talking about B2B models and in the room were all the folks whose companies tried to do B2C and were in shambles and were trying to change their business model and see if the B2B people knew something that they didn't and that was one of my first realizations of how much trouble the whole Internet market was in terms of you know the valuation of these companies to see so many people walk around shell shocked and seeking knowing what I had internally what a struggle it was for us to digest an understand and continue to modify and meet the need of our customer base, to see these folks who had so much more money and had been had lined and sort of things walking around here in the headlights was discomforting to say the least but it still made me feel good cause they wanted to hear what we had to say so think that's the biggest thing also the I don't know the right word for but there was a different view of the Internet between Europe and Latin America and the United States in terms of what it was good for what kind of levels of adoption you had for it and also what infrastructure was in place I mean I think infrastructure from a from a purely external factor that we had no control over the global infrastructure for delivering Internet services was spotty at best compared to what we have today and I think that and I learned that in the travels that I made to Europe and to South America yeah South America on behalf of the company just how disconnected all that was I mean we were all connected by email but email is a simple thing compared to what we were trying to do so I would say the global infrastructure the collapse of the broader Internet market and therefore capital available to the companies like ours at the stage of development that we were in and I think those were probably the two biggest hurdles to be overcome ."

MC's view on those times were in line with MB's:

> "It really never got to the commercial level. We did try some trades, which were kind of facilitated just to see if the system would work and it did work but most people, like I said, were not ready for the Internet and not ready for a business, a b-to-b system."

MG had other issues on his mind when talking about the dark clouds:

> "I can remember, going to a presentation at, it was in town of F what was the big trading company in F, C, it was the C plant in F and we were presenting them, I remember, we were going to be doing a live demo from one part of F, from one part C there in F, Florida, over to Europe their European office, and these guys were very tough. C a tightly held private trading company, one of the largest in the world, in commodities. That time they were big in Xx both in Brazil and here in Florida. And they had they misgivings but they wanted to see it would work and we brought our, our alpha geek TK along just to make sure that everything went well. We had it set up and sure enough we ran the trade and everybody filled in the slots and It showed up on the screen and people going "whoa, it works this is terrific this is what, the way of the future". In the car back it was MB, myself and TK. TK was in the backseat and we were driving along and MB and I were going "we're going to be rich, it works were going to be rich, C biggest in the world they love it ooh I can't wait to get back and tell everybody, tell JL tell OA this is gonna be great, TH's gonna be so happy" and, KK in the back seat goes pretty quiet and TK being Finnish was relatively quiet, big guy, and he said in very matter a fact tones " yeah I'm really glad that worked" and I said "why is that" he said " well the whole thing is just held together with chewing gum and string" and both MB and I looked at each other, I was driving thank god, and I said "I'm gonna pull over", we pulled over it was in the town of F we pulled in this gas station and we both turned around and talked to TK and said "what do you mean chewing gum and string" and at that time(laughing) he said "yeah this system is, is not very robust there's only, there's two guys, two part time guys in Finland who were doing all the work" and MB's, MB's mouth literally dropped open, I've always thought that was a figure of speech but he just went "a, a, a" and I said "TK I, I've been to the office building I've been to, it's a big office building I saw dozens maybe hundreds of computer, software engineers and people running around" and he said "oh yeah, yeah but none of those guys are working on this, it's just two part time grad students" "aaahh". We had very, literally sweaty palms we all did arrive back into Orlando thinking this can't, there must be something wrong, perhaps TK doesn't really understand the background on this. So it, truly we were up against major, major companies, Oracle was trying to make this stuff work. Everybody was, and the other dotcoms and by that time there were probably around a dozen agricultural dotcoms all talking that they have the solution, and everybody had a solution and everybody's solution was sort of the same but sort of different. And they ranged in funding from hours where we probably blew 10 million dollars of OA, the investors' money, in three-year period. And we were the cheapest that I know of there was no one that spent less money or had a better product for that matter, I mean our product was more robust it was better thought out, we, we had more people actually signed up waiting to use it but the, the largest competitor had ten times the funding, they ran at 120 million.

TM realized during a trip to Australia and New Zealand that it is difficult to get commitment from the people within the industry:

> "I got to go with MA to Australia and New Zealand to talk to those customers. We even built what I called a briefcase system to look out our solution, our marketplace solution and started to, we put, we actually put these little brick computers with like three of them in the box, two of them in the box it was like a Linux server and a Windows server and it was funny to go to customers because they were wondering

what it was. They had never seen anything like that and it was basically two little servers that I had plugged up. And the reason we had to do that was at the time Internet did not have a good throughput across the world so if you went down to say for example South America it would be incredibly slow and you try to explain the concept and it would take, at that time it would take probably ten minutes to build a screen and you know in the US it would be done in half a second, so we, that's why we decided to do that. I don't know what the network capabilities were in Australia, in New Zealand, but we took that just to take the risk out of it and it was fairly successful as far as showing them what was possible, but we still didn't get commitment even doing that, we still didn't get commitment from them to put money through it. We had companies like EF in New Zealand, they were very open to e-commerce, they were growing very rapidly they wanted, they did not have a good supply chain. It was a relatively small company even though it was one of the largest in New Zealand. Relative to all the other big companies they were relatively small, but they were very forward-looking and thy thought that e-commerce was like a good solution, but we just really couldn't, by the time that we found them it was towards the end of that time at least what I think investors were getting tired, wanted some revenue coming in. There just wasn't enough coming in so I think it was the time."

Re-focusing

Here is OM's brief version about refocusing from an open marketplace to procurement tool and software provider:

"Same time we had these pilots starting with the big companies and we started to analyse their business processes and trying to understand what is needed and we had pretty good engineers trying to create new software and new tools to our marketplace to fulfil those future needs so we, that was a really mixed feelings from the sales side from the marketing point of view we were cutting the expenses and the same time we increased expenses on the engineering side and trying to create something really fast so. But still you could see that when those big promises and the promising future it's not happening people started to be worried about and, what's gonna happen to me in the future.

TM writes in his technical business analysis about re-focusing attempts through two major software systems:

"D"

Once it became apparent that customers wanted more value than a contract negotiation tool, additional capabilities were investigated. Integration with the D's Global Logistics Network (GLN) was identified to provide visibility to users for managing the large number of shipments. Managing shipments was particularly problematic for the large suppliers. Integration with D appeared to be a way to bring in the large suppliers since integrating any system with D was somewhat difficult. E executives negotiated a partnership with D and the technology staff began to define an interface between the E's X marketplace and the D's GLN to create a third marketplace called the XProcurement Marketplace.

The preferred connection between ecommerce systems was using XML technology. D stated quite blatantly that they had already created XML-based interfaces for other customers. During discussions with D's technical staff it became clear that they had only created one other XML-based interface with a chemical company. Initial "transactions" between the two systems resulted in the transfer of a large amount of non-X related information (chemical properties and material safety information). It became clear that D sales management had significantly exaggerated the capabilities of their system. The interface never worked successfully.

"PP"

Once problems started surfacing with the in-house marketplace technology, new customers and a new revenue source was desperately needed to buy time to correct the problems with the X Marketplace. The lead U.S. sales manager, DB, had previously worked at PP which was headquartered in Las Vegas, Nevada and supplied the large hotels with supplies including large amounts of food (including produce) and processed juice products. DB contacted his former boss and a discussion began concerning the possibility of using PP technology to host the E's Y Marketplace.

PP offered a means to quickly create a marketplace and tap into their rapidly growing, or so we thought, supply chain. TH and I went to Las Vegas to quickly assess the capabilities of PP. I provided the technical assessment and HR assessed the business opportunity. Technically, PP was significantly further along with their technology. They had a true state-of-the-art data center in Las Vegas and they had a significant amount of customers. TH and I recommended that PP be used to extend the Y marketplace. Unfortunately, MC the Y marketplace manager did not agree that PP was a viable solution and subsequently did little to support the PP-based marketplace. To be fair, to break into the Las Vegas resort market requires local presence and a significant level of effort to understand that market. The large foodservice distributors (e.g., SysCo, US FoodService) have captured the majority of that market. Their situation is similar to the dominance that the big X producers have in the X market.

Like D, the PP-based marketplace never made it past the prototype stage."

Downsizing and final attempts to survive

OM tells about the downsizing period:

"And, but then really starting in 2001 the springtime we started to see that its not gonna happen and at that time we also started to receive news from the other marketplaces that b-to-b websites or e-commerce business is fading down and its not gonna meet all the expectations so."

JL: What was the atmosphere like in the spring of 2001, within the company I mean?

OM: "It was of course mixed, we needed to control our expenses, so there were many layoffs, so of course that had a negative effect to everyone, everyone, was starting to be worried about the future."

MG felt that 9/11 was a warning sign for dotcoms like E:

(After he had learned that a competitor had filed for bankruptcy.)

"And I remember thinking, "yes but we're solid, we, we've got, you know, sound Finnish software and our stuff is going to work" and then right after that, literally all this time. September eleventh "bang" we had just expanded into bigger offices and high priced downtown, we'd moved away from our offices where we should have stayed and hammered it out and learned things, we expanded drastically and brought in more software people and more sales people for something we didn't need, we didn't need to sell anything to anyone at the time we didn't understand it. And I remember watching, we all heard about the first plane and then turned the TVs on and saw the second plane hit and we were looking out the windows of this high rise and looking at the planes setting for the Orlando airport thinking "oh my god what if they're gonna hit, what if there's one group of terrorists and hundred planes and they're after every city" we had the grand thought "surely their gonna hit Orlando were a we've got Disney and we're a tall building oh my god should we, should we leave" but within three months of 9/11 we had basically we saw the handwriting on the wall and said "no this isn't gonna work this way" and we started to really that's when we started shutting things down from the standpoint it's probably not working at this stage. That was the I remember exactly it was 9/11 and everything after 9/11 was "oh where getting back to basics" and remember the economy took a huge hit at that time and people were unsure what the future was going to be and the dotcom stuff was like "okay that's so last millennium."

MG explains the basics about a potential deal with company S:

"And we were getting close because we had presented this to the S company and this was a family owned, small but very highly regarded maker of b and c and they been the third generation family name the brand was, was just a top in its relatively small niche. We met them we made a pitch to them in the western food show and their number two guys said this is really interesting we could use something like this technology for our internal processes because we buy a lot of Y, we buy a lot of X we buy a lot of Xx and keep in track of it all and knowing where it's going and knowing what the pricing is a nightmare we've spend a fortune on bookkeeping, this might be something we're very interested in. So we spent a lot of time and we made presentations to them and they made an offer to basically buy in, that, unfortunately came right at the time that venture capitalists were going around millions, millions billions and they were a very conservative hard nose group that said we'll put a million dollars into this joint project with you. 500 000 in cash and 500 000 in our own peoples time and expertise and were gonna work with you hand in glove to craft this system just for S. We could use, you know it would have been a wonderful opportunity for one, bragging rights, here's a top notch company in the U.S. and everybody would "oh my god they signed up with E, we must be somebody". And being fair to ZZ he was not, he did not grow up in the States he didn't know the States well and I remember asking who is S, what are they I think to his mind this was an insignificant small company and the amount of money they were talking about, it was out in the country side in state B going out there with TH and myself and I don't think he thought it was a good deal. I mean all those of us on the sale side were going ZZ do this, this could make us this could really cause now we would be inside a company with all their technical people and we'd really develop something that we could get our hands around. That way we'd prove out the system we'd be the only company out there with a proven system we, learned all the hard lessons but inside away from the praying eyes of others and someone would have paid us money which 500 000 alone would have made, would have been the largest amount of money that any of the dotcoms made who were in the, no one made any money. And others blew to 50, 60, 70, 100 million dollars with, with absolutely no success, we only went to 10 million of OA's money."

OM also remembers some attempts to survive:

JL: Were there any other things like the S deal going on, any other escape routes?

> OM: "We had a couple of them I, I was involved with several venture capital discussions mainly in Finland and then there was a one software company in Finland but that was a public listed, they were also in serious troubles and they were missing a concrete product it was, their business was selling engineering people and doing projects and they were suffering a lot and we approached them that hey we have a concrete product here that could bring you new revenue and it can be copied or multiplied to different industries but we didn't achieve with them."

Closing down

Of course closing down is not a nice thing and people often want to forget those episodes. Still, some respondents have recollections about those times, like LP:
JL: ok, what about what you mentioned earlier before this interview that you left in December 2001? What happened during those times before you left?

> "I remember that we knew that we were not succeeding and that most likely people were starting to be laid off and I can't even remember who was laid off before me but I wasn't the first one to go but I remember feeling that it was inevitable and kind of feeling within the company and these, those people that I spoke with were all disillusioned and realized that we weren't gonna be successful and lost hope and lost our motivation for working so I remember feeling not very connected with what we were doing and not very involved to try to correct it and move forward I just kind of felt like it's not gonna work and I'm gonna lose my job.

JL: So you were laid off?

> LP: "So I was laid off because there just wasn't enough work and so yeah it was very tough and emotionally it was very tough because like I said when we started it was such a challenging venture it was really exciting to be a part of even being laid off I still didn't have I still go the you know I gave a good shot with what chance was provided me but I could have done more and I think had we worked better internally as a group we could have brought out of each other so I didn't walk away feeling in bitter with E but I walked away feeling a letdown."

MA's story:

JL: "Ok, and then you, before this interview we discussed a little bit and you mentioned that at some point the thing was ended so can you remember the ending of the story?"

> MA: "Yeah actually I think that the owner, who we know very well, got scared at the costs. And of course at that time, when he had to move to United States so one part of probably the risk taking was also the problems that Enron had because we couldn't find any financers who would be part of this thing. So he kind of calculated that I've put this and this much money into this and that's the end of the story, which

> was absolutely the wrong decision at that time. Because we had already found connections that started to use the system but there weren't enough of them. And in a sense it came to a shock to me it was just, as I told you before, midsummer, couple of days before midsummer when they decided, TH called me and said "MA, I have bad news we need to shut this down, so you need to shut all the European functions down, that you that you did sell all the goods" and so on and so on and TH stayed at the US end and did the same job over there and this was, in my opinion June 2003."

JL: "Was it that late?"

> MA: "Or 2002 either one."

JL: "I think, I'm not sure, I think it might be 2002."

> MA: "Could have been 2002 because the schedule was that before Christmas it needed to be shut down. So it had to be 2002."

TH tells also about the final times:

> "But AH (a short term sales director) was pretty clever, I mean he came in completely from outside, and after a while looking at he said, "This doesn't make any sense". Not in those words but basically, were not going to get enough money from this fast enough to cover the costs. We were spending, 30 people, we were spending a lot of money, and then the decision was made just to make it into a really small operation and try to accomplish what was there. We moved back to the old office, not to the big side but the little side on that side and we probably had at that point five people left. We let everybody else go and a, and then just to keep the cash flow going I did consulting, I started to do consulting. And I basically said, "at least I can cover my own cost by consulting" so I just started doing consulting."

TK is also very brief in his description of the end:

> TK: "Well, we had been doing that for about three and a half years, at that time, and we, the company and the activities were mostly being funded by OA who was the main owner and aa at that point he apparently came to a conclusion that since there hasn't been any noticeable cash flow in company during those three and a half years and there wasn't any, like obvious change that was coming, then he decided that "ok this didn't work as planned" and he decided to, so to speak, pull the plug."

Heroes and villains

In this section most of the comments are anonymous, as there is the possibility that someone could identify the respondents.

> "Second thing was that I still, even today have a feeling that somebody got scared of a good system that probably or eventually would have screwed up some big players possibilities in the market."

JL: Ok, then you said that the, you felt that somebody wanted to make this thing not work meaning that somebody was against it. Did E or did the system rock the boat and if so, how?

Same person continues:

> "In a sense the system did rock the boat because it brought into the global market a new tool. An absolutely outstanding tool, in my opinion, because it would have been an easy way to handle business and it would have saved money from both buyer and seller. And the reason why I have this thought is that somebody wanted to block this, and is in my opinion, these global big producer companies. I could name a couple of them but maybe it's better not to name them.

JL: If you want to name the company, you can do it because the names will be erased from the thesis.

> "Yeah well I think that honestly so if I say C is in my opinion one of the biggest things or threats that we had, maybe CS some of these companies that used to be on a global market huge players that rule product Xx. So they kind of got scared that their business strategy would have been fail and the reason why I have this feeling is that in many countries in Europe where I travelled and met companies, so the price that (they saw?) was large that was huge depending on how much you pack and what kind of raw material you buy. And in a sense the crappier raw material you had the better price they got all the time, so it was vice versa. So the good product was cheap and the lousy product was very expensive and of course the lousy product gets into these small countries like Scandinavia. So we very, very seldom got good quality products here. And this is what I learned in Israel the same way was in Israel also and I got also some feelings from there because they ruled the European and Far Eastern business so they were too tight with the big players in American and this was, I don't know maybe it's foolish to say that it was somehow corrupted through the big players this market and this is the feeling why I feel that and even today its getting stronger and stronger that somebody wanted to block us out."

Other respondents shared the same idea of big industry players who wanted block E out of the business:

> "I think that it, it opened up the eyes of people to the threat of an electronic marketplace to their business more so than seeing the benefits and again the customers were leery and maybe not as open for giving the information because for what I remember and I wasn't as directly involved with the customers on those type of meetings of gaining their buy in into the business but what I remember is the information they did provide was basic and it didn't they didn't play a really big role in helping us and move forward they kind of stood on the sidelines and let us take a lead and see where it goes but they weren't really participating as much as they should so I think that that was proof that we caused some disruption in the marketplace because they were afraid of maybe what we would do, they were afraid that this would open the door to all their competition to come in and buy juice and trade juice in line and take away business so while they wanted to be a part of it some of them that gained, that helped us they didn't participate enough to make it successful."

Some respondents blamed themselves for what happened and felt sorry, like TH:

> "It was a fun ride. I'm embarrassed about it to be honest, personally, I should have known better. And there were times I knew and yet I didn't say anything. So it's not one of the stellar moments in my career but, but, I learned something so, I think it was a conceptually if, if we had to go back we would probably make the same mistakes, because at that information, with the information we had, and the, the spirit of the times, and OA's successes in this business, it would be very easy to make it again. Afterwards it's always easy to, "no you should know this and you should know that" That's not how it works. But I don't think we did particularly anything wrong except the one thing we did wrong was we stuck out too long. We should have been able to know and pull out. After the investors left we should have said, hey, that's like I, at that point I did say this is not anything, but OA then said, Ok I'm gonna put 10 million of my own money into this and then talked me and talked me into it so. But that could have been, that would not have been a bad deal if at that point we would just said, would have re-evaluated and said, "no its now time to quit". But there's too much inertia, and the inertia is also probably largely personal, OA wanted to move to Florida and nothing was going to stop him. This was one way to have it yeah I mean if that hadn't been the driving force, probably when the financers walked out we would have said "ok let's close this bid". But there was a underlying motive that kept it going I think cause I was ready to quit at that point, said "na, there's no hope" and that's when he made the decision, "ok no 10 more millions, I'm gonna put, I'm ready to put this in" and that's why he talked me into it. And I'm really; personally I'm happy I did it. I'm not, like I said blaming, but of course I feel bad for OA's money, I feel bad for the people who got hurt in the process, and I think that the way we treated. I think there was a time we treated people pretty fairly but in the end I'm not sure that's true. I'm not particularly proud of some ways we treated people, it certainly wasn't my value structure so."

Afterword

Most of the respondents in one way or another commented on the whole experience. Even if the ending of E was not told about in very many words, people still had good memories of E and especially that people learned a lot. A good illustration of them is MB's final comment:

> "No the only thing I would say was it was a great experience it was for me personally it was a broadening experience and I looked back at it today and I have been involved in several things in my life at high level position in both politics and business and where you're trying to make a difference in what's gonna happen in peoples' lives and I think that the work that we did was pioneering and visionary and I think that you know you got to go out there and got to somebody's gotta cut the path through the forest first that person dying of starvation or you know what ever but the path is cut for the rest to come along so I feel good every day for the fact that were on the front edge of that and the rewards to me personally were more than sufficient for the work that we did and for the both financial and intrinsic rewards that I had out of it. I'd like to be a multimillionaire but you know what every day I go and I see something like websites that are incorporating things that we were talking about and I realize what we were doing was significant and we helped change the world."

OM is in line with MB with his afterword:

> OM: "I think it was a good journey we made good friends, in general people were really motivated and committed and it was a very learning, especially for me when, when you have an idea and you have a group of people that can change the system. They can create a software but same time you have customers and you have to understand the need and I was just in the middle where we had a group of engineering's with the great ideas and then I was trying to discuss with the customers to really understanding what are really their needs, how they see in the future and then putting these two groups in together so that we can bring benefits to the customers and, for me it was a great experience."

JL: Okay anything else you want to say before I turn the tape recorder off.

> OM: "Not really, maybe now and then I'd really look in the industry and maybe still there is a change that something like this is still happening."

There were some slightly bittersweet final words from one respondent, as he still believes the company has opportunities:

> "I'm trying to remember the disadvantages that would have been in the system but unfortunately I can't find JL any and I've tried to put a lot of energy of thinking through the years that where the hell didn't we succeed, what the bloody hell happened that we went down in the sense. And the only reason I can see is that the big players specially in the xX wanted to block us out, because neither one of them or anyone of them didn't put any goods into the site it wasn't trusting because the buyers didn't see that something will happen and that's the struggle how I felt all the time and that's why I was probably even pushing too far, because I wanted to have that all the time because that was, if we would have locked one of the big ones to get any stuff, in it doesn't matter if it would have been one of the big Israelis or if it would have been one of the big Cubans or if it would have been any of the American continent players, we would run today. Absolutely we would exist today. Whichever way I think about it because over at this end so how often would people travel today into the factories to look at the products to seal the deals how often would they need to travel."

This comment illustrates the attitudes that people had. Although the person is joking, everyone thought that E would make it, at least at some point.

> "It wasn't my fault I swear to god. I will say this, having told my wife we are virtual millionaires and she said "what does that mean" and I said "we have an options program and the value of those options at our current evaluation we're worth over a million dollars so we're millionaires" and she said "let me get this straight, let me understand" she being very practical "can we spend any of this virtual money right now?" and I made the mistake of saying "oh darling these are, these are options, this is what we're GOING to have" and she said "fine you tell me when we have it and then I'll be very pleased but until then let's not talk about quote options" so yes that's, that was my final word on that I learned a very, very many good lessons through that."

The comment: "it was a fun ride" was expressed by quite a number of the interviewees. Some of them said it during the interviews; others after the tape-recorder had been switched off.

7.1.3 Analysis of the narratives

In this section each individual narrative is analyzed and then a summary of them is done. The individual narratives are analyzed in chronological order, with the exception of TK's narrative, which is moved to the seventh position, since it is an incomplete narrative and thus is analyzed with other incomplete narratives. The incomplete narratives are displayed in the same way in appendix 1. In addition, the common narrative is analyzed and compared with the summary of individual narratives. There are huge differences between the narratives and in some the whole narrative is constructed through multiple questions by the researcher. There is some variation in the questions, but I have taken only those parts that have narrative elements into each individual narrative. The replies that contain solely or almost solely direct responses to the appropriate questions are omitted from the narratives.

As Vaara (2002) notes, narratives about failure are not as logically constructed as those about success. In these narratives this can be seen very clearly. Most of the narratives move constantly from one element type to another and even within the same sentence.

7.1.3.1 Narrative by TH

This narrative is very difficult to classify into the appropriate genre. It has some comedy-like elements; it has very analytical documentary elements and also drama in it. The respondent thinks very carefully of what he says, mainly trying to keep the analytical approach. The narrative has a solid orientation, but is no abstract. In addition, the narrator tries to tell the story of E in a comprehensive way by telling about multiple events and also the emotions of the narrator. The narrative moves from action to evaluation and then to new action. In this narrative the evaluating comments are the longest and in my interpretation also the most analytical. He sincerely seems to try to find also the answer to why E failed during the interview. The person shows also remorse and blames himself a lot. There is also discussion of the resolution and he brings the events into the present more than once.

There are no actual dichotomies, except when he praises and sometimes also blames the owner. However, these are done in different contexts and thus they should not be considered dichotomies. A person can be right in one instance and wrong in another. The narrator has sometimes difficulties in remembering details, e.g. years, but it can be considered normal, since so much time has passed by. The story makes sense all the time; there are no disruptions or alien elements. The metaphors are used to clarify issues and make them understandable. The form of the narrative proceeds quite logically; very often action is followed by evaluation. The returning back to e.g. orientation is purely due to the interviewer's questions and the fact that the narrative is constructed from several parts of the interview.

A holistic interpretation of this narrative shows that it can be considered as a credible narrative, because the respondent clearly has put effort into thinking why E failed and he is not transferring the blame to others but taking almost full responsibility for E's failure. However, there is the notion, to a small degree, that the interviewee did not really have enough power, so therefore some blame is projected to the owner. (see Vaara 2002.)

7.1.3.2 Narrative by MG

This narrative can be classified as a farce or a comedy show performed by a politician. The initial reaction could easily be that a lot of words have been spoken, but without major substance. It is by far the longest narrative of these, but it almost has the shortest action part. The narrator constantly goes outside of the topic to elaborate his point, which is that he delivered, others failed. He takes small events and tells long stories about them, being mostly very enthusiastic. He also uses a lot of metaphors to make his point clear. There is also surprisingly little evaluation in this narrative, especially when its length is taken into consideration. The orientation part is very self-centered and basically the same approach continues throughout the story. There is nothing to criticize in his actions, but others did not perform. The expressions are very colorful and he uses different sound effects to make the story even more intriguing. One interesting point is that he is one of those who claimed he suggested to the owner to shut down operations.

There are no major dichotomies in this narrative either. Some statements can be considered quite odd, especially with regard some factual issues. The narrator has his own opinions, but some of the statements that he has made have been strongly denied by other respondents. Here, MG's claim is mainly referred to: that all major customers had agreed to join E. As nobody agrees with the statement, the purpose of that statement needs to be analyzed. As the interviewee on multiple occasions puts the blame on other people and simultaneously claims that he delivered everything necessary, the comment can be considered as a protection mechanism. Also as the person uses very colorful language and uses multiple metaphors, this statement can be put in the category of metaphors. Interestingly, when the person was re-interviewed he still claimed that 400 major customers had agreed to start using the system.

If the entire narrative is considered, my interpretation is that the narrator tries to hide his true emotions behind all irrelevant stories. The actual substance of each reply is quite limited, but still the lengths of the responses are tremendous compared to others. So in this sense my interpretation is that he is somehow ashamed of the truth and is creating his own version of it in order to protect himself. The story proceeds surprisingly logically, almost as if it was a success story (see Vaara 2002). The credibility of this narrative can be seriously questioned.

7.1.3.3 Narrative by MB

This narrative can be categorized as a documentary. Interestingly it does not have any complicating action part in it, but a solid abstract, brief orientation and the coda, where he brings things into the present. He also uses metaphors on two occasions. The narrative does not actually have any characters and in a way it is quite analytic by nature, even when it does not have any actual evaluation in it.

MB seems to see the reason for the failure in external factors. He analyzes things utilizing this perspective. He did not use time to think about his responses and the speech is constantly very fluent. The whole story is quite logical and metaphors are used to make the point understood. The approach is also quite neutral; he does not blame any person, the failure just happened because of external conditions.

My interpretation is that he sincerely believes that failure was caused by uncontrollable external factors and there was nothing that he could do about it. The fluency and calmness makes this narrative a very credible one as well. It is structured quite logically and if it had had any action parts in it, it would have been even more credible.

7.1.3.4 Narrative by MA

The genre of this narrative can be considered as an action movie where the narrator is the main hero. The villains are the unknown forces that tried to block E from the markets assisted by some people inside the US sales organization. MA was one of the very few who had an abstract in his narrative. He also uses all elements suggested by Labov & Waletzky (1967), but his evaluation is on a slightly limited basis. More emphasis is put on the complicating action, however his focus there is somewhat limited. The interviewee does not tell much about surrounding events, but only of those that affected his work. In addition, his perspective is quite work and task-oriented and does not tell much about his or anybody else's emotions. The respondent also brings the perspective into the present, which is also not so common in these narratives. He does not show that the failure of E has left him with any emotional scars and the approach in his story is quite straightforward. The interviewee implies on many occasions that others were the main cause for the failure and he did many things right. On the other hand, he also takes some blame for the failure, but these comments are usually hidden in subordinate clauses.

There are some internal dichotomies, and also some with other respondents. He claims that E had a good team, but then internal struggles harmed the company. He makes strong criticism against other sales people in other instances, so the credibility of the comment about a good team can be questioned. A good team can have struggles, but a good team does fulfill its obligations, which it clearly according to MA did not do. MA clearly stated that E had created some revenues, mainly through customers that he had acquired, but that others have understated the revenues. Again, this is a question of interpretation as to what can be considered as some revenues. This interpretation question can be the background of this dichotomy. This is the only narrative that strongly pointed out a conspiracy by some major industry players to block E from the business. This issue, that some powerful companies deliberately tried to keep E from the business, has been mentioned by some others as well. Actually, quite a few people commented in their interviews about this issue, but MA's opinion is by far the strongest.

The form of this narrative is very logical; an abstract is followed by orientation, which is followed by evaluation, resolution and coda. The narrative gives me the impression that the narrator had carefully considered his answers and that he believes them to be true. In those senses the credibility of this narrative could be considered high, but the discrepancies with others puts a small question mark against its sincerity.

7.1.3.5 Narrative by OM

OM tells his narrative as a documentary. He constantly has his own perspective and he is the center of the story. His orientation part is quite brief and as he joined the company quite late, he does not tell much about the beginning. Most of his narrative focuses on complicating action and he is always at the center of the action. The evaluation is also quite brief and interestingly he was one of the people that suggested to the owner that he should shut down operations. The general attitude in this narrative is very positive, almost enthusiastic. OM also has a very brief coda, where he still thinks about whether or not a new E would be possible.

Silences in the interview are interpreted to be mainly thinking for a proper answer. There are no points where the text does not make any sense and no actual dichotomies can be seen. He keeps, throughout the story, the analytical and neutral approach. He does not use any metaphors and with different substitutions the basics of the story do not change substantially.

This narrative is also constructed very logically. Orientation is followed by complicating action, which is followed by evaluation and in the end there is a brief coda. For this respondent E was not a personal failure, since he came in so late and all the major decisions had been made without his influence. He expresses issues as he saw them and he does not have to feel bad about anything.

7.1.3.6 Narrative by TM

TM's narrative can be characterized as an autobiography. Almost everything is told from his point of view and he is basically involved in every event in this narrative. TM also has a very brief orientation, which tells about his background and motive to join the company. Most of the narrative is complicating action, but there is quite a lot of evaluation as well. He also analyzes the ending and brings the perspective into the present in his coda. He goes between different elements quite naturally; action is often followed by evaluation.

My general interpretation is that there is a defensive attitude in this narrative. The function that the interviewee represents was one of the main targets of criticism by some other respondents. Also there are some politically correct comments where the interviewee does not want to insult or hurt some other people. He clearly has put a lot of effort in trying to find out for himself why E failed so the analytical touch can be clearly seen.

7.1.3.7 Narratives by TK, LP, MC and OA

These are the four last interviewees in chronological order. None of these narratives can be considered as a full narrative. However, each of them differs quite substantially in form and perspective.

TK

This cannot be called a full narrative. In Gabriel's (2005) classification it can be considered to be an opinion. There is no real plot nor noticeable characters or action. The only action there is, is when he tells that the owner decided to "pull the plug" on the company. Again, it is a very brief statement, but completely neutral. The respondent tells very briefly, without expressing opinions, a very brief illustration on actions by E and its parent company. Interestingly, the respondent also tells about the ending of E, which is not so common in these interviews.

If the elements are assessed, this 16 rows long mini narrative can be seen to contain an abstract, an orientation, some complicating action and a resolution. The shortness of this story implies that the events at E did not mean very much to this interviewee. He has put it behind and proceeds with his life. Throughout the interview the respondent was very open and friendly, but my interpretation is that E is history to TK.

LP

The narrative by LP cannot be considered as a full narrative with a beginning, middle and ending. However, when replies to some other questions are added, there are most of the elements of a narrative present. Also, they are in a logical order with a brief abstract in the beginning. This narrative can be categorized as a proto-story, since it has fragments of stories, but also because it is very emotionally charged. The story itself is not building, but the researcher needs to keep things going with proper questions. The viewpoint is mainly from that of the person herself and in most of the instances even if the question handles an event or external issues, the interviewee refers almost immediately to her own situation. The respondent is clearly bitter and being laid off has left wounds. The bitterness can be noted in the negativity of the answers and that the respondent actually does not see that anything good had taken place. In the beginning, the respondent shows somewhat high expectations towards E, but at some point they are transformed to fears of losing her job. The interviewee would clearly like to forget E and proceed with other things in life.

MC

This very brief comment can be considered as an opinion, since it does not actually have any characters and no real action is taking place in this narrative. Also, it does not give any opinions in the sense that the respondent does not take any sides or stand.

My interpretation is that the interviewee did not want to say everything that he knew or felt perhaps because he lost a good job. He also wants to forget E and go on with life. He lost his job, but it was only a job.

OA

Again, this is not a full narrative as such. It can be classified as an opinion on Gabriel's (2005) classification. There is no actual plot and real characters or action cannot be seen. There can be seen a brief orientation, followed by complicating action and evaluation and in that sense the narrative proceeds logically. The person puts himself somehow outside of the events and is in a way reluctant to answer any questions. He is very careful in taking any stand whatsoever.

My interpretation is that OA left intentionally very many things unsaid. That might be a protection mechanism and by blaming external factors, he can avoid taking any responsibility.

7.1.3.8 Synthesis of individual narratives

When analyzing the narratives there are multiple issues that need to be taken under consideration. In examining silences one must remember that half of the respondents were Finns, whose English language skills cannot be compared to that of native speakers. Therefore, I have partly omitted the pauses by Finns, except on those occasions where the pause shows clear thinking about what to say in the reply.

Generally, there are no or very few dichotomies within each narrative, which can be considered to increase the reliability of each individual narrative. However, all the narratives have a different perspective and there are only a few unifying themes in the narratives. Most of the interviewees tell the story of E from their perspective and emotions are very seldom expressed explicitly. As every respondent was asked to "tell the story of E", it is interesting to note that only one respondent told actually about different meaningful events that took place at E. Naturally, a lot of time has passed between the events at E and the interviews, but I was expecting more stories about different things. Also very few respondents had an abstract in their reply. Implicitly can be noted in that most of the respondents are still very sad that E failed. Most of them seemed to enjoy working for E and they felt that they were changing the world, or at least the way business was conducted with E. The sadness can be noted also in the fact that the resolution part of the narratives is either very brief or non-existent.

If the common genre were to be named, it would be a documentary. Most of the interviewees stuck to the facts and did not focus on vivid storytelling, with one or two exceptions. Most interviewees started giving explanations for why E failed already in the narrative part. Usually, the respondents analyzed the failure of E deeper in those specific questions, but initial analysis started in most cases already in the narratives. Because of that, the contents of the interviews become even more meaningful and the narratives indicated the common sorrow for E's failure as well as the bitter attitudes that a few respondents seemed to have.

The narratives support the content analysis in the sense that there were multiple causes for E's failure and there is no common agreement on a single most important failure factor. In the narratives, the customer-related failure factors are not very much present. They are mainly mentioned only in those answers that deal with the failure of E or how E would have succeeded. The same applies with uncontrollable external factors, so also in that sense the narratives do not contradict with the content of the interviews. The internal factors and especially strategic and people-related factors come up quite clearly in the narratives, which support the content analysis.

Table 4 illustrates the differences and similarities between different narratives.

TABLE 4 Elements of narratives

	TH	MG	MB	MA	OM	TM
Abstract	N/A	N/A	Brief, one-two sentences, but summarizes properly.	Very brief, only one sentence.	N/A	N/A
Orientation	Quite thorough, returns to it later on.	Extensive in length, quite low on substance.	N/A	Two sentences, continues immediately from abstract.	Brief and from his own perspective. Started late in E.	Very short compared to other parts. Own perspective.
Complicating action	Neutral attitude, very thorough, tells about many events. Tries to cover the entire history.	Very brief, focuses on a couple of separate incidents with no general relevance.	N/A	Initially neutral, but then self-centered, covers only a couple of issues.	Straight to the point, focusing on own achievements and general challenges. Still quite neutral.	Perspective we/I gets quite straight to the point, covers some separate incidents.
Evaluation	Constant, keeps coming back, self-blaming. Very analytical.	Quite superficial, not actually taking a stand.	Brief and searches for external causes.	Blames others but also himself, not very analytic thinking.	Positive by nature, not blaming others.	Focuses on his efforts and that others did not deliver.

	TH	MG	MB	MA	OM	TM
Resolution	Brief, but existing. Tells also about events.	Some resolution, first neutral then from own perspective. Claims to be the initiator for the closing of E.	N/A	From external issues to what he had to do, also some analysis.	Brief, claims to be the initiator for the closing of E.	People got tired, basically neutral attitude.
Coda	Some, on two occasions.	N/A	Brief, looks at past events from today's perspective.	Looks back and does not comprehend why E failed.	Very short, still hopes that a new E would be created.	Politically correct, expresses gratitude and highlights learnings.
Metaphors	Uses in other instances in the interview.	Numerous, uses to make story more colorful.	Two, illustrating the efforts and exhaustion and pioneering.	N/A	N/A	N/A
Other notes	Reasonable replies, does not get excited. Very positive and curious.	Lots of irrelevant storytelling. Very long replies, almost no breaks.	Positive by nature, analytic in other parts.	All parts in short story, no metaphors, and replies not very extensive.	Quite factual.	Very long replies and many elements in a single reply.

	TH	MG	MB	MA	OM	TM
What is missing	Abstract, narrative itself is comprehensive.	Abstract, coda, most of events.	Orientation, complicating action, resolution No events told, no emotions.	No mentioning about general events, or emotions.	Abstract, coda, general events.	Abstract, metaphors, also general events.
Language and expressions	(Finnish origin), quite colorful and vivid, thinks during replies	(US origin), verbal champion, very colorful and vivid, enthusiastic	(US origin), very factual and calm and "teaching"	(Finnish origin), very fluent and focused	(Finnish origin), fluent, thinks before replying	(US origin), very fluent, tries to be analytical, but is politically correct with expressions.

	TK	LP	MC	OA
Abstract	There is actually an abstract, which is about one sentence.	There is a very brief abstract, a few words.	N/A	N/A
Orientation	Orientation and complicating action are basically in the same sentence and they are hard to separate from each other.	Orientation is also only one sentence, focusing on the person.	One sentence, blunt.	Very external, things are told like they were outside of the narrator.
Complicating action	Orientation and complicating action are basically in the same sentence and they are hard to separate from each other.	Complicating action focusing on tasks, very neutral.	A few sentences focusing on tasks	Very brief and not telling anything about events.
Evaluation	N/A	Evaluation is by far the longest part in this mini-narrative. It is bitter by nature and also transfers the bitterness to others' perspectives.	Blunt one sentence evaluation.	External approach.

	TK	LP	MC	OA
Resolution	Factual and absolutely neutral.	Tries to be neutral, but disappointment can be noted.	N/A	N/A
Coda	N/A	N/A	N/A	N/A
Metaphors	Resolution is in a way a metaphor.	One common language metaphor.	N/A	N/A

Other notes	Extremely short-worded	Relatively short expressions, attempt is to be factual, but shows emotions..	Very blunt, person is also very quiet by nature.	Very careful with expressions, thinks long, short expressions.
What is missing	Evaluation, coda, most of events and emotions.	Coda and basically all events. Positive things missing.	All events, resolution, coda, emotions.	Emotions, resolution and coda. All events.
Language and expressions	(Finnish origin), Simple expressions, no elaborations.	(US origin), thinks carefully and uses simplistic expressions.	(US origin), short sentences, blunt, simplistic.	(Finnish origin), very simplistic expressions, some challenges.

7.1.3.9 Common narrative

The common narrative is quite positive by nature. This is in a way surprising as the company failed and people were laid off. It is also slightly contradictory with individual narratives. On the other hand, when I was constructing the common narrative, I took all different relevant events from ten narratives, or mini-narratives without trying to take any stand. That can lead to an aberration between the common narrative and synthesis of individual narratives. There can be seen signs of sensemaking, i.e. people are trying to comprehend the failure of E and reflect it in understandable terms. Some people use quite a lot of metaphors; others stick to the facts as they remember them. The metaphors can be assumed to be part of the sensemaking process.

There is actually only one almost complete narrative of E's events and another one with multiple, but irrelevant events. The first one has a very analytical approach, trying to identify why E failed while the story is been told. He constantly wants to verify details and thus gets more time to think and analyze events. There is another person, that paints a picture of himself as a hero who did everything right and was let down by other people. He tells multiple stories about single events, but to my understanding they did not have any major bearing on E's destiny. Throughout the stories, that person is trying to boost his own ego by blaming others. He is also claims to have achieved things that were strongly denied by other people that had knowledge about those issues.

None of the narratives tell anything about the daily life at E. All the stories are related to some special events, but since about 10 years has passed since the events, the exact details are not really remembered. As I was working for E until the summer of 2000, I would have expected more stories about the venture capital attempt and the deal that was almost completed. In particular the executive team but also some other staff members worked very long hours preparing material for the financing and people had extremely high hopes for the deal both at the company level and also at the personal level. One other point can be noted: in both longer narratives very much is told about the early phases, e.g. in MG's narrative there are about three pages of transcribed text about the first year of operation and less than one-third of a page about the final year and closing. My interpretation is that the closing of E has left some wounds and therefore not much is told about those times. In addition, generally negative things are told in a much shorter way than positive things. About strictly negative issues, nobody uses any metaphors, but positive things are often colored with vivid metaphors and other stories.

7.2 Content analysis of first round of interviews

The first round of interviews included five people from the executive team and five from middle management. Among the interviewees were the owner of E and also the president of the company. All others were very actively involved with customers and naturally the president of E did interact with major clients as well. Out of the ten, four people could be considered to be within the marketing function or their work duties were mainly marketing-oriented. Two people were from the technical side of the company. However, they both very actively interacted with customers. Two people were officially from the operations side, but there was actually a very thin line between what people actually did, so most of their time was spent with customer-related activities. Almost everything can be considered to be related to marketing in one way or another, especially with what E was trying to do. Nine people were male, one female. Five respondents had Finnish origins and five US origins. Only three US interviewees had previous experience of the industry and one close to the industry.

7.2.1 Failure factors

In this paragraph failure factors of the case company interviews are illustrated. Each failure factor that is been told by more than one interviewee is discussed as well as those that some of the interviewees found most important. I counted in each interview how many times the appropriate factor was mentioned in the context of E's failure and those numbers were analyzed along with the two factors each respondent mentioned most often.

Interestingly, with regard to what a person mentions first as to why E failed, there is a clear difference between the opinions of Finns and Americans. The first and second factor that the Finns mentioned in their comments were two of the most important factors, but only two of five Americans mentioned the first factor as being crucial.

7.2.1.1 Business model/concept and implemented strategy

In total, eight people mentioned that E failed because of reasons related to the business model or the implemented strategy. The total amount of mentions was 34. However, one person felt extremely strongly about the flaws in the business model and expressed it 15 times during the interview. Three people found that the biggest failure factor was the business model itself. All of them were from the top management, one being the owner. One person considered that the implemented strategy was the main reason for the failure. There were some slight differences in their comprehension of this issue: the president thought that E could not demonstrate the benefits to the customers and thus leading to a value gap. The other member from top management considered that the business model was not comprehensive enough in order to serve especially the larger customers. Both of the interviewees came back to this issue several times and used very strong expressions about this matter. It also seems that both of them wanted and tried to solve the problems about the business concept but were unable to find the proper solution. Both also seem to be quite disappointed about their lack of skills to solve the issue and try to take part of the blame.

The owner tied the business model issue to timing and especially to the e-commerce hype and that because of it E changed its business model to e-procurement. In addition, he did not see any competitive advantages in E's business model, especially in the latter part. He considered the initial business model i.e. spot-marketplace to be a very solid and sound one. Rosenzweig, Laseter and Roth (2011) disagrees with this opinion by positing that failure rates among such B2B marketplaces that provided solutions for supply chain management were much lower than of those that facilitated mainly transactions. Still, there were doubts within the organization like these comments below from the president:

JL: How did, how did it became? (How did it become obvious that E would not succeed?)

> TH: "Just, in the sense that, that even though customers were conceptually interested in the concept of decreasing costs, that working with a neutral marketplace for them was a bit of a, it seemed difficult, because it was still, even though it was a major commodity, it was still a very narrow place for them. So it was, we would have had to have a whole bunch of these marketplaces and how do we work, so we could not get any attraction. We were always welcome, but we could never get anyone to move anything and then by force we had a few trades that we did outside of the, the marketplace and put it in the market place so that we could say that we moved the thing but it wasn't really, the system wasn't really working so. Now afterwards thinking it was a bit embarrassing, actually, but that's how it worked but ZZ wanted to pitch in sales and he, he invested in sales and sales and sales but the, the reality is that there was a real value gap in the sense that what we promised and what we could deliver. And, a, the, the savings that the customer could gain in this value was not what we promised. And if you think about it there were really three levels there was there is a pretty good book actually called "prime solutions" and there they defined kind of three elements of the value gap One is that the product doesn't do what you think it should do and in E, it didn't. And a, remind me to talk about the logistics thing, because that's rather significant on the history, but it didn't and a, second a, customers couldn't implement what we had so our, our interface and our customer uses, we never got to the point that customers actually were able to use it and so third problem in terms of customers' expectations on the value were not met.
>
> And I'm not sure that if I'm really honest, that I'm not sure that we had a business model were we could actually even simulate the savings for the customers, with a system that we had that would have been significant enough for them to see that, see the benefits so, maybe. That's just how I see it."

The CTO considered the business model as being one of the failure factors, but it was not at the top of his list. He considered that the business model was not comprehensive enough in order to serve customers' varying needs. Almost the same opinions came from X marketplace director and the logistics manager. Both of them thought that the business model was not comprehensive enough to serve the demands of the customers.

In the business model discussion especially the insufficient value that E created was brought up. It was mentioned that E came up with a solution that nobody had initially wanted. There were claims that the problems that E was trying to solve were not at the top of the minds of E's customers. As Hultén (2011) notes, value is easier to demonstrate when a buyer has identified a problem with a current solution. Companies have high expectations for value added when they adopt a new product or service. Many respondents felt that the features E provided initially, namely trading etc., were not meaningful enough for especially major customers. There was apparently a mismatch between commissions charged and value created.

One supporting opinion came from the technical liaison, who thought that the change for the customers was too large to comprehend and thus led to the failure. This can be understood also as the business model not taking into account that change.

The European sales manager found flaws in the business model in the sense that the earning logic was not good enough. E should have created also other means of making money than just trading commissions. On the other hand, he also mentioned that when he gave the access fee for free to some clients, they were more willing to test the service and later became customers. In contrast, he also found the business model in general to be the primary success factor. As one considers the contradiction, there is actually not that major incongruity. The earning logic is only a part of the whole business concept and can be improved or altered. Still, the business concept or model can be the same. One of his colleagues from the US side also found the business model to have been the primary success factor.

One thing that also came up in the interviews was that not all people supported the chosen business model and strategy that focused on serving solely large customers. They chose not to implement the strategy and business model the way the top management had intended. This could have caused confusion among customers, since in the business almost everybody knew each other and word of mouth was an effective communication medium.

There were at least serious discussions within the executive team about the strategy of the company. It was the majority that decided that E should focus on serving large customers instead of small and medium-sized companies. Their view is supported by e.g. Brunn, Jensen & Skovgaard (2002, 290) when they claim that in order to get a good start an electronic marketplace should focus on key players in an industry. Rogers (2003) discusses about influential opinion leaders that can attract new customers to a system and thus speed the adoption process. The researcher was on the opposite side in this matter. As Ordanini, Micelli and Di Maria (2004, 282, 284) state, certain features were especially important for smaller firms, such as information content and that the transactional features were beneficial in fragmented markets. Apparently, the market that E was operating in was not fragmented enough. One comment about this issue was as follows:

JL: “OK, what about the strategy of the exchange, or E I mean? To my understanding the company targeted mainly for the big companies?”

> MA: “Well I looked at it differently, because to me a customer is a customer if it’s outside a system or if it’s inside the system and very often to lock the big ones takes a hell of a long time. And if you lock the small ones the big ones will come automatically. And I changed the strategy without asking anybody because I realised that who are the most or who are the ones that mainly need help for sourcing so I kind of changed the strategy into things that ok a small one needs to struggle to survive and they want to become big one day so I just, I said the crap with the big ones take the small ones. And that’s what we did and that’s what we even found success at that stage.

One point that was mentioned by a few respondents was that E was pushing heavily the sales to new customers. Apparently, there were some different opinions within the executive team, but the company was proceeding with that tactic. The respondents who wanted to lessen the efforts in sales tried to increase the resources for system development. Parthasarathy & Bhattacherjee (1998) posit that instead of trying to push for new customers, companies should focus on servicing the early adopters better and thus increase the usage of the online service. Horsti (2007) seems to agree with Parthasarathy & Bhattacherjee by stating that at least in B2C portals should focus on controlling and managing their communities. This can be interpreted as meaning that the major focus should not be on obtaining new customers.

7.2.1.2 System development

Two people from the top management found the problems in the system development to be one of two major failure factors for E. The EVP of marketing put all the blame on system development and tries to show himself as the hero, who did everything and accomplished everything but was let down by the ICT department. Also, the president found problems with meeting the customer needs with the IT solutions that the system development could produce. Both interviewees keep coming back to this issue several times, but the EVP is stronger with his opinions. He also uses colorful expressions and metaphors to stress his point. Here is an example:

> MG: “There was a lack of understanding of what was necessary technically. The, again sales and marketing side, boom, it was it was an easy sell you just had to get out there and explain, we explained it very well and we had no problem getting people to understand what was gonna happen and what the benefit was. Everybody saw the benefit everybody bought into it and said how fast it will work. I remember distinctly though, when I said we’ve done all that we can, I went to WW and ZZ and I put it in terms ZZ had some issues with language and understanding things, learn to speak more Finglish if you can and I put it in terms of, cause ZZ liked cars and being a FP by former profession he understood cars and motorcycles and I said ZZ think of it this way, “you got a really sharp looking car, looks like a Ferrari I mean it’s just boom its terrific and the inside looks great you sit it it and you turn the

> engine on and it goes vroom, vroom, vroom, but you step on the gas and it don't go, because our system is like that, everybody likes it they've all signed up their all going when's it gonna work, when's it gonna work because they wanna drive in this car because they know oh boy I wanna be the first one in I wanna make a ton of money if we do it", and I said "but our car doesn't run" there and there is and the engineers then said, "oh there's no way given our current state of information that we can make the drive dream work". "It looks like we have it its immaculate everybody likes the way it looks we like the way the seats feel we like the noise the engine sounds great but we can't get the power from the engine to the wheels and it, till we do this line of people we have, waiting to buy it aren't gonna give us the money they've all put their name on the list and they're, their just elbowing each other and can I be first can I be first and were not there". And I remember we did a test just before I left I said lets cause I had said "look ZZ this system it doesn't work " and our chief information officer at the time what was his name yes he was adimate, yes it did work. By this time he was in America and he was absolutely adimate "yes it works" and I said "oh does it" and so rather than go round and round on what is the definition of working and not working because sales is different from, it's like being in an orange juice plant, there's production and there's sales, and the sales says "give me something I can sell" and the plant says "sell what we make", "but they don't want it" "well make'em want it" it it's a never-ending you know chasing of tails."

Here the blame is clearly put on others and the respondent claims that his department did its job properly.

Part of system development is the usability of the system. This was mentioned only by the EVP as a failure factor for E. However, one can raise a question about the training skills of the sales staff.

Surprisingly, they are somewhat supported by the technical liaison who considered problems in system development as the fourth most important failure factor.

CTO also admitted that there were challenges in the systems development, but he considered it also as a communication issue; system developers did not get enough feedback and guidance from sales people.

On the other hand, two people who were in the sales/marketing department considered E's technology and technology development as a success factor. The other one emphasizes more of the technical features, but they are created through technology/system development. On the other hand, when asked about integration between different systems, i.e. major companies' ERP-systems, he mentioned that there were problems in achieving those goals. Still he did not consider this issue to be a major failure factor.

In all, it seems that E had some challenges with its technology development. This issue was mentioned on several occasions by almost all interviewees, but the magnitude of this issue is not quite clear.

7.2.1.3 Execution of sales

Execution in general and especially execution of sales was considered a major failure factor. What is surprising is that a sales person considered this as the primary failure factor. He comes back to this issue on several occasions and in a way wants to take part of the blame for the failure of E. On the other hand, he puts more blame on other sales people, but still considers his own performance as unsatisfactory. Here is an example of his comments:

JL: Ok, why did the company fail?

> MA: "Well most of the reasons in my opinion why we failed is that in the most important market area where we were supposed to have good sales we didn't have that sales, we couldn't convince the customers to put goods into a system because we had locked quite a lot of buyers who were kind of expecting to get the things to buy."

As mentioned in the previous topic, the CTO considered the efforts of sales staff inadequate in the sense that they could not bring the necessary feedback and specifications from customers.

The technical liaison's primary failure factor "major change for customers" can also be interpreted as a poor execution issue. If the sales function can demonstrate the benefits and help the customers to adapt the change, it has performed satisfactory.

Problems in execution come up in several interviews, but in most cases they are not actually considered as a failure factor.

7.2.1.4 Domain expertise

Previous studies show that domain expertise is an important success factor for an electronic marketplace (e.g. Rovenpor 2004). In E's case there are conflicting points of view about the domain expertise within the company. One respondent that had been working in the industry claimed that E did not understand the needs of the industry and thus lacked domain expertise. On the other hand, another one with previous experience of the industry claimed that domain expertise was the primary success factor for E. The lack of domain expertise is supported by other top management respondents. The other one was quite blunt about it whereas the other used more diplomatic expressions. The CTO mentions that E should have had board members from the industry, e.g. former top executives. On the other hand, E made some attempts to increase domain expertise, by hiring brokers from the industry to assist in the attempt of disintermediation.

The concept of domain expertise can also be thought of from the point of view of strategy of E. The initial strategy was to aim for the big customers in order to attract sufficient volume. On the other hand, quite a few respondents challenged the strategy claiming that smaller customers brought better and more results. One can think that a person with proper industry expertise would know that the concept of E would suit better smaller companies. The strategy of E was mentioned in several interviews, mainly by the middle management. One can assume that with the top management being responsible for the strategy of the company they might be reluctant in criticizing their own actions. In a way it is surprising that the owner criticized the strategy to focus on large customers. According to him the change from the original business model to e-procurement was a mistake and was caused by external valuation pressures.

Also the lack of domain expertise can be seen in the poor value proposition and incomprehensive business model. Again it is logical to think that with sufficient industry expertise the business concept would have been designed in such a way that no gaps in value proposition would have existed. On the other hand, there were only four people that had past experience in the industries that E served. One was in an executive position, two had middle management experience and one had been involved in trading with the products and his experience was limited. In addition, one person had experience in a related business; namely logistics, carrying the products that E was handling.

7.2.1.5 Internal issues and corporate politics

In total, five people mentioned internal issues and struggles as failure factors for E. Two interviewees considered internal struggles about strategy and other issues being among the two most influential failure factors. These issues were discussed more deeply by one interviewee but due to a request by the respondent more detailed analysis of those will not be done in this study. The respondents also discussed about spending habits and where to put the money and where to invest. In the beginning, E was under a parent company in Finland and one interviewee felt that there were people who were jealous towards E and thus tried to hinder the company. One thing that was mentioned by a few people was a lack of consistency. At some point it seemed that the company changed directions and emphasis areas almost on a weekly basis. However, this issue was said to have resulted in E being behind the competition, not actually in its failure per se.

One person from the middle management considered internal issues as being the most important factor for the failure. In that interview, the respondent strongly criticized the top management for keeping the people at the lower levels in the darkness and also there was siloing within the organization. Baumard & Starbuck (2002, 294) also came to the conclusion that deficiencies in communication were one cause for the failure of one of their case companies. Cooper & Kleinschmidt (1995) suggest that cross-functional teams are more effective and produce better success and profitability in new product development projects than organizations with single-functional silos. As E could be called a start-up, since it had not established its position in the market either revenue wise or functionally, this comparison to a product development project could be considered valid. In E, some departments kept all the necessary information within the appropriate organization and did not distribute the necessary information. This is in the person's own words:

JL: "Ok what about the issue of trust, was that some kind of a factor and if so what kind of a factor?"

> LP: "Yeah I definitely believe internally and even externally but there was the unknown the feeling of not everyone being on the same page and not all the information being shared perhaps equally. Personally I never felt completely aware of everything that was going on even at the level that I should have been at I don't think I had an opportunity to really share some of my knowledge and get deeper involved. Only because we were kind of split in little subgroups in doing things you know working on things and I feel that the sales side of that time was more promoted, really working hard with the sales and the customers and getting everyone on board before we got the foundation right and really showed that we could connect these little parties in the supply chain because so I think there was internal struggle where to focus efforts and I believe they focused more heavily on sales and outward communication and internally we struggled with coming together as one group that could provide a solution."

The problems in the internal communication was also raised by CTO, due to not getting sufficient information from the sales department.

Apparently there were internal struggles at least within the sales organization. They might have been personal issues and are not mentioned very strongly. Also, most of the respondents stated somehow challenges in the internal atmosphere, but did not want to discuss those issues any further. It can be assumed, that as people were laid off, it created some negative feelings and that can be seen in the interviews.

7.2.1.6 Thin capitalization and valuation of the company

Altogether seven respondents mentioned the issue of ownership and the lack of financial resources as a failure factor. However, nobody mentioned the issue more than twice and generally it was not considered to be a major failure factor. One respondent mentioned the lack of capital resources. Interestingly, he mentioned it first as the primary failure factor, but never came back to the issue. He also stresses that the company could do what it wanted, but since there was only one owner, his risk-taking ability must have certain limits. Capitalization comes up in other circumstances, mainly when the respondents were telling the story of E and why the owner decided to shut down the operations. Even then, they described the situation as being a quite logical one; the company did not make enough revenues in order to cover its costs. When the company was shut down the owner made sure that all the staff received their salaries and things were handled in a civilized way. Thin capitalization is mentioned in another way as the owner's high valuation expectation. E was negotiating with venture capital firms in order to get a major capital boost and also with a very well-known company within the industry to try to obtain their capital investment and participation in the development of E. This capital issue is mainly discussed by top management representatives. One middle management respondent was sad when E could not receive external funding because of Enron and other external events. When valuation issues were asked from two respondents from the middle management, they claimed that they did not know those things so they could not say anything about the issue. One middle management representative considered thin capitalization as a failure factor, but did not consider it as a primary cause.

The owner also raises this issue, but in the way that external valuation expectations were a main factor for the failure of E. He also claims that his expectations towards company valuation were initially very modest, but later became higher. The owner's comment can be seen in this part of the interview:

JL: "Was there any financial expectations or market-share wise expectations?"

> OA: "When we started, the expectations were modest, but when that e-commerce hype hit us maybe we had fairly high expectations and we may argue if those were reasonable and if those were valid."

JL: "Yeah, that was the time.

> OA: "But at starting point I believe expectations were modest."

Another staff member puts the valuation in the following perspective:

JL: Why did E fail?

> MB: "I think to some extent I don't think it was in the hands of the people that were managing it or conceptualizing it I think I believe it failed in the end because the valuation expectations of the owners a where not what they were what he had hoped they would be and I think he was unwilling to compromise that valuation in order to bring partners to the table that might have inherently increased the valuation because of who they were and the fact that they were partners."

Earlier he talked about the valuation of the company in the following way:

JL: "Okay if you think about the expectations, I don't mean your personal expectations, but the owner's expectations and the company expectations. What do you think they were in the beginning?"

> MB: "I think the owners expectations in the beginning were that he would be able to recognize greater value than in a non-priced environment that when he expected a greater value that when the pricing finally became to the value of the company that it wasn't as great as he had hoped it would be. And a so that I also think that would be his expectations were that the X piece was only going to be one part of it and we were going to build these for many various areas and this was going to compound the value if that makes sense."

7.2.1.7 Lack of commitment from the industry

This issue came up one way or another in every interview. Some interviewees stress quite strongly its importance in the failure of E, others only mention it briefly and do not consider it as a failure factor per se. Still there were in total eight mentions by five people about the lack of commitment or different needs leading to E's failure. It is commonly agreed that E raised very positive interest and at least officially many companies expressed interest towards new ways of conducting business. Most of the respondents accounted for the failure to capitalize on the interest to concrete actions as being due either too small benefits for users or system failures or varying needs by different companies. One aspect in getting commitment from the industry is that as the marketplaces were quite a new phenomenon, companies found it hard to choose which marketplace would be the winner. This was mentioned by some interviewees and supported by previous literature, e.g. Standing, Standing & Love, (2010, 45, 48).

The issue of lack of commitment can also be viewed as a problem in the business model. This was mentioned by the owner. When the value proposition is incomplete, one can assume a lack of commitment by the industry. On the other hand, some interviewees claim to have conducted numerous transactions through the system while some others claim that no such transactions took place. In latter interviews this view changed a bit and the person stated that some transactions were completed through the system, but they did not have any significance. This is a natural challenge in a case, which happened almost ten years ago. People's memories tend to fade over the years.

Some interviewees claimed that there was some commitment from the industry, especially among the smaller players. There is also a contradiction when one interviewee claimed that there was commitment on the buyer's side of smaller players and another claimed commitment from the seller's side.

7.2.1.8 Relationships

Previous studies indicate that the relationships between buyers and sellers have an impact on the success of an electronic marketplace. This was quite strongly supported by two interviewees and the topic was mentioned in several other interviews. Again, relationships were still not considered by other respondents as a failure factor for E, but they were noted as the industry standard way of conducting business. A representative from the sales department reminded that all the major contracts are negotiated face-to-face and that this type of dealing involves personal relationships. The marketplace director for product Y considered the existing relationships to be one of the most important factors for the failure of E. He claimed that the relationships are so enduring and tight that nobody wants to jeopardize them with an electronic marketplace. This is in line with Canavari et al. (2010), where they claim that company networks in the agri-food sector are very stable, which can be interpreted as meaning that the relationships are established and also often close. Here is an example of the respondent's comments:

JL: "But did the company do something, in a way, so called wrong?

> MC: "Probably didn't have people with enough good connections within the industry, like I said, it's a very small and closed industry that rely on relationships. If

> you got some big name buyers and sellers in the program that might have been better.”

This also illustrates how interrelated different factors are. Domain expertise is connected with relationships and that again with the diffusion of the whole concept, i.e. commitment from the buyers and sellers in the marketplace.

7.2.1.9 Security and trust

In this section all aspects of security and trust are illustrated. Also concepts of information security and technical security are combined. Trust and security were mentioned by eight people as E’s failure factor and three considered these to be among the two most important failure factors.

E had challenges in multiple aspects of trust. Some considered the ownership type being a main component in the concept of trust, i.e. an outsider having proprietary information about companies’ prices and purchasing volumes. In addition, the company being owned by a foreigner was considered a factor in the lack of trust. According to the respondents, both industries that E served can be considered as very conservative ones and thus outsiders are considered as elements that cannot be initially trusted. Apparently this was not initially taken into account sufficiently as Canavari et al. (2010, 326) posit that Scandinavians represent feminine society that tolerates uncertainty and everybody considers data sharing and transparency benefitting all members in the network. One person puts the trust issue quite bluntly:

> MC: “They didn’t trust electronic marketplaces at the time.”

Trust in technical infrastructure was mentioned by multiple respondents. Apparently E did not have, at least in the earlier phases, sufficient security measures in its servers and that was a fear indicated by some respondents. According to the CTO, measures to improve data security were taken in 2000 and that should not have been a problem in the latter phases.

One respondent felt that E did not understand to the full extent the urging need of customers to protect their proprietary data. He claimed that this issue was taken too lightly by E and thus led to its failure. The technical liaison discusses about lack of security protection measures and a light technological infrastructure. He still did not clearly state information security as being a major failure factor for E. The CTO considered the concept of trust and security as being one of the main causes on the failure of E. One sales person felt that customers had their doubts about security issues and they also feared that they would lose control over their own things. Also more than one respondent mentioned a fear that sensitive pricing information would leak to competitors through the public marketplace. Interestingly, White et al. (2007) found that the data security was mentioned as a concern to be noted during the adoption process but they found only limited evidence that these concerns actually impacted on the adoption process.

Also, customers seemed to have a fear that crucial information could be lost. At that point, Internet trading was quite a new concept and business magazines had a lot of stories of lost information. According to the CTO, E had certain challenges with the initial platform, because it lost some information while transmitting it, and they could not be solved. The second-generation platform that E had did not have those kinds of problems.

7.2.1.10 Rocking the boat

There are many ways that a new business can "rock the boat". Institutional theory tries to explain how other players within an industry can react to this phenomenon. One respondent felt very strongly that some forces, namely some of the biggest companies within the industry, tried to do all they could to prevent E from entering the business. According to him, they felt that E threatened their position by bringing more transparency to pricing and industry information in general. He pointed out this issue several times by using very strong expressions. Another respondent strongly agreed that some of the industry players deliberately tried to push E out of the business. He also named some companies, but strictly forbid to mention their names. He describes the rocking the boat in the following way:

JL: "One more question. Did E somehow rock the boat within the industry, and if so, how?"

> MC: "I'm not sure, we did you know try to do a lot of publicity. I know we did a transaction for Y that was kind of manipulated. I don't know whether that got out."

JL: "The Japanese."

> MC: "Yeah, the Japanese. I don't, I think that the customer was not happy with the terms, if I remember right."

JL: " Did we piss off anybody in the industry?"

> MC: "Probably did, I don't know any specific."

JL: "Did you get any feeling like that when you were actively on the road?"

> MC: "I don't wanna name names."

JL: "NO!, You don't need to name names."

> MC: "It was probably lot of BS coming from the top people about the prospects of the company."

JL: "Did that affect somehow the failure of the company?"

> MC: "I'm sure it had some effects, but it's just a lot of little pieces of it, kind of came together and made it fail, not just one."

JL: "Yeah, yeah."

> MC. "Single piece."

The person talked a little more about this issue, but did not want to have that part tape-recorded or put into this thesis word-for-word. However, he strongly felt that E somehow irritated some influential people within the industry and they deliberately tried to block E from the business by utilizing their personal relationships.

Altogether, five people mentioned that E somehow threatened the status quo within the industries and some forces tried to keep E out of the business. What is remarkable, all of these respondents considered this as one of the top five factors that resulted in the failure of E.

Also the ownership structure issue was raised; two interviewees felt that if they would have participated in the ownership of E, it might have succeeded. One respondent felt that if major companies had had a stake in E they would have had stronger commitment and thus put more product for sale in the system. This view is supported by many previous studies. Ravichandran et al (2007, 517) posit that in a highly concentrated industry, insiders own the verticals, Ordanini et al. (2004) propose that marketplaces sponsored by incumbents perform better than independent market makers. Rosenzweig et al. (2011) suggest that the failure rate of consortium-backed marketplaces was only about one-fifth compared to independent ones.

The same theoretical background can explain one view: the fact that E was small and participants in the marketplace were mainly large, created suspicion towards E and thus led to its failure. The president discussed about legitimacy when referring to this same phenomenon.

7.2.1.11 Timing and external events

By timing, the respondents refer to technological development in general and the Internet infrastructure not being developed enough to be able to facilitate large amounts of data. At the time of E, only major companies had fast enough Internet connections and many of the smaller and medium-sized companies used only modem connections or ISDN-connections. Lussier & Halabi (2010, 364) suggest that businesses that bring to the market a product that is too new have a greater chance of failure than those that select products that are in the growth stage. In some respects, the market was not yet ready, as mentioned above, but the electronic marketplaces were considered to be growing rapidly so one could think that the market was growing.

The issue of being too early was raised by several respondents, for example: "The world was not ready for us, customers did not understand the advantages that E could bring to them" was a typical comment. Respondents also added that the change that E was bringing to the business might have been too radical and perhaps eventually the benefits were not sufficient enough or they could not be illustrated properly in order for E to succeed. The fact that many companies were using pen, paper and faxes to do their trading with, was mentioned by several interviewees. Computerization was still a new phenomenon and adaption to it required a lot of comprehension from different parties. Here is an authentic comment about this issue:

> MA: "Maybe we were too early, that's also one reason, maybe the market wasn't ready to understand what e commerce and computers will bring for the future. That's also one of my points that I feel."

The Internet boom was referred to both in respect of timing and external events. The boom assisted e-services in gaining more attention and also companies wanted to get on the bandwagon. It also created great expectations towards e-services. The owner considers this as the main factor for E's failure, as illustrated in the following:

JL: "Why do you think E failed?"

> OA: "I think this famous e-commerce hype struck us as well and we changed the business model. As one, as we were looking for a, we went into the hyped world, meaning that we believed and le let ourselves believe the business plan and that tiny business organization was worth of tens of millions of dollars and that was e-commerce hype."

The valuation of a privately held company is a relative concept. The valuation has only meaning to the owner and even he/she cannot verify the real monetary value like can be done in publicly held companies.

On the other hand, two American respondents referred to the 9/11 terrorist attacks as the fatal blow for E. After that date nobody was interested in electronic marketplaces and all the great expectations vanished into thin air. One comment about 9/11 was as follows:

> MB: …"I think we came very close to getting it done and that's the thing that still frustrates me till this day, we were so close to getting it done and then the broader situation turned against us with 9/11 I think if we would have gotten another year we'd be in business still today."

7.2.1.12 Other issues

One topic that was discussed with the interviewees was whether E's system favored buyers or sellers. Most of the respondents thought that buyers were more interested in the system and they would initially have benefitted more from using it. There was one person who claimed that sellers were more interested, but his example was about newcomers into the markets. Also, the issue of whether to target small or large companies was specifically discussed.

Eight people stated that E should have targeted small and medium-sized players and only two were defended the implemented strategy to target the largest players initially. There was quite a lot of discussion about this issue and the general notion was that since small players would have benefited most, they would have been the most natural ones to start with. A common claim was that large players would have followed. People, who supported the implemented strategy, were from both the industry and were claiming that small players would follow as soon as the large ones became involved with E. In addition, they defended the strategy with the earning logic, i.e. commission based fee based on transaction monetary volume.

Another interesting issue is competition. Even though questions about competition were asked, nobody considered direct competition as a threat to E. Competition was seen to come from the traditional way of conducting business. In addition, not a single interviewee remembered a competitor's name correctly; they were referred sometimes to by locations or sometimes by where the CEO has come from, but not a single accurate naming of a direct competitor was made. As I was working for E, we monitored competitors and did not neglect competition per se. Therefore, my interpretation is that nobody at E felt that the competition of other electronic B2B marketplaces was a factor in E's failure.

7.2.2 Grouping of E's failure factors

Based on the interviews the failure factors have been divided into three meta-groups; namely external, customer related and internal factors.

7.2.2.1 External factors

The external factors are such that E did not and could not affect those by any means whatsoever. They were such factors that affected E's failure quite substantially and consisted of business environment, positive externally created emotions (expectations) and negative externally created emotions (fears).

In the business environment there could be seen three major issues that affected E's failure. Many respondents saw that E was too early in the market. That could have been seen from two perspectives: E could not create sufficient solutions to serve its customers and the change that E was facilitating was too big for its customers, due to lacking Internet skills and also technological infrastructure. Technological infrastructure at that time was such that there was not sufficient bandwidth to transmit all the necessary data in reasonable time. That was not applicable in every location, usually the major companies in the US had sufficient infrastructure, but challenges were taking place especially in the developing world. Also general platforms were in their early phases and thus limited the possibilities in appropriate system development.

When E was started, there already was hype with electronic commerce. That created so strong expectations both for the operations of the firm as well as its valuation by external financiers, so this factor is called **positive externally created emotions.**

Bursting of the technology bubble resulted in serious difficulties in obtaining sufficient external funding. In E's case the already negotiated venture capital funding fell through due to the bubble burst. At least that was one of the factors indicated by the respondents.

The 9/11 terrorist attack was something totally unexpected that resulted in complete distrust of all electronic commerce, although it did not concretely affect e-commerce at all. The event had psychological effects that resulted in the failure of E and also other electronic B2B marketplaces.

Both these abovementioned **negative externally created emotions** resulted to total loss of confidence for e-commerce and partly affected to failure of most of electronic B2B marketplaces.

Some external factors were partly controllable by E. They included availability of venture capital funding. Availability of venture capital in general terms depends mainly on macro-economic issues, but even when there is a recession or even a depression, some companies get funding from venture capitalists. A logical assumption is that venture capital firms fund those companies, which they assess to have good or great potential for success. Apparently E was not considered potential enough to receive venture capital funding.

7.2.2.2 Customer-oriented factors

Customer-oriented factors were such that E's actions could have affected at least some of them. They include trust and security, relationships, E rocking the boat and confusion and lack of commitment by the customers.

If E had used proper technology it could have resulted in an increased perception of trust and security, at least if it had used parts of these concepts. Also proper domain expertise could have increased the perceived trust towards E. A lack of commitment by the industry could have been avoided by proper business strategy, perhaps focusing on small and medium-sized players as well as concentrating on the spot-markets. That strategy would apparently have led to a smaller valuation by venture capitalists as well as smaller potential revenues. Based on the interviews, better execution of sales and other activities could have resulted in better commitment within the industries as well as better domain expertise. Some respondents have also suggested that a lack of commitment was partly due to inadequate domain expertise and a lack of high-level contacts. This was however disputed strongly by one interviewee, who claimed that there was commitment from the side of the industry and only because of close contacts to the industry, i.e. domain expertise. The challenge with relationships between buyers and sellers could have been avoided by a better business model and domain expertise. Respondents could not tell how the business model could have been improved, only that the one used by E did not sufficiently take relationships into account. If a marketplace has highly respected executives from the appropriate industry, it can according to some interviewees help in getting in-between existing relationships within the industry.

Customer-oriented factors have their theoretical backgrounds in different disciplines of business sciences. Trust and security come from both technical paradigms, i.e. information systems sciences, but also relationship theories. That is a common background with relationships between buyers and sellers. E "rocking the boat" in the industry has its theoretical background in institutional theory and customer confusion and lack of commitment comes from marketing and specifically from diffusion of innovations.

7.2.2.3 Internal factors

Internal factors that resulted in E's failure can be divided into three different sub-groups based also on their theoretical roots. **People-related factors** include the skills and experience of the staff as well as issues related to management and leadership. **Ownership factors** deal with the type of ownership and its effects on obtaining capital resources. Their roots are in the entrepreneurship theories. **Strategic factors** include the business model and business strategy and its implementation. These have their theoretical home in the business strategy theories.

Problems in technology development have come up in different ways. Some people claim that poor software development was the major cause for E's failure, while others notice its challenges. One major issue in this matter was apparently the lack of resources. It has been indicated that at least in the earlier phases there were only a few, namely two, part-time software developers for this project and they could not accomplish all the tasks that were assigned to them. I can also verify that E did not have sufficient resources for software development in the early phases, but my personal interpretation is that this was not a major reason for E's failure. Apparently, resources were increased substantially after the researcher left the company. A lack of resources in technical development during the later periods was not mentioned anymore. One issue is that the technology people claim that they did not get sufficient specifications from the sales staff; but this was disputed at least by some people from the sales department.

Execution of sales was directly criticized by one person within the sales department and a few others mentioned it as well. Indirectly, by not getting sufficient commitment from the industry, inadequate execution of sales was mentioned by several people. Obtaining commitment can be considered both as an execution issue and also based on external issues. These external issues can be related to a lack of trust in security of the system, but also possibly some players within the industry tried to block E out of the business domain. Good execution of sales activities can minimize the fears of security and issues related to that, but also proper technical measures can help with it. On the other hand, if the product, i.e. the business model, is completely unsuitable for the business area, even a super-salesman cannot sell it to well-informed customers. Another viewpoint is that E got some customers conducting transactions, so the business model could not have been a total flaw.

Domain expertise was also questioned strongly by one person and somewhat strongly by some others. This is a difficult issue to measure. Some members of E's staff had multiple years' experience from the appropriate industry, both in active sales and marketing as well as in the operative department. In addition, the executive person had worked several years in an organization, which supports marketing activities in that industry. Whether that expertise was sufficient or not, is impossible to evaluate. On the other hand, some respondents have stated that E's brand was strong inside the industry, but at the same time criticism has been made especially towards insufficient understanding of the processes and details in the industry. It has also been said in some interviews that demands from different potential customers varied substantially and thus it was almost impossible to create a solution that fitted everyone.

Internal communication and leadership can be assumed to be a factor for a company's failure. The researcher's interpretation is that even if these issues were mentioned, they do not seem to have played a crucial role in the failure of E. Only one person raised the issues of poor leadership and management, another discussed poor communication between ICT and sales. It is the understanding of the researcher that all organizations have at least some internal disputes. The assumption is that E was not an exception to this rule.

The capitalization issue was discussed by a few people. It has been said, that E spent a total of about $ 10 million. This amount is also said to have been a fraction of what some other companies spent. Nobody had, however, said that they could not do something because of a lack of funds. Two interviewees stated that E stopped operations too early, one that it stayed in the market for too long. In the next round of interviews I asked what E could have done differently if it had had more capital to spend. Some interviewees stated that even when some competitors or other marketplaces had over $ 100 million, they failed anyway.

Ownership structure here refers to two different issues. Some have suggested that E would have succeeded if it was owned by the industry. This viewpoint was disputed by some other respondents. Other point that was raised is that E's sole owner was a foreigner and some people feared that the owner's motives were selfish i.e. take the "cash and disappear". Based on the fact that the owner put substantial sums of his own money into E, this claim that his motives were selfish, can be at the very least questioned. However, if there are fears of such motives, even if they are not based on facts, they still can substantially harm the company.

As mentioned earlier, the chosen business model was what it was and changing it would have been difficult. When a company is trying to seek different paths in order to create sufficient revenues, it can be felt that the company lacks direction and a consistency of strategy. This can also be a communication issue, i.e. how things are explained to people. The chosen strategy to focus on the largest players has been strongly criticized by many respondents. Even some people, that had a strong influence on strategic decisions, have at least questioned the implemented strategy. It has been admitted that the chosen strategy had its risks; large customers are often considered to be harder to obtain. On the other hand, some respondents have stated that if E would have gotten the large company that it was strongly focusing on to use E's system, E would have made sufficient enough cash-flow to survive. Most of the respondents, even those who supported the chosen strategy, admit that E's system benefitted small customers more than large ones. It has also been said by some respondents that E conducted some transactions with small players. It is not clear how much these created revenues for E; however, the top management claimed that they were "minimal".

In the following figure the different factors are illustrated. The arrows start from the appropriate factor that can affect the pointed to factor. In addition, the thickness of the arrow gives some illustration of the magnitude of the effect. Magnitude here refers to how many people and how strongly they have indicated that factor had an influence on E's failure.

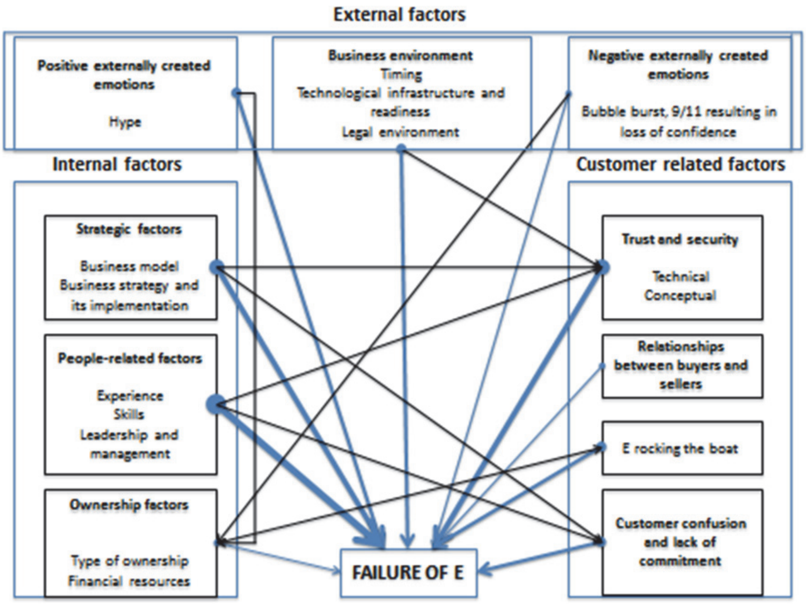

FIGURE 13 Grouping of failure factors

7.2.3 Weighing different failure factors

If different failure factors are weighed based on how many respondents have mentioned the appropriate factor and how important they consider it to have been, then five failure factors seem to have had the biggest influence on the failure of E. They are:

a. People-related factors, which include the skills to execute sales and system development as well as domain expertise, which is in the form of experience in the appropriate industry. This is mentioned by all the respondents and six considered these factors to be among the two most important ones.

b. Business model, business strategy and its implementation was mentioned by eight people; four respondents considered it among the two most important failure factors. There was a total of 34 mentions.

c. Trust and security, which was mentioned by eight people in total 21 times and three respondents considered this to be among the top two failure factors

Two of these three are internal factors and could have been controlled by actions by the company. In this respect, the major reasons for E's failure were inside the company. The company can change its strategy; also the business model is controlled by the company's decisions. Another issue is that after the business model is chosen everything is based on that and changing it can be quite difficult.

Timing, which was mentioned altogether nine times and by four people was among the three most important failure factors. Based on this analysis, uncontrollable external issues had a bearing on the failure of E, but not as much as internal issues.

Some factors could be considered as partly controllable by E and are related to the funding of E. The availability of venture capital funding is related to general timing and also the timing of when E started its attempts to acquire external funding. In addition, the ownership type is related to external funding but mainly on corporate decisions. As mentioned earlier, a single person owned all the shares of E, either directly or through a holding company. However, most of the staff had different types of stock-option plans. Five people mentioned thin capitalization, but only one considered it as an important failure factor. Others considered it as being a minor factor.

In this content analysis e.g. the relationships between buyers and sellers were not considered as being a major failure factor for E.

When using the grouping model above and taking all factors mentioned into account, again internal factors seem to be the most influential on E's failure. Based on the interviews and the researcher's interpretation, customer-oriented factors were also important, but not nearly as important as the internal ones. Uncontrollable external factors had apparently some bearing on E's failure, but the respondents still did not consider them as being the major cause.

7.2.4 E's potential success factors

Here, such factors that E actually had, were discussed. When analyzing E's potential success factors three seem to be on the top of the respondents' minds. They are the business model, information content and auxiliary services and E's strong brand. Three people identified the business model as being a potential success factor; however, two of them considered it as being one of the most important failure factors. The owner specified the successful business model being based on the initial spot-marketplace concept. Information content was considered by five people as being a success factor for E. However, Laseter & Bodily (2004, 331) posit that a broad service offers lowered revenues rather than increasing them. They also stress the importance of focus for the service offering. Some of the respondents in this study however did not consider it as being crucial and in fact saw it as only helping E to succeed. One included good software in this section.

E's strong brand was considered by three interviewees as being the most important potential success factor. However, one of them was in charge of the brand, so the credibility of that response can be questioned. Still, most of the respondents mentioned in some way or another that E had a strong brand within its appropriate industries. The strong brand also brought relationships and opened doors. The good brand was apparently at least somehow tied to the person that was responsible for it. That was mentioned by some executive respondents.

Other identified potential success factors were cost savings that E could have brought and good execution of sales and marketing. The latter being mentioned by people responsible for these activities. Timing, as in bringing high expectations was mentioned by some respondents, but was not considered as being an important success factor. Some respondents also mentioned quite mildly the fact that E was a market pioneer as being a potential success factor, but its impact was considered quite small.

One respondent considered auxiliary services, including information content, as an "Achilles' heel" while five others considered them to be either the primary or secondary success factor. Information services were considered to increase the value of the whole service for the customers. One expressed them to be the tertiary success factor but still stressed their importance on several occasions. One interviewee from the top management mentioned information content as being the most important success factor, although not important enough to support the business. His attitude was in general more pragmatic and he felt that it was self-evident that E would fail. Interestingly, he still felt that there might be an opportunity to create a new and improved electronic marketplace for the business field of E. On the other hand, some respondents considered these features as "nice to have", but not having any bearing on the actual business.

In general, success factors were not discussed as thoroughly as failure factors. This is quite natural, since the company failed. It is notable that only one interviewee came up with more than three success factors. Most of the respondents mentioned only one or two factors.

When adapting these potential success factors for figure 7.2, all of them can be considered as internal factors, i.e. such factors that the company can influence. Timing in this case is a corporate decision.

7.2.5 What would have made E successful?

All the interviewees were asked how E would have succeeded. Timing was considered as the most important factor for a successful E, especially with an improved business concept. Many interviewees felt that the world was not ready for neutral electronic marketplace and such a venture could succeed if established now (2009-2011). They claim that technological infrastructure has advanced so much and companies are more accustomed to using the Internet and computers. Some others felt that with better staff and improved teamwork E would have succeeded. People also raised the issue up concerning the corporate strategy and that a successful electronic B2B marketplace in X and Y industries would focus on small and medium-sized players within the appropriate industries. Again, this issue did not raise too many emotions as to why E failed. The responses were generally quite brief.

When mirroring these factors in figure 7.2, more weight is put on external, uncontrollable factors. Some factors mentioned here can be considered as corporate internal decisions, but so much more was discussed about the world not being ready and technological infrastructure being inadequate at those times than the company's strategic decisions or management issues.

7.2.6 Explanations for failure based on organization level

There are some differences between the organization levels. People have been divided into executive team members (five persons) and middle management (also five persons). Both levels considered the external issues as being of approximately the same importance, but in the internal causes there were some very clear differences.

The clearest differences were in the internal factors, which E could have controlled. In the top management these factors have been mentioned a total of 77 times compared to 33 with the middle management. Also all the top management personnel considered at least one internal factor to be among the top two most important failure factors for E, where in the middle management only three people saw these to be in the most important failure factors. In addition, there were in total seven mentions from the top management, so their perception was quite different from the middle management's perception. Among the top management, the problems of the business model and business strategy were considered much more meaningful than in the middle management. In the top management, three people considered the business model and strategy to be among the two most important failure factors for E and in total four out of five mentioned this issue a total of 27 times. In the middle management also four people mentioned these, but only one person considered them to be the most influential failure factor. The same phenomenon applied to the people-related factors, where the top management considered the execution of system development and sales as well as the skills and experience of the staff to have had a crucial bearing on E's failure. Internal struggles were mentioned by three middle managers and two within the top management. In general, it seems that issues that E could have had influence on were more considerable in the top management than middle management. However, it seems that there were people that were not satisfied with the way things were handled at E. One of them seemed to be on the opposition side with regard strategic direction and thus criticized the internal atmosphere. On other occasions this person claims that there were good people and "everything was fine". Middle management seemed to see the customer related issues as being more influential than the top management, since there were altogether seven customer related issues among the three most important ones within the middle management and only three in the top management.

The researcher's interpretation is that since the middle management's daily duties included customer contact, they felt that factors related to customers were meaningful in the failure of E. On the other hand, the top management felt that they failed and thus stated the internal issues as strong influencers on the failure. It can be also noted that the strongest self-blamers were among the top management. There is always the issue of being responsible for something and since the company failed, this can be seen in the top management's opinions. In a way, it is surprising that top management seems to criticize the chosen strategy more than middle management, especially when the top management had created the strategy. On the other hand, most of the criticism towards system development came from people who were not responsible for it. Also, people that were involved in creating the initial business model, tend not to question that per say.

When potential success factors were looked at based on organizational level, there are some differences. At the executive level, the domain expertise was seen by one respondent as a major failure factor, on the other hand two executives saw domain expertise as a major success factor for E. Also, a strong brand was seen as a major success factor. This can be considered as an execution-based factor. There, the company seemed to have some success as well as with information content and auxiliary services, which also can be considered as execution-based factors. Also middle management considered the information content and auxiliary services as a very major success factor for E. In middle management the business model was also seen more as a success factor than at the executive level. There was also a respondent who saw the business model as being a major cause for failure, but he also saw the initial business model as a success factor. Generally, the potential success factors were seen coming from within the company, which can be considered to support the general interpretation that the major causes for the failure laid inside the company.

7.2.7 Different functions' perceptions on the failure

If people are divided into groups based on their functions there can be considered to be four different functions: general management, consisting of two people; sales, consisting of four people; and ICT and operations, each consisting of two persons. Clearly, sales organization considered the customer-related factors as being more important than other functions, but only in the sense that three of them had customer related factors among the two most mentioned issues. About rocking the boat, people who were actively involved with customers, namely sales and also operations staff, felt that E somehow was blocked from the market by some big players, because E apparently would have leveled the competition. The concept of the perfect market seemed to be unwanted by big players. This issue was specifically named by a few respondents. On the other hand, marketing people seemed to stress much less the internal issues than others. The implemented strategy was considered by both ICT people to have had a substantial effect on E's failure and operations people felt that the execution of different activities were not to a sufficient standard. That was also supported by general management, which criticized itself for being incompetent. Again, these cannot be considered as statistical generalizations, but researcher's interpretations of the interviews.

When potential success factors were looked at based on function, some clear differences could be seen. Sales people in general saw the business model and execution of activities as major success factors. Domain expertise was mentioned by two people and both of them had experience in the appropriate industry or its supporting industry. Both people from the operations side saw the execution as a major success factor. In this case, information content and auxiliary services were considered as execution-related activities. Both these activities were handled in operations function.

7.2.8 Failure factors by nationality

As the staff was equally divided by origin between Finns and Americans differences in perception as to why E failed between these two groups were looked at. Finns seemed to find more flaws in the business model and also the corporate strategy of focusing on large players. On the other hand, the Americans considered the challenges in trust and security of the system being more important than did the Finns did. Also, the Americans identified more problems in internal issues, like management, leadership and internal communication. This result seems quite natural, since the general management consisted of Finns and one can assume that their cultural background could be seen in managing things and leading people. When the different failure factor groups were looked, Finns tended to see more failure factors within the company whereas Americans saw more uncontrollable external factors affecting the failure of E.

If potential success factors are compared by nationality, almost the only differences are in the perception of the business model and implemented strategy. Finns tended to value the business model much more than Americans did; three out of five Finns saw it as a major success factor. On the other hand, two Americans considered the existing domain expertise to be a major success factor. On the Finnish side, a lack of domain expertise was seen as a major failure factor by one respondent and another mentioned it more casually. Both nationalities saw execution-related issues as being equally important success factors.

7.2.9 Summary of the content analysis

Figure 13 illustrates all the factors that led to E's failure grouped basically by their applicable theoretical backgrounds. The researcher's interpretation on the views of the respondents is that internal factors, and specifically strategic and people related factors, were the most important ones. In addition, there were the fears of customers with regard trust towards the company and its technical systems and data security. The skills and backgrounds of the key personnel could have been altered and also the company might have been able to create sufficient data security measures and also illustrate them to the customers, but apparently the shortcomings in the business model were at least at that time unsolvable. Most of the interviewees also discussed about the lack of commitment by the customers, but one can ask whether or not that is a cause or result from the business model not adding enough value and fears of trust and information security. The interpretation is that it is a result, since according to the respondents, the interest in E's services were very high and E's representatives were always welcome. By commitment it is usually means putting a product for sale or placing purchase orders in the marketplace, i.e. marketplace liquidity. Lu and Antony (2003, 177) posit that liquidity should not be considered as a causal factor for the success or failure of a marketplace, but rather a result of proper design, planning, implementation and management of the exchange. I fully agree with their view.

It is the researcher's understanding that if a company is not at all interested in services that another company is offering, its key people do not want to meet the other company's representatives at all or spend numerous hours in trying to figure out the system and the company's needs. However, the value that E provided to its customers was apparently not sufficient. In order for a company to adopt a completely new way of conducting business, the gained benefits should be big enough to compensate the extra efforts and investments to the company.

All the factors illustrated in figure 13 had an effect on E's failure and in the second round of interviews I will try to identify more the magnitude of those effects.

Top management had clearly seen the internal factors as being more important that the middle managers and middle managers saw the customer-related issues as more important than the top management. Again, this is quite natural, since the top management is more occupied with strategic issues and the middle management more with customers.

If the different origins of the people are looked at, Finns tend to focus on flaws more in the business model, but among Finns there are three top management representatives and among Americans only two. Still, there seems to be a slightly different attitude towards the strategic factors.

When different functions are discussed, it can be seen that each of them have their own perspectives and tend to identify the failure factors from their own points of view.

7.3 Discourse analysis of case E

Based on the question of, "Why did E fail?" we can find three major discourses. The first discourse consists of three respondents. This discourse is called "model critics". It also has multiple discourses within itself but the general theme is criticizing the business model. The second discourse consists also of three people. They see strongly that the world was not yet ready for E due to multiple reasons. Therefore, this discourse is called "wrong timing". The third discourse consists of four people and the unifying theme is that they blame others. So this discourse is called "blamers". Again, they all have different targets for their blame, but the "fault" always lies with someone else.

7.3.1 "Model critics"-discourse

The model critics identified the biggest failure factor to be the business model itself. I have highlighted with yellow the comments that discuss about the flaws in the model. All of them identify E's lack of understanding regarding the complexity of the business. This can also be considered to be due to a lack of domain expertise, which one interviewee clearly states as well. That comment is highlighted with green. The third common topic in this discourse is blaming, which is highlighted with purple. However, one respondent includes himself in discussing about incompetence and the other person talks about the upper management's lack of understanding. The brief mentioning of the timing issue of the middle respondent could have put him in the "wrong timing"-discourse, but as the timing issue is mentioned so briefly, he has been put in this "model critics"-discourse especially when his discussion about problems in the business model is so extensive.

This discourse can be considered to be attitudinally neutral and handling internally controllable issues.

TABLE 5 Model critics discourse

"I think there are two questions why did E fail and why did marketplaces fail. I think that there were different reasons for those two. I think in some ways E failed, would have failed regardless and, it failed largely because the market place model, business model didn't work. I think we were a bit incompetent. Because the, in, in, in reality we weren't	In first place, of course I don't know all the background when the business was created and I believe that the business idea was there, but we were too early and also the second mistake was that we did not have enough	I don't think we understood the complexity involved I think it was you know buy and sell and

incompetent in conceptualizing but we were incompetent in execution and we did not understand the true complexity of what we needed to do. You know I often talk about this issue of, of evaluating fatal flaws in a business model. We get so excited about the opportunity that we don’t evaluate the fatal flaws. I always use the example of a, you know, electric power you can have the biggest nuclear plant but if you have a wire missing between two poles, lights are not gonna come in the house. And I think that we didn’t, we weren’t able to evaluate kind of the fatal flaws. The fatal flaws for us, dealt with the inability to concretely develop a value adding business model, for the customer, which they can implement and which would meet their expectations of, of the thing. That was, that was kind of the core issue but I think it’s related to the fact since nobody did it, that maybe such model didn’t exist. And that’s why we could, and at some point it became a little bit of this “the emperor has no clothes”, nobody dared to say that the emperor has no clothes livelihoodness in here, there has to be something and I think that in, so. Back to E we had some management issues, I think there, the owners and a, kind of the consistency of the direction was not there, one week it was this effort, second week it was this, no consistent strategy of this is what we need to accomplish and it frustrated people. I think it gave, made people very insecure and a, and I don’t think that was why we failed but that’s why we were behind competition.	domain expertise, we had people from the industry who knew the basics but still we did not work together with the key customers to really understand it their business processes, the way they wanna do the business and then by understanding their needs, creating more benefits and having a system that really gives value for the whole process and that’s the main reason. The X business is not a trading business as probably we believed in first place that people just did buy and sell and we will get our fee and that was not the case, the X business is a different, based on the annual contracts, the quality checks and logistics and so forth so I felt that two reasons; wrong marketplace for X, I mean its not a trading in that terms and then it was more about the connected business processes with their customers with the farmers with the logistics companies and the warehousing so it’s a very complicated system and required very intensive integrated system with different parties and I believe those were the main reasons we failed.	trade a commodity online. You connect the parties their able to go online and do what they need to do to create a transaction but there’s so much more involved physically moving a product. Its not just buying and selling a product its managing all the details in between and I don’t think upper management understood the complexity of the entire flow of the business

If these three are compared, the first one gets quite directly to the point and elaborates his viewpoint and goes back to make an even stronger claim about the issue. He also gives multiple reasons for the failure, partly taking blame and laughing at his and the organization’s stupidity. In addition, he uses metaphors to make his point understood. The second respondent takes a very analytical approach and with very thorough explanation tries to get his point across. The third respondent gets also directly to the point by initially implying that somebody else did not understand and later on directly stating that upper management did not understand the complexity of the business. In a way this person could also be put in to the "blaming others" discourse, but as the person discusses so much about the business model this comment has been included into this discourse. All of them, however, talked about the shortcomings of the business model also from the perspective of the customers. They all also use the word complex or complicated when describing the business domain where E was operating. The parts of the comments that discuss the business model in general are displayed with yellow highlighting, purple ones illustrate the blame that was put on others or the person included and green highlighting shows the lack of domain expertise.

The people in this discourse did not explicitly express what exactly was wrong with the business model and especially what changes should have been made to the model in order for E to succeed. Such expressions as E did not create enough value, or the value proposition was not comprehensive enough can be considered as incomplete since they only bring the problem up and do not even elaborate on it or provide any kind of a solution to it.

In this discourse, if the expression complex or complicated is replaced with the word simple, all the entire comments become oxymoron, since simple is usually easy to comprehend and also some of the respondents elaborate the complexity of the business by describing different processes and elements that need to be taken into account. The first comment, however, would make sense with the substitution, but in other instances the same person describes the complexity of the business. Also, the interviewee knew the interviewer's knowledge of the business area, so possibly he did not want to explain again what the interviewee already knew.

In addition, if the idea that the business model did not work has been exaggerated, by stating that that the business model was completely fraudulent and did not have anything good in it, then the question would arise as to why would anyone invest in a business like that. The first respondent stated in his interview:

> "Well, mean you have to kind of think about this in the terms of, that OA had just made a lot of money, on electronic market places, or even K in terms of what was on and he, he saw. And OA had a good, I mean he had big visions and he kind of was a few steps ahead of the rest of the crowd but he really saw that this was really, really big. That he wanted this to be the global market place where the whole X and Y industry and, and in some ways I'm guilty, and probably your guilty as well in terms of building the numbers to the point that, I mean the calculations for the, for the a kind of potential were probably. I don't think we were dishonest, I think we really believed that that's possible. So, we looked at the total volumes and what kind of volumes and, and getting, and because the pricing model didn't exist so we could put all kinds of pricing models where we get some percentage of some, some kind of volume which in some ways looking afterwards, seems silly but it wasn't silly because everybody, I mean 1500 marketplaces came up with this same model and thinking that well this is kind of solve the problem. But OA really saw that this is,

> this is gonna be paradise, we all did, I mean we had stock options and we had I mean we thought were going to be rich for the rest of our lives and (laughs)."

I have highlighted with green some of the owner's expectations, in yellow a little self-blaming and in red the reasoning, for there being numerous marketplaces that tried the same thing and therefore it made sense to try it also.

7.3.2 "Wrong timing"-discourse

The second discourse is called "wrong timing". People in this discourse see external events and the world not being ready for E, as being the primary causes for E's failure. When analyzing the content alone, this timing factor has been classified as an external issue, but here it involves more the customers' perceptions of E. As can be noted in the yellow-highlighted areas, all of them take a quite different perspective on the timing issue, but still they are talking about people and their perception in the usage of new systems. One discusses about customers being overloaded with different offers. This is also called the mushroom effect; when similar companies appear within a short period of time and all look alike. The other person discusses about the major change for customers that E would have brought and the third person emphasizes the issue that people were not Internet-savvy and that there was a lack of general technological infrastructure. In the green highlighting, the first two people discuss about the company's technological infrastructure and its effects on the needs and fears of security of the major customers. The third person just mentions the general lack of trust towards purchasing over the Internet, but is still referring to the same concept of trust.

I interpret that this discourse is attitudinally neutral and handles the external, uncontrollable issues to E.

TABLE 6 "Wrong timing"-discourse

Well I think the problem at that time was, you know Gartner has this thing called hyper cycle orders, just a tremendous overselling of new technology. You see just now with the cloud computing everybody is saying it's the greatest thing. At that time we were coming actually the e-commerce bubble happened right before I came onboard right when company started so there was a lot of problems then. I think even if we had a good idea I think a lot of these companies were having their technology people saying "be careful, that a lot of these companies are going bankrupt a lot of them won't survive". I know that people would come to us and say: "are you guys gonna be	Well I don't think there is any one reason, there are several reasons that I feel that have kind of like affected to that. One reason was that this business area or the people working in their computers and internet were kind of like new concept to them as is, so for them it was kind of big change of their daily work. One challenge that we had was that we were trying to go for the big guys, for the P and T and so on while being still small ourselves so I think there was some, we were not,	I take at that time a lot of start-ups tried to go after the customers, the same customers, the clients were basically not really internet savvy, the internet was just taking off,

around in three years?" You know we would tell them yes, I would tell them if you use the system, we'll be around. If you don't use the system then there's no revenue and also it's up to you, if we're providing valuable service to you, it'll be around. And again I think there was a lot of people, it was very confusing, if you were to put yourself in place of the businesses and you had an e-commerce company come to you once a week or once a month with new solution, you could very easily get overloaded with all the different technology. And I think it was very difficult for most of those companies, you know I worked with quite a few of the big ones that have now disappeared or have drastically scaled down. I think they over, they hyped this, yet they pointed the successful ones like E-bay and like that, but there's the big companies, the big ones that are successful, have found aa very particular niche, where the users don't have very stringent requirements, at E-bay people just wanna sell their stuff, they don't necessarily care what happens inside that system, other, because the transactions are very short-lived, so the risk is much smaller. A company, like S or T, that information is so valuable and if they, if you're gonna manage that whole contract, that contract could last for years, so it's gotta, it could have damage if it leaks out for an extended period of time, it just turns out to be too much risk for them. I think most of those e-commerce companies they don't initially, they didn't take that into account. I know we got to the point where we were saying maybe we should just build a platform where vendors could or customers could have on site and they could just build their own supply chain within their own company. Well I know there's companies that do that, I know T looked at P software. P was, I was just reading on the Internet that actually it struggled so much it tried to become a B2B and even then it was still struggling. It's a tough thing if you're gonna get into that business of building an infrastructure, then you sell hardware, you sell software and you let the	they were not necessarily taking us, they were not necessarily trusting us enough, we were much smaller than they were and that yet we kind of like, the pitch was that we are taking, we are, kind of like, conducting a big portion of their very core processes for them. And being a big company like that that wasn't necessarily what they were willing to do. When, with smaller companies or customers of ours, they were very accepting, so I think this, kind of like, that we were towards the big guys, kind of like almost forgetting the little guys that was one that we could have done differently. Then the technical revisions that we did, they were all, kind of like, pilots in a sense that since we were mostly building it, we had an idea that was based on what we understood of the business then we build the service and there was, were there like three revisions if I remember correctly, and we build new revision and tried "here please use this" but they were all, more or less, pilots in the sense that they were not running like in a very secure environment, they were not, they were running at our server room which was I mean ok there was UPS but there wasn't any generator or anything like that. And we, yet we were providing a service for very core processes of these companies. If they would put all this activities and trusted us that we can provide that service, and something happened, that would be very	there wasn't much broadband available at that time and people didn't trust purchasing over the internet, which has now become very common today, especially in the retail markets.

companies build their own and that's what I've seen it'd be very successful I know in the automotive chain those companies, the big companies, they collaborate with their suppliers. They put in systems to support their suppliers, but it's a private system, it's not a public system that I think was the perception that somehow this stuff would become public and not be private.	crucial or even fatal for them, and our platform wasn't quite ready for that. However there was the, there definitely was enough platform for, kind of like, displaying what it was all about and it was working, but for real production use but it wasn't quite there yet. Those three reasons I guess are	

If these three comments are compared, it can be noticed that the first respondent circles quite a lot before getting to the point. In addition, his point of view is coming from other people's shoes and he is not very direct with the issue. My interpretation is also that this person is not quite sure of his opinion; he in a way tries to avoid the subject and especially tries to avoid giving a direct answer. The second person gets to the point very quickly and gives his opinion quite directly. He also states multiple failure factors in this one comment and is very certain of them. This is in contrast to the first respondent, who seems to try to hide something or does not want to express his full opinion. The third person is also very blunt and direct in his response and does not want to explain his point of view. It is what he thinks and is hence the end of the story.

Yellow highlighting illustrates the perspective of the customers with regard the timing. Each of these interviewees takes a slightly different point of view, but still talks about the same issue. The first one discusses about the challenges for customers when it is almost impossible to choose from different solutions. The second one takes a human approach and the third one again says things very directly and bluntly. Green highlighting illustrates mainly the concept of data security that again was on a very low level at that time, since there were not so many good technical solutions available. Purple highlighting refers to problems in Internet infrastructure and technological development. This person was actively involved with customers in the industry of Y where companies were often very small and did not have or need broadband at that time.

Two out of these people came from the technical side and the third one had a lot of experience from maintaining a web site in Y-industry where E tried to operate. Therefore, it is quite natural that they all discuss about data security, since the concept is so familiar to all of them.

7.3.3 "Blaming others"-discourse

This discourse was the largest, consisting of a total of four people. What unites them is that they put the blame on other people or forces, although each had a different scapegoat. I have highlighted this blaming with yellow. The first one puts the blame on the so-called e-commerce hype. The person speaks of the hype later on as if it was a real creature and had a lot of influence on E. Earlier in this study this factor has been classified as externally created expectations.

The expectations can clearly be seen in the purple highlighted area in his comment and it also includes some self-blaming as well. The second and third blame the owner, but the second person puts even more blame on the technology department, trying to claim that the sales department had everything ready and lined up, but ICT could not deliver. He discusses this issue on numerous occasions. On the other hand, the second person also gives credit to the owner on this occasion. That is highlighted in green. The fourth person blames the other sales people, again implying that he delivered his part, but other sales people failed. In addition, he sees faults in the business model and especially earnings logic, which was the only comment of its kind. Nobody else questioned the earnings logic. All the three latter people see the blame in factors that could have been influenced by the company. Some of them were related to people's skills and efforts and some to the ownership motives.

The researcher's interpretation is that this discourse is biased and handles both internally controllable and externally uncontrollable issues.

TABLE 7 "Blaming others"-discourse

"I think this famous e-commerce hype struck us as well and we changed the business model. As one, as we were looking for a, we went into the hyped world, meaning that we believed and le let ourselves believe the business plan and that tiny business organization was worth of tens of millions of dollars and that was e-commerce hype."	We were too thinly capitalized and we had one investor and he, he was quite generous and put his own money out there but if you're spending just your own money and you have and you can only do so much. Also it should have been, and again I can't fault any of, there was no single mistake we say, "aah that guy, we only got rid of that guy" there wasn't a that guy to it. There was a lack of understanding of what was necessary technically. The, again sales and marketing side, boom, it was it was an easy sell you just had to get out there and explain, we explained it very well and we had no problem getting people to understand what was gonna happen and what the benefit was.	I think to some extent I don't think it was in the hands of the people that were managing it or conceptualizing it I think I believe it failed in the end because the valuation expectations of the owners a where not what they were what he had hoped they would be and I think he was unwilling to compromise that valuation in order to bring partners to the table that might have inherently increased the valuation because of who they were and the fact that they were partners.	Well most of the reasons in my opinion why we failed is that in the most important market area where we were supposed to have good sales we didn't have that sales, we couldn't convince the customers to put goods into a system because we had locked quite a lot of buyers who were kind of expecting to get the things to buy. The second reason might have been that our price structure where we would have made our earnings wasn't probably thought well enough through. That what would be the way how we would have earned our money. That's how I feel.

Each of these four have quite a similar approach, by stating almost immediately who or what to blame. They do not justify very much their opinions. The opinion itself is enough. The second respondent gave a very long speech as an answer to this question; he used quite a lot of metaphors to make his point clear. For the most part, which is not illustrated here, he puts the blame on technology development. The rest is about how he had done everything, but others failed.

7.3.4 "Self-blaming" and "I-did-it-all"-discourses

Two noticeable and in a way opposite ones are "self-blaming"-discourse and "I-did-it-all"-discourse. In the researcher's interpretation, the "self-blaming"-discourse consists of four people, and the "I-did-it-all"-discourse had two representatives. Interestingly, the fourth person in the "self-blaming"-discourse is the same as the second in the "I-did-it-all"-discourse.

Although the self-blaming –discourse takes a stand, it is still considered to be neutral, or without bias and the I-did-it-all –discourse is considered to be attitudinal since the researcher's interpretation is that nobody did everything alone and right. Both discourses deal with internal issues. Below are some examples of the discourses.

TABLE 8 "Self-blaming"-discourse

"I think we were a bit incompetent. Because the, in, in, in reality we weren't incompetent in conceptualizing but we were incompetent in execution and we did not understand the true complexity of what we needed to do. You know I often talk about this issue of, of evaluating fatal flaws in a business model. We get so excited about the opportunity that we don't evaluate the fatal flaws. I always use the example of a you know, electric power you can have the biggest nuclear plant but if you have a wire missing between two poles, lights are not gonna come in the house. And I think that we didn't, we weren't able to evaluate kind of the fatal flaws. The fatal flaws for us, dealt with the inability to concretely develop a value adding business model, for the customer, which they can implement and which would meet their expectations of, of the thing. That was, that was kind of the core issue but I think it's related to the fact since nobody did it, that maybe such model	"Gosh in retrospect I think we did not I guess it was a blind spot really more a strategic blind spot that those of us involved in the decision making levels of it or the implementation levels of it I really just think we did not recognize the significance of the proprietary nature of the data we were asking for	"We all were blinded about those facts that everything will be transferred on the web and especially in business to business it's important to understand how the business works, what is the customer needs, that domain expertise. So that's why I feel that it's a major failure why business to business	"I tried yesterday to repeat or to get all the things into my mind and it was not that easy, I still, as I told you, we were lousy in sales, we couldn't convince the important parts into the system. The system didn't have in my opinion any bugs or any bad points that it, normal technical issues that you had to solve to another end

didn't exist. And that's why we could, and at some point it became a little bit of this "the emperor has no clothes", nobody dared to say that the emperor has no clothes." "Logistics we didn't know what we were doing but that's my view in terms the D issue, I don't think we got a pennies worth of stuff." "I don't know if it's a, maybe we were too blinded by technology. In that technology would do what others would do." "I think we just overestimated the value of computer in this process and didn't look enough and say how can we help this industry per say." "but maybe we even assumed that we knew more than we actually did, I mean we knew something about the xX business in Florida but I'm not sure." "I'm embarrassed about it to be honest, personally, I should have known better. And there were times I knew and yet I didn't say anything. So it's not one of the stellar moments in my career but, but, I learned something so, I think it was a conceptually if, if we had to go back we would probably make the same mistakes, because at that information, with the information we had, and the, the spirit of the times, and OA's successes in this business, it would be very easy to make it again. Afterwards it's always easy to, "no you should know this and you should know that" That's not how it works. But I don't think we did particularly anything wrong except the one thing we did wrong was we stuck out too long. We should have been able to know and pull out. After the investors left we should have said, hey, that's like I, at that point I did say this is not anything, but OA then said, Ok I'm gonna put 10 million of my own money into this and then talked me and talked me into it so. But that could have been, that would not have been a bad deal if at that point we would just said, would have reevaluated and said, "no it's now	folks to share with us, and I think we I guess should've recognized that in the beginning and I think more of our initial strategy work should have been on developing our data structure and legal framework in a marketing framework would have recognized us as a bank, so to speak, of information an information, bank of information with the same sort of privacy and data of security that an international commercial bank holds forth. Even though we know they get penetrated and things like that but at least I think that would have been from a strategic point of view	marketplaces failed in past."	it's e-commerce and it's Internet, anything can happen, but in the system there wasn't a problem. I'd still look at the personnel the sales guys and I'd look at the customers, we didn't dig deep enough to understand why didn't want to come in and then after that I feel strongly that we did bad choices in personnel in both ends, even US and probably even in Europe, we should have been more active in far east also which would have been a huge issue at time probably. It's easy to say today because when you look at the market today you should have concentrated more over there but technology wise we had a good

time to quit". But there's too much inertia, and the inertia is also probably largely personal, OA wanted to move to Florida and nothing was going to stop him. This was one way to have it yeah I mean if that hadn't been the driving force, probably when the financers walked out we would have said "ok let's close this bid". But there was a underlying motive that kept it going I think cause I was ready to quit at that point, said "na, there's no hope" and that's when he made the decision, "ok now 10 more millions, I'm gonna put, I'm ready to put this in" and that's why he talked me into it. And I'm really; personally I'm happy I did it. I'm not, like I said blaming, but of course I feel bad for OA's money, I feel bad for the people who got hurt in the process, and I think that the way we treated. I think there was a time we treated people pretty fairly but in the end I'm not sure that's true. I'm not particularly proud of some ways we treated people, it certainly wasn't my value structure so. I feel bad about TH, I'm not sure anybody got really badly hurt."	if we would've gone forward saying "look we recognize the value of what you're trusting us with". That's one thing, the second thing I think a mistake we made is that"		technical team who took care of everything we got that done, so basically the only blame is on our selves, unfortunately JL that's the truth." But as before I strongly I feel that the sales team failed and our part of the sales team too so I failed too, I have to take that responsibility but the idea or concept was outstanding, that was tremendous.

As can be observed, there is a clear difference between the blame that each person takes upon himself. I have highlighted in red those comments that refer to common blame and in light blue to those that reflect personal blame. The olive green refers to the person's reasoning, i.e. in a way softening the self-blame and light gray refers to corrective measures that the person thinks should have been made. Purple highlighting refers to (self-) blaming for inadequate efforts. Red and light blue refer more to things that people did, but not necessarily did right or understood correctly.

The first person shows a lot of self-blaming and based on his position in the organization, he shows that he takes the responsibility for E's failure. Generally, this person tends to analyze very thoroughly what happened and tries to find reasons for why E failed. He also reasons some of his actions, but my interpretation is that he does not want to put any blame on others, not even by reasoning about different events, like the 9/11 terrorist attack.

The second interviewee quite generally puts himself in the position that he was involved with decision-making. He also immediately expresses corrective measures quite thoroughly. Generally, this respondent has been quite analytical, but interestingly he was not a member of the executive team.

The third person expresses on a quite general level and mildly that he believed that the Internet would change everything. There is a clear difference with regard the level of self-blaming e.g. in comparison to the first respondent. This person was also a member of the executive team, but joined the company quite late.

The fourth person's comments here indicate more of a common blaming, but he also blames others quite a lot. That can be seen in the comment where he criticizes some staff choices. He also does some reasoning and even self-blaming, but as the same person illustrates in the "I-did-it-all"-discourse, some of the comments here can be questioned as to whether they are so-called "politically correct" comments.

The "I-did-it-all"-discourse has a completely different attitude in its comments as illustrated in table 9 below.

TABLE 9 "I-did-it-all"-discourse

"So we on the sales and marketing side, which is what I was tasked with doing, we were calling on all, starting from all the Florida companies and we were not turned down by any single company, we started right at T, cause I knew these guys from working with the DC, and the top people all sat around and we were in the board room, presenting to them, and they said "I get it, I get it" he then, he turned to his people and said, "we wanna be in this, you guys figure it out" he literally said "let me understand this, I could be anywhere in the world and as long as I can plug my computer in", cause there was no wifi at the time, "if I can plug my computer in, I could access my inventory and I'd know what was going on and I could see what was happening, had already happened that day", and we said "absolutely" he said "then we have to have this" he said, "this is absolutely the way it was going to be this is gonna mean massive savings for the company and, and we wanna be in" so once drop was in everybody said "oh, yes, yes, yes" they, they understood what it was gonna do, they understood that if they weren't in it they would lose and from there we went to literally all the other companies in the X business worldwide that were worth anything and we were, we were running out of companies to pitch. And we met people around the world we went into food shows we were, we were really playing with the big boys. I remember when we got to finally got down to the last, we did over 400 companies I think, and the last one was the only major producer of PP, in Peru, and I remember thinking "there's no one left, we've done all we can in marketing, we've got every single X company has said gimme a password we're in"." "And we were the cheapest that I know of there	Well in the beginning they were kind of suspicious that what this is and it took a little bit of footwork going through the same customers to tell that see what this is and try out and log in and see. Quite soon I figured out a way or actually I forced out a way that you need to get free access into the system just to study it and to see what it is and after that it got done so everybody registered in so that was a huge key. Human being is a human being they don't trust what they see they need to feel. That hasn't changed in hundred years." "Well I looked at it differently, because to me a customer is a customer if it's outside a system or f its inside the system and very often to lock the big ones takes a hell of a long time. And if you lock the small ones the big ones will come automatically. And I changed the strategy without asking anybody because I realised that who are the most or who are the ones that mainly need help for sourcing so I kind of changed the

was no one that spent less money or had a better product for that matter, I mean our product was more robust it was better thought out, we, we had more people actually signed up waiting to use it but the, the largest competitor had ten times the funding, they ran at 120 million." "I could sell, I mean we had everybody going "boy, we better jump on this bandwagon" "I'd have to say from sales and marketing standpoint it was knowledge of the industry. We had more knowledge of what was going on, certainly X wise but also Y that any of the competitors and I talked to all the competitors at various shows and there were lot of really young guys or older guys who thought they saw a brass ring and grabbed it but really there was nobody with plant experience there was there was lot of people who sort of had some of the ideas but we had very strong in-depth connections and Florida was literally the place to be cause xX was the dominant X and by extension we used the other two largest ones which should be a and g. So we had the core knowledge of what needed to be done from internally I mean I had worked in sale and had written this stuff and I knew instinctually all these pieces of papers that were involved which was why it was so attractive to me I was thinking "wow these guys understand it perfectly" "We dealt with a Canadian company that said, "we've got all the shipping companies we've got the transportation part of this, this is the missing part and they made a very aggressive and impressive presentation and they had slideshows and PowerPoint and the whole thing and it was good presentation unfortunately I was the only one that sort of sat there going "this is sales pitch their lying they don't have this, this is cause I've been making those kind of presentations about E, here's what it's going to do sales and here's it's the vision of what's gonna happen here it is three years later and this is still a vision of what their gonna have" they were presenting it they were misleading us by saying, "we've got these" and I specifically asked and I finally was told to sort of back off because I, every time they said "we've got this" I said "do you have the trucking companies" "yes, yes, yes we have them" "which ones do you have, which refrigerated trucking companies do you have that handled X" cause I knew what they were. They couldn't name one and I remember telling OA "they don't have any, they have an idea and nothing wrong with it" and they, everybody's presentation piece looked good it wasn't functioning it just appeared to be functioning."	strategy into things that ok a small one needs to struggle to survive and they want to become big one day so I just, I said the crap with the big ones take the small ones. And that's what we did and that's what we even found success at that stage." Well what I would like to say is that we had a good team we started out doing good things, then we had some internal struggles mainly sales because I had different views from what the US site had, I still feel that we should have done over there the same things we did in Europe, then we forgot about far east too much because it was also cost issue and basically because we failed the sales the owner didn't trust us anymore, and that was the end of the story.

As can be noted, in the table above, every time when something good is done, it has been done by the interviewee. Those comments are highlighted with green. In comments highlighted with light blue, the respondent gives credit to others as well, but his participation should not be forgotten. Comments that are highlighted with yellow show the wiseguy-attitude. The respondent was the only one that saw any fault with the potential partner's system in advance. This respondent was the only one who knew better. Generally, the respondents who are in this "I-did-it-all"-discourse, use much more often the word I. Their whole story goes through the person himself; this is in contrast to others who speak more of other people and use more the expression we or the passive tense.

7.3.5 "Analytical thinkers" and "it was just a job"- discourses

The last opposite pair is "analytical thinkers" and "it was just a job"-discourses. These discourses differ mainly with regard to how much the respondents explicitly analyzed the failure of E. The former discourse used multiple angles in trying to identify the causes of E's failure and they also clearly shared their opinions. The latter discourse had used their own nonchalant way to analyze the phenomenon, but generally did not utilize multiple factors, but only a few.

Analytical thinkers saw the failure resulting from multiple factors and people in this discourse tend to justify their cause by mentioning the same issue several times, often from multiple perspectives. They also tend to blame themselves as well, at least to some extent. In addition, they saw also positive things in E and in many respects try to find the answer to the question of why E failed during the interview. Some people are also in the "self-blaming"-discourse.

Although analytical thinkers take a stand, they consider the failure from multiple perspectives. In that sense I do not consider them to be biased or attitudinal. It-was-just-a-job –discourse shows that either people in it do not care that much about E's failure or intentionally want to forget it in order to protect themselves. Both discourses handle mainly internal, controllable issues.

TABLE 10 "Analytical thinkers"-discourse

"Just, in the sense that, that even though customers were conceptually interested in the concept of decreasing costs, that working with a neutral marketplace for them was a bit of a, it seemed difficult, because it was still, even though it was a major commodity, it was still a very narrow place for them. So it was, we would have had to have a whole bunch of these marketplaces and how do we work, so we could not get any attraction.	"I think it, at least from my point of view, it targeted a good industry but it had some flaws in that we didn't really recognize when we started out in the business model. And lot of that, and some of it was in our control, some of it was out of our control, I think what was out of	"Well, I think the problem at that time was, you know, Gartner has this thing called hyper cycle orders, just a tremendous overselling of new technology, you see just now with the cloud computing. Everybody is saying it's the greatest thing. At that time we were coming, actually the e-

We were always welcome, but we could never get anyone to move anything and then by force we had a few trades that we did outside of the, the marketplace and put it in the market place so that we could say that we moved the thing but it wasn't really, the system wasn't really working so. Now afterwards thinking it was a bit embarrassing, actually, but that's how it worked but ZZ wanted to pitch in sales and he, he invested in sales and sales and sales but the, the reality is that there was a real value gap in the sense that what we promised and what we could deliver. And, a, the, the savings that the customer could gain in this value was not what we promised. And if you think about it there were really three levels there was there is a pretty good book actually called "prime solutions" and there they defined kind of three elements of the value gap. One is that the product doesn't do what you think it should do and in E, it didn't." Q: "Was the acceptance, stronger from the buyers' side or from the sellers' side?" A: "My perception was that the interest was greater on the buyers' side than the sellers' side." Q: "How did they want that kind of a system? A: Well I think one of the issues was, I mean it really was a price game. They wanted, to make sure that they got the best price, and that they were aware of all the best prices that exist and it would decrease the hassle of them buying the product. I mean that's my, that's my interpretation they saw that there's value and we have to get this value, it takes away the hassle, makes people more aware what the pricing is, makes sure we get the best prices we have, with the least, least amount of work that we can do it, and we can see what's	our control was the state of the internet infrastructure at the time, which today we can see back and see that it was primitive. Two, this other thing that was out of our control and I think had great affect on this, on us, was the state of the law with respect to internet communications and security and privacy and these kind of things which was still was still undeveloped and not well settled at the time and those two had very major impact on what we were doing. I think that what was in our control that, but we only learned about as we as time passed by was the fierce nature of the of private enterprises to wanna protect their data. And I think that we look back on it now we can understand that the mode would have placed in our hands what was essentially an untested business model to the broader area of commerce some of their most significant information, that being their cost of goods, for those who were selling on the marketplace and excuse me the cost of goods for those who were buying on the marketplace and of course the pricing of, for those selling on the	commerce bubble happened right before I came onboard right when that company started, so there was a lot of problems then. I think even if we had a good idea I think a lot of these companies were having their technology people saying, be careful that a lot of these companies are going bankrupt, a lot of them won't survive, I know that people would come to us and say: "are you guys gonna be around in three years?" You know we would tell them yes, I would tell them, if you use the system, we'll be around, if you don't use the system, then there's no revenue and also it's up to you. If we're providing a valuable service to you, it'll be around. And again I think that there was a lot of people, it was very confusing, if you were to put yourself in place of the businesses and you had an e-commerce company come to you once a week or once a month with a new solution, you could get overloaded with all the different technology. "The big ones that are successful, have found a very particular niche, where the users don't have very stringent requirements, at eBay people just wanna sell their stuff, they don't necessarily care what happens inside that system,

available in a commodity that changes you know. the pricing changes all the time so there's a lot of uncertainty that that the market would become more of a perfect market. I think from the sellers side my perception was that their fear in some way was that they would become a more perfect market and that they would lose the margins that they get from this imperfect market and people would not have, people did not have all the information, by the time everybody has the information, they would suffer and the buyers would gain and the market prices would be pressed down.	marketplace. This being in an open market situation, probably the most sensitive information of all. And I think the three factor combined, the infrastructure, the ability to have in place an understanding of how data was to be secured and where the liabilities lay and things like that, led to a great hesitancy on behalf of the potential marketplace participants."	other, because the transactions are very short lived, so the risk is much smaller. A company like S or T that information is so valuable and if they, if you're gonna manage that whole contract, that contract could last for years, so it's gotta, it could have damage if it leaks our for an extended period of time, it just turns out to be too much risk for them. I think most of those e-commerce companies, they don't, initially, they didn't take that into account."

The comments have been highlighted with yellow that reflect actions from within the company that resulted in the failure of E. As it can be noted there are different analytical levels; the third respondent does not illustrate any general internal causes, but especially the second one discusses quite deeply about them. With the light blue, factors that relate to pricing and especially to the perspective of the buyers on it have been highlighted. Red highlighting illustrates work saving factors in E that were selling points in E's marketing efforts. Green highlighting refers to the concept of perfect markets, both from the point of view of the buyers and sellers. Again, a perfect market is a concept that electronic B2B marketplaces were supposed to bring. Purple highlighting illustrates external uncontrollable factors. In the olive highlighting the customer's point of view is illustrated. The respondent has taken the customer's shoes and justifies the slow adoption with it. The effects of security and system features are illustrated with grey highlighting. The dark gray reflects success factors that others have utilized and with light gray highlighting the worries of data- and other security issues are illustrated. The blue highlighting shows a good summary of the factors that the interviewee has held as being important.

As can be seen, there is a clear difference between the participants in this discourse. The second interviewee utilizes basically two viewpoints in his reasoning; first and third both for different perspectives. In addition, they are using completely different perspectives when analyzing E's failure factors. The first respondent uses more theoretical thinking, going quite directly to concepts of perfect markets and the business model and business strategy. The third respondent has a much more practical approach, thinking about the concrete issues with E's customers. What is also noticeable is that the first interviewee does not look at uncontrollable external failure factors, but sees most of the issues being related to the business model in general. The second interviewee identifies uncontrollable external factors, customer-oriented factors and factors controllable by E, so he is covering all angles identified in this study.

People in the "it was just a job"-discourse all used very short replies and did not elaborate their viewpoints very much. All three people represented middle management; two of them coming from the US and one from Finland. Displayed are their whole responses to the question of, "Please tell the story of E as you remember it?"

TABLE 11 "It was just a job"-discourse

"I remember it as being an exciting venture at the time I had been working for ship lines most of my career and was offered the opportunity to come on board as the logistics manager in 1999 and I remember it as being new to me but exiting and as much that I was offered the chance to share my knowledge of the supply chain and integration of all of those parties in the supply chain and how we could get that into an electronic commerce business."	"Okay it was started as a project in a Finnish company called I. The idea was to build a marketplace for Y and X industry. After realizing that the biggest possible customers were mostly situated in Florida it was then decided that we would, found a company in Florida to be close to our customers and then first the marketing activities were moved there and then gradually also the technical development was about to be moved there. We were trying to build the marketing, the negotiation engine ourselves to be kind of like "let the buyers and sellers of Y and X industry to negotiate with each other" but we were also, we wanted to utilize some existing other services for example related to shipping. Some like existing internet services to exchange the documents related to the shipments and so on."	"It started out as a business-to-business marketplace for Y and X and the work I did was to develop a step-by-step procedures on how to trade on the marketplace, putting that into a PowerPoint presentation. And then I was hired full time, I did that part time and then I was hired full time to help develop the Y marketplace. "

Throughout their interviews all these respondents use very short expressions and generally do not justify their opinions very deeply. There is also some bitterness in the first comments, so the short wordings can be based on that. Second and third comments are quite neutral by nature, not showing any emotions. Generally, people working for E had very high expectations for the company; there was in a way a mood of hype, especially when the venture capital financing came very close, and so the disappointment can probably be seen in some of these replies. In these interviews these respondents expressed either factors from only a very few groups that have been identified, or mentioned different factors only a few times.

None of these narratives tell anything about events that took place during E's existence, nor do they tell anything about the emotions of the respondents.

They all have in common the fact that the stories come from their own duties and that they did not have a broad perspective. That same narrow perspective can be seen in the responses of these three interviewees. Each of these interviewees were asked multiple specifying questions about different issues in order to obtain their views on E's failure.

If some key expressions are substituted with others, the underlying story remains the same. The interviewees state only certain things; the first and third from their own perspective and the second one from a collective perspective.

7.3.6 Summary of discourse analysis

There can be found clearly different types of discourses. All of them differ also strongly internally, i.e. they have different perspectives on the same topic. All interviewees participate at least in one discourse. Three people are represented in three different discourses and six respondents in two discourses. There is one very controversial interviewee, namely MA. He was involved with self-blaming, blaming-others and I-did-it-all –discourses. It is a natural reaction to blame others while the person himself does everything alone, but if a person also takes part of the blame himself, the controversy lowers the credibility of the respondent. It is difficult to assess whether the person is being honest or giving also politically correct responses in order to avoid latter reactions by other respondents. MG's participation in I-did-it-all –and blaming-others –discourses are in line with each other as mentioned above. TH was involved in model-critics, - self-blaming -and analytical-thinkers –discourses, TM in analytical thinkers -and wrong-timing -discourses and OM in model-critics and self-blaming –discourses. These three can be considered to be neutral in their responses, since none of the discourses are strongly biased against anybody and neither are they nonchalant like some respondents when they are participating in the "it-was-just-a-job -discourse. Others, who were involved in two discourses, had one biased and one neutral discourse.

The model critics-discourse can be considered somewhat superficial. It is relatively easy to state that there is something wrong with the business model, but the respondents could neither clearly and concretely identify what was wrong nor mention how any fault could have been fixed.

The discourses that were identified were mostly handling internal factors with one discourse handling uncontrollable external factors. No discourse was found dealing with customer-related issues.

7.4 Summary of the analysis of case company E

In this section the results of different analysis methods are compared in and to previous studies.

7.4.1 Reflection between different analysis methods

The researcher's interpretation is that each analysis complements each other at least to some extent. More unifying factors can be seen between discourse analysis and content analysis than between narrative analysis and content analysis.

Clearly there were multiple causes for the failure of E. Based on the contents of the interviews, the narratives of the interviewees and different discourses, it seems that internal factors, controllable at least partly by E, were the most influential with regard E's failure. Neither external, uncontrollable factors, nor customer-related factors came up as strongly in the narratives or discourses, as they did when the content was analyzed.

7.4.2 Comparison with previous studies

In chapter 4 the results of previous studies that focus on why dotcoms failed are introduced. Razi et al. (2004) identified two types of causes, controllable and uncontrollable, in their study of B2C failures. In controllable causes this study found that the poor business model was a major failure factor and that a lack of business experience had a bearing on it. As there were controversial opinions about the magnitude of business experience at E, a lack of proper business experience, namely a deep understanding of processes, was one of E's failure factors. In other respects, the general business experience of E can be considered at least adequate, since the executive team had decades of combined business experience and financial control systems were sufficient. The lack of E's financial resources was criticized, but only one person claimed that it somehow harmed the company. Also apparently there were not free spending patterns at E; only one person briefly mentioned a short period when E was, according to him, overspending. Compared to Razi et al.'s (2004) results, apparently the promotion of E succeeded quite well, since most of the respondents, at least at some point, mentioned that E was well recognized in the industry. This study has not analyzed the design of the web pages as it was mentioned only briefly by one respondent.

Compared to Razi et al. (2004), I have separated within the uncontrollable factors those, that are customer-related and those that are completely uncontrollable by the company. Also some of the technological factors are here considered to be internal and controllable factors, since with proper technological measures, the security and trust issues could have at least partly been avoided. Some interviewees in this study also mentioned over-expectations. Some of them can also be considered to be external and some internal. Generally, the results of this study do not conflict with those of Razi et al. (2004).

If the results of Ganesh et al. (2004) are compared with the results of this study, then there are some differences between them. Their main focus was on the adaptive strategies of B2B marketplaces, but they also discussed about the failure of them. Their concept of supplier enablement and participation is supported in the sense that there was not enough commitment from the suppliers to put in the marketplace sufficient amounts of product for sale. The issue of investments and other upfront costs did not come up in this study, but it was not either specifically asked. Path dependency and partnerships and relationships were supported when the respondents discussed about them, but again not very strongly. Privacy issues were supported by some of the respondents and the concept of technology adoption was only mildly supported as only two interviewees discussed about this topic. Price competition and commoditization came up in one interview so that topic was noted, but not very strongly.

If the results are compared to those of Rovenpor 2004, some of the failure factors identified in her study were supported. The concept of firm age was supported as E was a new company as well as being a small company that has a higher risk of failure. Rovenpor's mentioning of insufficient financial resources was also supported at least to some extent. E did not receive venture capital funding, but most of the respondents did not feel that they had to limit operations due to a lack of money. The board of E consisted only of people inside the company, so Rovenpor's results were supported again. Again the question of domain expertise and its adequacy was raised in both studies as well as in Razi et al.'s (2004) study. Rovenpor's mentioning of external factors were again partially supported, but there were differences in the perception of industry competition, which according to the interviewees was not a major concern for E. Significant environmental events, namely the 9/11 terrorist attack and the bursting of the dotcom bubble were mentioned in this study. In contrast to Rovenpor's results, the population density did not seem to play any major role in the failure of E.

In general, the previous studies discuss strongly about the B2B business model as well as the B2C business model. Based on the initial results of this study, it is posited that the business model of E was not comprehensive enough to illustrate a sufficient value proposition to their customers. That is in line with previous studies but the shortcomings of the value proposition need to be analyzed more thoroughly.

7.4.3 Factors that were not mentioned

From the initial literature review some factors did not come up in the interviews. None of the respondents mentioned the network effect, which was considered in previous studies as being an important success factor for electronic marketplaces. In addition, although it was mentioned that E was the pioneer in its field of business, nobody mentioned first mover advantage as a success factor. From the potential failure factors, (see Figure 6) negative network externalities were not mentioned by any interviewee.

Since the company did not attract a sufficient amount of active users of the system it might be possible that no network effect even existed and therefore it was not noticed by the interviewees. Also since there were not active competitors present within the main business area of E, the first mover advantages or disadvantages were not noticed and mentioned by the respondents.

7.5 Setting for second round of interviews

As there were some issues that needed to be clarified or confirmed, a new round of interviews was conducted. Firstly, a statement of events of E was presented and respondents were asked to evaluate what was missing and if there was anything that needed to be taken away. Then figure 13, as well as a list of identified failure factors were introduced; they were discussed initially freely, meaning that each factor was looked at to see how it may have affected E's failure. Then the interviewees were asked to identify the three most important failure factors and to justify their opinions. In addition, the respondents were asked which factors least affected E's failure and then whether or not there were any additional failure factors that had not yet been discussed.

As the concept of inadequate value proposition was raised quite strongly, the interviewees were asked about the value proposition of E and what was lacking in it.

7.6 Second interviews

In this paragraph the most important failure factors are discussed in 7.6.1 and in 7.6.2 the minor failure factors are analyzed. In 7.6.3 the lessons learned are introduced and the second interviews are summarized in 7.6.4.

7.6.1 Most important failure factors

The intention of the second interviews was to both verify the results of the first interviews as well as to identify the most influential failure factors and to assess the magnitude of them.

The respondents mainly repeated the views that they expressed in the first interviews. There were some differences in the emphasis of appropriate factors but actually no new causes appeared in the second interviews. There were some differences in the importance of some factors.

People-related issues were still the most important ones. Altogether, seven interviewees mentioned different people related factors, such as the skills of the staff to execute the business plan as one of three major failure factors. There were different aspects in these factors; some respondents emphasized the role of the top management and some blamed the insufficient domain expertise for the failure. Horsti (2007) found in his study of electronic business models and their evaluation, that traditional leadership issues are still important. Some respondents from the top management stressed the point that the staff was of great quality, but the match between the tasks at hand and the skills of the staff were insufficient. Interestingly four out of five middle management representatives pointed out the people related failure factors.

Six people mentioned the challenges in the business model and strategy, and two of them saw this as being the major failure factor. Both of them expressed quite explicitly that E would have failed in every case. Both of them represented top management and were of Finnish origin. The most common comment was that the value proposition was inadequate, i.e. the service offering of E did not provide enough value for the customers in order for them to start using the system. This view is supported by de Brentani (1991) when she claims that previous studies have shown that product superiority, understanding the market and good quality marketing operations can explain success in almost all of the studies. However, this viewpoint was quite strongly contradicted by five respondents, who either claimed that E stopped operations too early or that the top management should have revised the strategy in order for E to succeed.

The major difference between the first and second interviews was with timing. Four interviewees considered the fact that E was the pioneer and that the customers were not ready for such a new way of conducting business. Two of them were from the top management and two from middle management. One respondent, however, partly contradicted his own comment by stating that if a company has something to sell that has value to customers and that the customers can understand the concept, they might buy the service even if all appropriate technology is not yet in place. This comment supports the theory of diffusion of innovations and the different properties of adopter categories (see e.g. Rogers 2003). On the other hand, one respondent considered the early timing to be one of the least important failure factors and one claimed that there was a strong demand for such a service and customers were willing and able to commit themselves to using the system. According to the interviewee the only major obstacle was that E could not deliver a properly functioning system to conduct the business.

Factors related to trust were considered to have resulted in the failure of E by three informants. One of them considered them to be the most important factor. There was a fourth respondent that mentioned the lack of trust towards some of E's staff members as being a major failure factor, whereas the others were referring to information security and general lack of trust towards Internet trading per se.

Two respondents considered factors related to ownership as the most important with regard the failure of E. They specifically mentioned the lack of funding and that the single owner had limited resources and there was constantly a fear that everything would end without further notice.

7.6.2 Factors with little impact

Two factors seem to have had only a small impact on E's failure, namely ownership and external factors in general. In total, five respondents considered that the ownership had only a minor impact on E's failure. The ownership type, namely a foreigner and an outsider of the business, was emphasized as having had a minimal effect. Three of them were however Finns, so the validity of their responses can be questioned. On the other hand, both Americans that named ownership as a small factor had previous experience of the industry. It was also specifically asked if people had felt the need to limit their activities or investments due to lack of funding and all but one said that they did not have to restrict their activities. The one person that disagreed with the above claimed that it was only due to the notion of limited resources that he had felt he could not do everything that he considered was necessary in order to succeed.

External factors that seemed not to have a major impact on E's failure are hype and the bursting of the technology bubble. The general feeling was one of how could the externally created expectations have an effect on E's success, especially when the company was trying to do normal, honest business without any pressures of high market capitalization or he need to create a bubble in order to succeed.

7.6.3 What did people learn from the experiences of E?

Starting a new business can be complicated. Like one respondent put it:

> (TH:) "Starting a new business is difficult. Doing it in a foreign country makes it double so. Newness is difficult. Crossing one of the boundaries: new markets (or customers), new products, or new technology is difficult enough. Trying to do all at once becomes exponentially more complex."

This comment can be viewed from many viewpoints. One such viewpoint can be the corporate synergy, which is discussed by e.g. de Brentani 1991. She claims that in order to have a greater chance for success, the new service must fit with the capabilities and resources of the firm. She also claims that there needs to be a strategic fit with existing services or products. Although E was a start-up company, its original parent company was involved with electronic commerce, but mainly on the B2C side. These types of activities were new to the parent company and it had actually almost no experience in the industry X where E was operating. There are many issues that need to be taken into account before starting a new business. Four people indicated that the preliminary work was not done properly with E. Korgaonkar & O'Leary (2006, 1131) note that successful firms invest more time in the planning stage than those that fail. They felt that verifying customers' potential interest must be done many times and in multiple ways and that the verification process must be constant. Cooper & Kleinschmidt (1995) also stress the importance of homework, i.e. with regard to how well the needs of the customers are identified. They also conclude in their study that product innovations that have originated from the customers have a higher profitability projection and success rate than those that have been copied from competitors or have been created utilizing the company's in question previous resources or skills. After the business has started, the executive team must identify clear verification points, i.e. certain pre-set goals must be met before proceeding. Another point that was mentioned by several interviewees was that the technological solutions must be carefully tested and fully functional, before commencing active marketing. One interviewee expressed it in the following way:

> (MC:) "Not to go with a company that sells vaporware, vaporware, software that really doesn't exist, nothing fully tested."

The general feeling was that E did not have its systems built in such a way that would have satisfied the needs of the customers. Another point that was raised about this issue was that since the company had changed its strategic approach more than once, it was impossible for the technology development department to keep up with the pace and thus some of the solutions were not to a satisfactory level.

The timing issue was also raised from another viewpoint, namely that a company should have enough patience to wait for changes to take place within the industry and also that a new service concept provider should maintain its focus and not change strategy if instant success does not take place. On the other hand, the same people were calling for more flexibility with the strategy implementation, so there seems to be a slight discrepancy with these views.

One major thing that people learned was the value of a proper staff, which can fulfill the appropriate tasks that a new business creation requires. While the staff of E was praised on many occasions, top management questioned the matching of their skills with the requirements. Some members from the top management blamed themselves by settling for too easy solutions in recruiting new staff, and thus the required capabilities were not thoroughly analyzed and some recruits were not able to perform their assigned duties as expected. Another point regarding staff is that top management must make sure that staff members can communicate with each other. Apparently there were some problems in communication and preventing such things from happening has been a major lesson for some people. One perspective on this can be that of cultural differences. A few people did mention that the challenges in the internal communication was a result of different cultures clashing. Still the experiences taught different people how to work together with people from different cultural backgrounds.

Several people from the middle management stressed the importance of communicating the corporate strategy to everybody and also that the strategy must be comprehended. Otherwise:

> "It is like navigating without a map"

One respondent felt that he should have been more proactive in comprehending the “big picture”.

Generally, the interviewees seemed to have similar perspectives about things that they learned from events at E. In some respects it seems to bother most of the respondents that E failed, even though some of them felt that it was doomed to fail. All of the interviewees expressed some things that they learned from a very personal perspective and most claimed that they have been able to utilize these lessons in their further careers.

7.7 Summary of the case study

There are multiple reasons for why E failed; and the interviewees were not in complete agreement on the factors for the failure. The second round of interviews largely confirmed the results of the initial interviews, that two failure factor categories were most influential in E’s failure, namely people-related factors and strategic factors.

Apparently, the top management and the owner should have recruited influential and highly respected executives from the industry who should have made sure that the needs of the industry were met and a pilot company was ensured. In addition, skills and competences of some recruits did not meet the requirements of a successful business in that specific area. Also there were apparently some challenges with the system development, which could not keep up with the changing requirements of the sales department. One cause for these challenges was perhaps the strategic direction that was changed a number of times during the existence of E.

Many interviewees had brought up some problems in relationships inside the company and that they resulted in confrontations and a lack of communication between different departments. Especially people from the middle management would have liked to have seen the top management taking action over such problems. None of the interviewees claimed that these relationship issues were the most important factor for E’s failure but still they were mentioned numerous times and also in discussions that were not tape-recorded. One point that was again discussed was the lack of communication between different functions. Previous studies show (e.g. de Brentani 1991) that technology people do not have the same attitude towards customers as marketing people and marketing people do not always comprehend the opportunities and limitations of information technology.

The business model was criticized quite strongly and some people felt very strongly that the most important reason for E’s failure was the business model and that it did not create enough value for the customers. A top management interviewee claimed that the preliminary work was not done properly. This view is in line with de Brentani’s (1991, 36) claim that often in companies where a new service concept has been developed the market testing is inappropriate, the development process might be casual and the market launch is not properly planned. She also claims that these can lead to the failure of the service concept.

However, this issue was also perhaps most controversial, since half of the interviewees felt that the business model was sound and it created sufficient value for the customers. The problems that these people identified were usually related to the earning logic or strategic choices that the company made. Three people indicated that the initial business model, i.e. spot marketplace would have succeeded, but they also mentioned that this business model would not have supported such a large organization. A common estimate was that it would have supported about a staff of ten people. On the other hand, the chosen business model, i.e. focusing on supply chain management for large corporations, has its supporters in previous literature (e.g. Ordanini et al. 2004, Ravichandran et al. 2007, Rosenzweig et al. 2011.) Also, some respondents strongly defended the chosen strategy, usually blaming either system development or external factors.

What were not explicitly mentioned were the faults in the business model. Even when asked about the details of the flaws in the business model, the responses were like:

> "We did not create enough value for the customers, or our value proposition was not good enough".

One explanation for the apparent faults in the business model could be that even though the company completely changed focus from serving numerous spot-marketplace clients to trying to serve initially only one or two very large corporations as their supply-chain management operator, the company did not change its organizational structure or operating procedures. Different functions were quite separate and as some respondents claimed, no sufficient communication was done between different functions.

The person in charge of the largest corporate account was a good salesperson and had some knowledge about the business processes of a large packer in the industry. But, whether this knowledge was thorough enough, can be questioned. According to some respondents the company lacked a deep understanding of the appropriate business processes and therefore it failed.

The same phenomenon applied with logistics. The logistics service was developed without a comprehensive knowledge of the customers' logistics needs. The expertise in logistics was limited to break bulk ocean shipments and not e.g. container traffic. In addition, the company lacked deep knowledge about US land transportation so the logistics module could never be implemented.

The second round of interviews differed clearly from the first round with much less emphasis on external factors and customer related factors. For example, the relationships between buyers and sellers did not arise when the most important factors were discussed and also the impact of E rocking the boat was much smaller when it was asked about again in the second interview round.

The same applied to external factors; they did not seem to have as bigger impact as was indicated in the initial interviews. There were some discussions of the world not being ready for E, but when the respondents could re-consider their views, most emphasis was put on internal factors.

8 RE-VISIT TO APPLICABLE THEORIES

As the case study has indicated, the main factors causing E's failure were internal and controllable by E and related to strategic issues and people related issues. Wang, et al. (2008, 557-558) suggest that market maker strategies and internal capabilities affect the success of an electronic marketplace. They discuss among others about service provision strategies and internal capability of the marketplace operator and their impact on the success of the marketplace. These topics will be discussed further in this chapter.

8.1 Marketplace strategy

Wang et al. (2008) suggest that market maker strategies contain the governance structure, service provision strategies, organizational capability and strategic manipulation of the marketplace operation. In this study, in figure 13, all of these factors are under internal factors, but organizational capabilities are labeled under people-related factors and governance structure is under ownership factors. Service provision strategies are among strategic factors as is the concept of strategic manipulation.

8.1.1 Ownership / governance structure

As the ownership issue was raised at least on some level and some researchers place the ownership under strategic issues, a brief discussion about the topic will be conducted. As previously mentioned, there has been some debate regarding which ownership type is best suited for electronic marketplaces. In earlier literature some writers favored independent market makers (e.g. Gudmundsson & Walczuck 1999, Kaplan & Sawhney 2000, Dai & Kauffman 2002, Katwala et al. 2002 Stockdale & Standing 2002). Later on, the consortium ownership was favored by most of the researchers (e.g. Lu & Antony, 2003 Fairchild et al. 2004, Laseter & Bodily 2004, Hopkins & Kehoe 2006 Ordanini 2006, Rosenzweig et al.

2011). Wang et al. (2008) support the claim that a consortium-owned marketplace has a greater chance for success than independent ownership. White et al (2007, 92) added that confidence in consortium marketplaces is greater than in other ownership forms. Lai et al. (2007) claim that the most important tactic for increasing network externalities can be when vertical partners build an alliance to support one technology over another. Gulledge (2002) disagrees with them and posits that a private exchange is easier to justify. Chelariu & Sangtani (2009, 115) argue that only consortium or private exchanges can provide long-term and substantial savings. They continue that matching function is not enough and that the platform must be able to facilitate trust and advanced governance functions. However, the case company E was privately owned and even when it had discussions for expanding the ownership, it remained a privately held company. As Ordanini (2006) claims, venture capitalist participation would have increased the financial resources but not solved the lack of industry involvement. Ravichandran et al. (2007, 517) give multiple causes for why a consortium owned marketplace has a greater chance for success. They posit that industry concentration is tied to ownership and they also suggest that if the marketplace is structurally aligned with the industry, it has a better chance of establishing itself (ibid. 519). On the other hand, exchanges that trade with simple products tend to be owned by independent market makers. Dai & Kauffman (2006) add that a consortium-based marketplace offers a secure platform and standards and thus has a competitive advantage over independent marketplaces.

8.1.2 Service strategies

Most of the literature about B2B e-marketplaces is from the point of view of the marketplace user. The challenge of creating a marketplace was that it was a completely new way of conducting business and apparently with the case company there were some challenges with the readiness of the service concept. As previously mentioned, these marketplaces can be compared to new innovative service concepts when applying theoretical concepts. As de Brentani (1991, 36) mentions, in order to successfully market a new service concept, which is new to the world and highly innovative, the marketer must place special emphasis on helping customers conceptualize and evaluate the service.

Wang et al. (2008, 558) discuss about different service provision strategies. They posit that providing advanced supply chain management solutions is crucial for a successful electronic marketplace. On the other hand, Hopkins & Kehoe (2006) suggest that supply chain solutions fit better with bespoke products. Kauffman & Wang (2008, 229) suggest that both transactional features as well as interaction facilitation features increase the chance for survival. According to the authors, the earning logic of these interaction facilitators is advertising revenues, so the transaction fees apparently were not optimal revenue sources as in the initial concept of E. The products traded in E could be clearly defined as being commodities but according to Hopkins and Kehoe (2006) auctions and electronic catalogs would have been a better fit. On the other hand, as Kaplan & Sawhney (2000, 102) state a successful marketplace should trade with commodities where there is no need to see the actual product. In E's case, even when the trading was done based on common measurable product specifications, buyers always wanted to have the opportunity to taste and analyze the product samples.

Joo & Kim (2004) suggest that the size of customer organizations has a substantial impact on the survival of the marketplace. This is supported by Claycomb et al. (2005). They justify their claim by e.g. greater resource base and economies of scale. Joo & Kim (2004) claim that larger organizations are more innovative and due to the size they tend also to adopt IT more easily because of economies of scale. Yu (2007, 87) also supports targeting large companies and adds that they are also more capable of handling risks involved with adopting new technologies. Cho (2006) also discusses the benefits of size, by emphasizing also the resource base inside the company, but interestingly points out that, larger manufacturers might have concerns about losing their market positions with the electronic marketplaces and thus might reject the adoption of such a marketplace. In his study about adoption of e-marketplaces within the Hong Kong textile industry he also found that the marketplaces might also threaten existing relationships (Cho 2006, 30).

In order to attract small firms to an exchange, the market maker needs to use different strategies. Utilizing some form of coercion is suggested by multiple researchers (e.g. Alderete 2010, Quaddus & Hofmeyer 2007.) On the other hand, Quaddus & Hofmeyer (2007, 208) conclude that only activities by a single vendor increase the awareness of B2B trading exchange. Their study did not support their hypothesis of competitor, government or trading partner influence on B2B awareness. Wang, Potter, Naim & Beevor (2011, 621) suggest that in an electronic logistics marketplace shippers should strive to pull carriers rather than to push them to participate in the marketplace. I can agree with this approach since it is doubtful if somebody who is not using such a system would be credible enough to push a trading partner to do so.

Alderete (2010) concludes that high-tech and knowledge intensive SME's are more likely to adopt an e-commerce solution than those representing traditional industries. As E was operating in a traditional industry, this poses certain challenges. On the other hand, most of the customer companies were not very small, but mainly medium-sized.

Wang et al. (2008) refer by strategic manipulation to the concept of first mover advantage. As previously discussed in 4.2, first mover advantage is not necessary applicable in products or services with network externalities. (see. Srinivasan et al. 2004, 52).

Parthasarathy & Bhattacherjee (1998) studied post adoption behavior in the context of online services. Based on their results, early adopters tend to have higher usage of online services and their switching behavior is more often influenced by competing services rather than dissatisfaction towards the service. They posit that companies should focus more on retaining existing subscribers rather than trying to acquire new subscribers. They also claim that early adopters tend to be more active users of the service and bringing in new features can maintain their satisfaction. Their results are in line with the diffusion of innovations theory (Rogers 2003.) Sousa & Voss (2009) discuss about service recovery strategies. They claim that an online service provider should have a pre-defined service recovery strategy in case something goes wrong, but the main focus should be put on crafting the service in such a way that only a minimal amount of service failures occur. One can make the assumption that when an electronic marketplace is trading with critical strategic goods, the flawlessness of the service should be the ultimate goal.

8.1.3 Organizational capabilities

It is a natural assumption that in order for a company to succeed it needs to have a staff that has sufficient skills and capabilities to perform the required tasks. (Quentier 2010) Horsti (2007, 46) agrees with Quentier in his electronic business model evaluation tool where he posits that one of the prerequisites of success is a highly experienced, capable and skillful personnel. Horsti also claims that the staff must be highly motivated and committed. These exchanges can be compared to innovative services (Korgaonkar & O'Leary 2007, 1131) or high tech products (Korgaonkar & O'Leary 2007, 1136), so literature from these topics will be utilized also.

Wang et al. (2008) divide the organizational capabilities into two types, namely IT competence and financial resources. I somewhat disagree with this division, since IT competence is not the only critical competence required in such a company. In addition, the financial resources can be mainly accounted for by the ownership factors, since those are issues that the owners decide on their own and based on their preferences and needs.

Here the organizational capabilities are divided into management factors, experience, skill level and domain expertise and ICT capabilities (see e.g. Korgaonkar & O'Leary, 2007).

de Brentani (1991) posits that in developing new services major challenges are posed from the fact that it requires multiple skills to develop a new concept and leading such variety can be difficult. Lai et al. (2007) add that the total quality management principle suggests that in order to improve the quality of the development process or its outcome, team members must be able to identify and share information about failures, possible defects and mistakes. So it can be interpreted that the management must make sure that different people have sufficient communication skills and willingness to communicate with each other.

8.1.3.1 Management factors

There is more research on management factors in adopting an electronic marketplace rather than running them. However, Korgaonkar & O'Leary (2007) concluded in their study that management vision, experience and professional orientation strongly influence the possible success or failure of an electronic marketplace.

8.1.3.2 Experience, skill level and domain expertise

One aspect of organizational capabilities is domain expertise. The lack of proper domain expertise was brought up in the case study. In general entrepreneurship literature Lussier & Halabi (2010) present Lussier's older framework for predicting success versus failure. One point that they use is industry experience. They claim that if a business is run by people without prior industry experience, it has a greater risk of failure than a business with prior industry experience. Again, they do not discuss on what levels the people with industry experience need to be. On the other hand, they discuss about prior management experience, but do not tie that to the industry experience. Mahajan, Srinivasan & Wind (2002) conclude in their study about dot.com failures that in successful dot.com retailers there needs to be offline experience from the appropriate industry. Li & Li (2005) mentions domain expertise as one critical success factor. Sehwail & Ingals (2003) support this by emphasizing the importance of management experience and the know-how of the industry. Banerjee, Kaufmann & Wang (2007) are in line with previous positing that, as Internet firms are heavily dependent on IT skilled labor, it is a predictor of firm survival.

Menefee & Parnell (2007) found that in high-tech firms the need for technologically competent staff was much more important that with low-tech firms. In addition, they found that human resource management issues were more crucial in high-tech firms, so their study supports the need for quality people in order to succeed. Wang et al. (2011) plainly suggest that e-markets should focus on recruiting high-quality staff and make sure that the existing staff is properly trained. They emphasize that human resource capability can enhance the development of service width, which according to their study is related to e-market performance (7.1). Chong, Shafaghi, Woollaston and Lui (2010) conducted their study in a more general e-marketing context and concluded that people were the most crucial component in e-marketing success.

Grewal et al. (2010) listed some functions that a market maker must have. In creation of an online community, the market maker must have connections and good reputation within the industry in order to succeed in the community building. A crucial way in gaining this reputation is to have good inside experienced people who have worked in the industry.

8.1.3.3 ICT capabilities

A logical assumption is that an electronic marketplace must be able to perform the tasks that it is intended to do. According to Horsti (2007, 46), one of the prerequisites of a successful electronic business venture is a stable entity of software and hardware that are a suit for the business model. A key element in enabling that is a good ICT development, with skilled staff. Weil & Vitale (2002) emphasize the importance of ICT staff but Wang et al. (2011) found that service capability is even more crucial.

8.2 Business model

The concept of business model has been of interest in academic literature (e.g. Horsti 2007) and also in the interviews in this case study.

Bask, Tinnilä & Rajahonka (2010, 161) summarize the difference between business model and business strategy:

> "The main difference is that the business model is a more concrete description of the operations of the company than the business strategy."

Apparently, in the interviews the respondents have sometimes mixed these concepts and also when discussing about the business model as a whole, they have actually really meant only an element of it.

Krell & Gale (2005) write about e-business migration and discuss what companies must do when they move to digitalize their business, i.e. move to e-business. They claim that changes in technology may also require modifications in the business model of the firm. Later they discuss that if the business model is to be altered, then the organization, hiring practices, budgeting etc. must be changed. This same analogy can be used when the company changes its business model within the field of e-business.

Based on the study of 233 digital marketplaces in agribusiness by Clasen and Mueller (2006), E would have not succeeded since it was a startup, it collected fees from traders and it was trading on agricultural products; all of these being factors that did not support E's success.

8.2.1 Components of business model

There are numerous ways to classify the components of a business model. Osterwalder (2004) presents numerous ways to display the functions of a business model. A simple model has been presented by Stähler 2002, (according to Osterwalder 2004) in figure 14 below.

BM component	Questions to ask
Value Proposition	What value does the company create for customers and partners?
Product/Services	What does the firm sell?
Architecture	How and through what configuration is value created?
Revenue Model	How does the company earn money

FIGURE 14 Business model components by Stähler 2002, according to Osterwalder 2004.

Mason and Spring (2011) suggest a different three components in a business model: technology, network architecture, and market offering. Osterwalder (2004) proposes a nine-step model: value proposition, target customer, distribution channel, relationship, value configuration, core competency, partner network, cost structure, and revenue model. Chesbrough (2003) proposes six functions; these being value proposition, market segment identification, structuring the value chain, specify revenue creation mechanism, estimate cost structure and potential profit, which describe the position of the company within the value network and formulate competitive strategy. Morris, Schindehutte, Richardson & Allen (2006) propose a conceptual foundation of six elements that resemble closely Chesbrough's model. In their model the elements are: 1. How does the firm create value?, 2. For whom does the firm create value?, What is the firm's internal source of advantage?, 4. How does the firm differentiate itself?, 5. How does the firm make money? and 6. What are the entrepreneur's time, scope and size ambitions?

Nenonen & Storbacka (2010) propose a business model framework, which consists of four elements and three principles.

TABLE 12 Business model framework (Nenonen & Storbacka 2010, 50)

	Design principles	Resources	Capabilities
Market	Market and customer definition	Customers and brand	Market and customer management
Offering	Offering design and earnings logic	Technology	Offering management and R&D
Operations	Operations design	Infrastructure and partners	Sourcing, production and delivery
Management	Management system	Human and financial resources	Management and leadership

They emphasize the fit of different elements of a business model as well as the need for a fit between the customer and the business model (Nenonen & Storbacka 2010, 51.) They add that the effectiveness of the business model's value creation is dependent on the fit of all business elements and the external configurational fit between the customer's business model and the service provider's business model (ibid, 52.) Nenonen & Storbacka (2010, 53) also add that a change in a business network of one player changes the business models of other actors in a marketplace. A logical assumption based on their studies is that a change in one element of a company's business model requires changes in other elements as well (e.g. Hedman & Kalling 2003, 54).

Most of the other models can also illustrate the different components of a business model, but the framework presented by Nenonen & Storbacka (2010) is comprehensive enough to cover all necessary elements in a business model, yet simple enough to be comprehended by practitioners as well.

Zott & Amit (2010, 217) posit that designing a business model is a key task for an entrepreneur, but a special challenge lies in altering the business model as business changes. Also a business model that works for the company at one stage might not work as the company changes focus. They also claim that when designing a business model, one should focus on the whole big picture rather than optimizing details (ibid, 223). Doganova & Eyquem-Renault (2009) also point out that a business model is case specific and one model does not fit all.

8.2.2 Business model and its effects on company failure

The business model concept can explain all the necessary elements of an enterprise and how different factors of the business model can affect other factors as well. Business model literature has developed substantially since the dotcom crash in the early 2000s. Most of the studies are however based on existing business domains and modified for e-business (e.g. Tikkanen, Lamberg, Parvinen & Kallunki 2005.) As Holloway & Sebastiao (2010, 88) note:

> "Existing theory and conceptualizations accurately describe business model development and implementation under conditions where critical business model components and market structures are well established and accepted."

Baumann (2010) agrees with Holloway and Sebastiao (2010) by claiming that in emerging industries business models and knowledge of successful practices are not yet identified. With the business domain of B2B electronic marketplaces the market structure was completely underdeveloped and the development of the market in general was very rapid and unpredictable. Creation of a proper business model in such conditions can be quite challenging. On the other hand, Holloway & Sebastiao (2010) posit that an entrepreneur must create such a business model that can evolve as the market conditions change

Previous research has shown that changes in one component of a business model require changes in other components as well (e.g. Hedman & Kalling 2003, Nenonen & Storbacka 2010, Zott & Amit 2010). As Samavi, Yu and Topaloglou (2009) illustrate, if a firm is changed to a service oriented architecture, it involves technological and strategic changes as well. They add that the corporate strategy and operational structure of a business model needs to be analyzed together and that changes in one will affect the other, but the sequence is not known (Samavi et al. 2009, 179). Morris et al. (2006) add that the consequences of changes in the business model or its components are not well understood. Still it can be assumed that if a major change in the business model is undertaken and nothing else is changed, then the risk of failure increases substantially. This seems to have happened with the case company E.

The company changed its offerings, but kept all other components in Nenonen and Storbacka's (2010) framework unchanged, except perhaps market and customer definition. Even the market and customer management system was kept basically the same and it did not serve the customers in the new business model as they expected it to do. The management system, human resources and management and leadership remained unchanged leading to conflicts and a perceived lack of sufficient skills.

9 CONCLUDING REMARKS

As previous studies have shown, the main causes for the failure of electronic marketplaces were inside the company. It is my interpretation that the same took place with E. This study has identified two main causes or factor groups for E's failure. They are strategic factors and people-related factors. Strategic factors are mainly related with the business model, the corporate strategy and its implementation.

9.1 Business model and people related factors

The business model should be tailored to the specific situation that the company is facing (e.g. Osterwalder 2004, Zott & Amit 2010.) In the case of E, the respondents identified flaws in the business model, but the ones mentioned were quite generic by nature. Also the respondents had some challenges in explaining the business model and value proposition; and some expressions telling that people did not know what they were doing and how they could spend their days tell that the communicated business model did not match with reality.

If the business model of E would be positioned within Chesbrough's (2006, 110-130) business model framework, my estimate would be that E was either in category 2, that of the differentiated business model or category 3, that of the segmented business model. Within E the innovation development was quite heavily concentrated on the systems development function and it claimed that it lacked both information and specifications from the marketing department. Apparently, there was only minimal cooperation between these functions and thus the necessary new features could not be created. These communication problems were mentioned specifically by people representing system development but also the operations department mentioned the shortcomings in obtaining information from the customers.

E was set up to be mainly a sales-oriented organization. The goal was to conquer territory as fast as possible. Respondents have indicated achievements in obtaining customers and that all of the world's processors had joined the system. Whether this claim is true or not, is irrelevant. The organization was tuned to sell and acquire new customers. However, the company had changed strategy and was aiming solely for the largest players in the world and to handle their supply chain management. The claims that there was not sufficient domain expertise can be relevant especially when E was trying to build its systems to match major customers' processes. The people that had domain expertise had been in sales and marketing of the products and were oriented in that direction. So they had domain expertise, but for the original, spot-marketplace business model. In addition, not all people were executing the chosen strategy so the lack of focus could have hindered the success of the company.

There were many elements in the business model that the management of E did not take into account. Some of them could be considered to be such that no one could have predicted their impact on E's success or failure. At this stage it is easy to say that when E changed its strategy, it should have changed or at least evaluated all other elements in the business model in order to succeed. However, the management apparently had so many things going on and apparently trusted the capabilities of its employees to fulfill the company's mission to be the dominant electronic marketplace in its field of business, that all necessary actions to revise the elements of the business model were not taken.

Figure 15 illustrates how customer related factors and external factors have an impact on the internal factors that are parts of the business model and on the failure or success of the company. Changes in the business model can be considered as pulling its elements in different directions and thus trying to break the chain of business model elements.

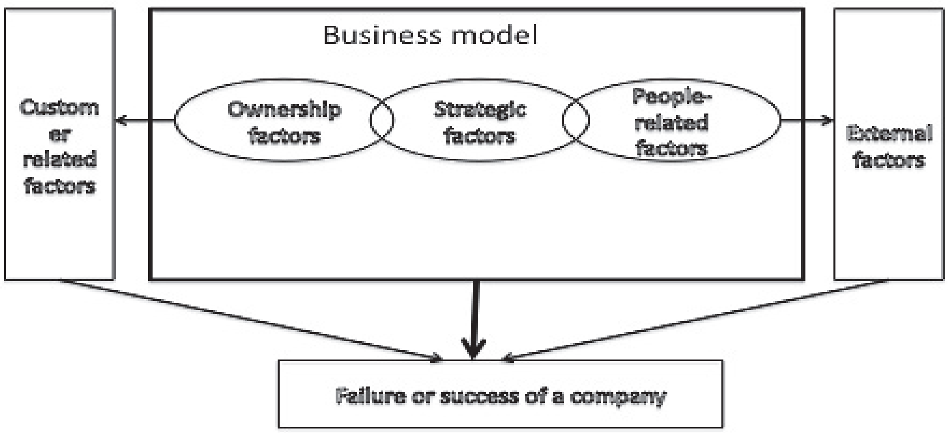

FIGURE 15 Revised illustration of the failure factors of case company E.

9.2 Assessment of this study

This study has increased our knowledge of failure of firms as well as business models. Although its generalizability is limited, and it can be justified mainly by the idea of an analytical / theoretical generalization (cf. Yin, 2002), some aspects and approaches might be able to be transferred to other cases.

Previous research has not clearly demonstrated the different impacts of business strategy change and when other elements of the business model have remained the same. In addition, when internal communication fails, its impact on a company's performance is quite substantial.

This study also contributes to the science due to the multiple analysis methods used to analyze the case study. Using three different methods of theme interview analysis brings robustness to the data and also new perspectives to the comments of the respondents.

9.3 Implications for researchers

This study has shown the importance of multiple analysis methods when failure has been studied. The results have shown that content analysis cannot solely display the complex issues that lie behind the unpleasant failure of a business.

Success of a company can be illustrated much easier than failure especially in a case where a company has decided voluntarily to seize operations without going bankrupt. In this case the owner made the final decision, but even for him it is impossible to clearly state the single most important factor that led to the ending of the company.

This study has also confirmed results of previous studies with regard the idea that failure cannot be explained by only one cause, but multiple different factors. This study has also shown that most of the failure factors are such that they can be controlled by the company and its activities. This study also suggests a lesser impact of the network effect, either as a success factor or as a failure factor, than previous studies.

The concept of business model can be considered as being a very suitable one for explaining the success or failure of a company. The business model can be considered as an entity that has to be utilized entirely and that changes in one part of it will at least require a new look at the other parts of the business model.

9.4 Implications for managers

When a startup company is trying to look for customers, its position in the market and obtain sufficient cash flow, it often needs to change its focus. The initial business concept does not necessarily serve the needs of customers, as anticipated, so strategic changes need to be made. It is relatively simple to perform major changes in a startup company since they are often considered very agile and decisions can be made quite fast. However, this study shows the importance of looking at all possible aspects of the company's business model, since no chain is stronger than its weakest link. Different elements in the business model can be considered as links of a chain that is been pulled in different directions by different forces, like resistance to changes, competition, technological fears etc.

When a start-up is trying to find its place in the market, the management must make sure that everyone in the organization is on the same map and is implementing the chosen business model and business strategy.

9.5 Future research

As this study has been a single case study, it would be beneficial to have comparative information about the topic by conducting a similar study with another failed B2B electronic marketplace. If such a study would show similar results, the transferability of these results would increase due to comparisons.

Another line of research would be extending the interviewee base to the customers of a marketplace. These interviews could bring some new perspectives to the results. However, it also might be that the customers would not have sufficient recollection of the events and causes for why they did not use the marketplace since apparently B2B exchanges were not necessarily at the top of the priority list of business executives.

As the ending of the company came in a way quite unexpected, it would be beneficial to study the decision mechanism of the owner when he/she decides to shut down operations. What is the final factor that influences such a decision?

A quantitative survey on failed businesses could be conducted with the hypotheses of the shortcomings in the respective business models. If similar pre-conditions, i.e. change in the business strategy without a comprehensive change in organization and corporate structuring existed the understanding of business failures could be increased.

9.6 Final words

This has been a long journey, which actually started in early 1998 when the initial concept of E was developed. After my resignation from E, I constantly followed what was happening to the company and as soon as it ended its operations, I started wondering why it had happened.

It cannot be stated which factor resulted to the failure of E, but clear evidence shows that although the initial business model was at least appealing to the customers, the change of focus to becoming a supply chain management company for large corporations within the industry E was aiming to serve, was not executed properly and apparently there was not sufficient interest for such services. As the literature that was published after E's failure (e.g. Baumann, 2010; Holloway & Sebastiao; 2010, Tikkanen et al., 2005) suggests, at the time there were not established business models for such markets and thus it can be assumed that the risk for failure was higher. And unfortunately that is what happened with E.

It has been illustrated and illuminated that one key issue in strategic moves is the wisdom of timing. Apparently, and unfortunately, E was in the market too early if the technological readiness is taken into account and too late, if availability of venture capital funding is seen as the key to success.

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APPENDIX

Narratives in chronological order.

Here all the narratives that somehow resemble a full narrative are highlighted with different colors based on Labov & Waletzky's (1967) model as depicted in Elliot (2005):

1. Bright red illustrates abstract.
2. Bright yellow illustrates orientation.
3. Bright green illustrates complicating action.
4. Pink or purple illustrates evaluation.
5. Light gray illustrates resolution.
6. Olive or dark yellow illustrates coda.
7. Light blue illustrates metaphors.
8. Dark gray illustrates basically irrelevant external things that can also have metaphors in them.

The meanings of a/m terms are illustrated in chapter 6.2.2.

TH:

JL: Ok, TH, there are few questions that I would like to ask you and, I would like to begin with, if you could tell the story of E as you were the CEO and, president of the company.

TH: Do you want the short or the long version?

JL: Tell the long version.

TH: Longer version, well, so many stories could be told, but I guess it all started when you recommended investment to in, to IN Group when I was in the IN Group board, of, aa, of investing in this xX, X market place. And if I remember right the first recommendation was done in the spring of 1999?

JL: 1998

TH: 1998, okay. And then I went to china when OA asked me to look at the, you know, Chinese market overall and asked kind of evaluating all the different investment possibilities for I Group after he had sold, sold to S and he had lots of money. And a, so as one of the, I had different criteria, I don't remember what the criteria exactly were but in terms of revenue, in terms of potential, in terms of how difficult it would be to execute. Different characteristics. And then I had maybe 5 to 7 different, alternative places where to invest. And what has to be remembered that really the reason that OA got so much money for IN Group was because of his b-to-b, or his electronic market places. Otherwise it would just been a small invest, a small investment but S was going to pay (thinking) a lot of money for it. Se there was a kind of a hype of electronic market places or in general electronic, e-commerce and so and so, it probably got much, relatively high valuation and point of potential, and so one of the issues was that there were two places where I recommended that, I Group would invest. One was a Chinese business, and a, the second one was this E (marketplace) and you know, that's what I remember, one has to find the report. But, but this was, and really the attempt of that one, my thinking at that point was that we would invest a little bit of money. I don't remember how much but just a little bit of money, in this, to investigate whether or not it's a buyable option. And then, the board approved that, and then, you went to Florida.

JL: Yeah, actually, actually I went to Europe to, discuss with, some potential buyers and also I traveled quite frequent, frequently to, Florida to, see potential sellers in the marketplace.

TH: That's right and then you, so you had, you, you traveled and then the decision was made that you would move to Florida. And then in ninety, eight, this was in still in when did, what year did you move to Florida?

JL: 99

TH: 99, okay and then I moved to California from P University, about the same time, or something. No, because you still came and visited us, yep, P University. And so you, so, so, in the spring of 1999 you still came and taught the class and E was still that's where we did the logo testing that's when I was in P University. And then I went to a, and at that point I didn't have any role except, just consulting in some ways, with E. I don't remember if I had a title or position I was probably the CEO But I were, but I, but I wasn't really day to day operations in that situation.

TH: And then, moved to, California. And a MG and you really stayed in, kind of charge of the operations, at that point, when I continued as a CEO and, in paper, and traveled quite often to Florida.

TH: But at that, that, that was really the height of the of the e-commerce market places. And, a, so in some ways because of MG's contacts and your contacts the concept of E and E brand, became relatively well known. Actually relatively fast. Because there weren't that many players, in the market place. And then, the big challenge, there were two big challenges. One was, just plainly the technology. We had some, kind of a, working place, a beta version, so of the first, market place, but, it really wasn't a working marketplace, if I remember right, and we, we spent a lot of money and time on just kind of developing. And then TM, a technology guy.

TH: So, a, anyway the, one of the big issues was then to get financing, for this, when one, OA wanted to get the evaluation and all the other marketplaces were receiving, in a, or financing and we had the some California guys, I don't remember their names, who were very, very close to bringing in financing for E. And at that point my plan was to come full time; it would've been fall of, 99 I guess.

JL: No actually it was in, April 2000 when we had the investors coming to sign up, April the 2nd, if I remember correctly, or April the 12th.

TH: And then the market had fallen and it was, it was right in those days when the market fell, so I mean you can go back and look at that Dow Jones and remember the days. And then but we were still very much in, and the concept was well accepted. We had, technically we probably did not have a product that was functional, even if people had wanted to, work out the market to, or in, or at least it was very elementary, in its way. And then, when the financing fell through, then I left. I went back to California and just said ok, this is, this is not gonna work. I can't remember years but, and then OA came back, and wanted me to come back to, run the operations and then MG ran it and a, MG was the president, if I remember right and then OA wanted me to come back and I left the university, I don't know how he talked me into it, but I left the university and came and that's, that's when I really worked full time. Again it would have been the fall of 2000. And, when did you, you left at the in June 2000. So you left before I came. I thought you were there when we were there maybe it was just the

JL: No, I never saw your house in Orlando.

TH: Okay, then it makes sense, because well, it's just, because I traveled there so much and spent so much time at your house, and at the hotels, okay, now this makes more sense. Coz I thought you were there still when I came. And so I came and then OA moved to, Florida, also, little after me. But the reality was that there was very little progress actually made. We put a lot, we put a lot of money into sales, and lot of money into development of the system, but the system never was completely functional. That's when we hired TM, and, some other people in engineering to develop and finalize the platform and the product. And that's when OA started to put lots of money into it, moved to a new office, we had, I don't remember what the total number of people we had on the top of this about 30 people, doing this. And a, the main issues from OA's point of view was selling and a my point of view the issue was that we had to get the, the platform and the business model so we knew exactly what we were selling, so we were selling a concept but we didn't have a concrete business model that we could go and "this is what you pay for". And, a, so fall of 2000 and, cant quote me on this (permission gotten later) but I thought about afterwards and went "what did we all do, every day, when we were there?" Really, I mean, in some ways, we had 30 people calling to sell something that we really didn't have, couldn't sell. And we had a platform that wasn't got working, being developed so it was in the way even though there probably were others marketplaces that didn't succeed like the AL people, we were not, in my opinion, we were not up to par in terms of our platform, even with those people. And so, that probably made it even more difficult for us to, in some ways, for us to succeed because we were, somewhat behind. And then I think relatively quickly, then OM came and a started to work on, on the operation side to get the platform going. And but then it became somewhat obvious that this business model wasn't going to work.

JL: How did, how did it became?

TH: Just, in the sense that, that even though customers were conceptually interested in the concept of decreasing costs, that working with a neutral marketplace for them was a bit of a, it seemed difficult, because it was still, even though it was a major commodity, it was still a very narrow place for them. So it was, we would have had to have a whole bunch of these marketplaces and how do we work, so we could not get any traction. We were always welcome, but we could never get anyone to move anything and then by force we had a few trades that we did outside of the, the marketplace and put it in the market place so that we could say that we moved the thing but it wasn't really, the system wasn't really working so. Now afterwards thinking it was a bit embarrassing, actually, but that's how it worked but ZZ wanted to pitch in sales and he, he invested in sales and sales and sales but the, the reality is that there was a real value gap in the sense that what we promised and what we could deliver. And, a, the, the savings that the customer could gain in this value was not what we promised. And if you think about it there were really three levels there was there is a pretty good book actually called "prime solutions" and there they defined kind of three elements of the value gap One is that the product doesn't do what you think it should do and in E, it didn't. And a, remind me to talk about the logistics thing, because that's rather significant on the history, but it didn't and a, second a, customers couldn't implement what we had so our, our interface and our customer uses, we never got to the point that customers actually were able to use it and so third problem in terms of customers expectations on the value were not met.

And I'm not sure that if I'm really honest, that I'm not sure that we had a business model were we could actually even simulate the savings for the customers, with a system that we had that would have been significant enough for them to see that, see the benefits so, maybe. That's just how I see it. And then one of the elements was that we started to deal with the logistics and a there was a company called Logisticar, if I remember right, from Canada, and they came (JL: D), that's right and and a they had a sales person who, who came and sold the system, and we really didn't know what we were doing, because, because at that point, at that one I had, I had somewhat lost faith in the system, and OA wanted to, I think OA just wanted it to succeed. And he kind of single handedly made the decision to invest in D and it was like 600,000 dollars it was a huge sum of money that was decided.

JL: Was it 600,000 because I heard, that it was 1,5 million dollars.

TH: You know I honestly don't know because my memory is pouring it I just remember it was a more money than I would have paid for it, I think that, I think that the pricing was so that it was 1,5 but we got a really deal and he came down and did this, and it was a commitment of 600,000 dollars. But the reality is none of us knew what we would do with D. How we would integrate in the model, so, so if you ask me in terms of what, what was, what was kind of not so much wrong with the, I don't know about the whole market places but that, our market place was, conceptually it made sense but in terms of concrete business model, we didn't know how it would really work and even more, we were not able to develop, in concrete terms, what the product is. And so we never had a product, we didn't know a business model that really would work, and yet conceptually it was very appealing and because everybody else was doing it, it had to be one of the great things in this life. Then really I have to give a lot of credit in terms of and, I was a just taken in, in a way it was kind of a sopulilauma (a bunch of lemmings), that everybody was doing it, everybody was investing money in it, and this has to be the next world and so. And I think the person who really, I have to give credit for kind of coming, it was HA. Because OA just brought new people and new people, kind of was the other people kind of disappeared, that's when I didn't know what my job was. Because we had the sales manager, operations manager and CEO and a president and, so, I just did administrative things for the last little while. But HA was pretty clever, I mean he came in completely from outside, and after a while looking at he said, "This doesn't make any sense". Not in those words but basically, were not going to get enough money from this fast enough to cover the costs. We were spending, 30 people, we were spending a lot of money, and then the decision was made just to make it into a really small operation and try to accomplish what was there. We moved back to the Sand Lake office, not to the big side but the little side on that side and we probably had at that point five people left. We let everybody else go and a, and then just to keep the cash flow going I did consulting, I started to do consulting. And I basically said, "at least I can cover my own cost by consulting" so I just started doing consulting, and that's how H Group then asked then asked me to come work for them and then I left, and I really don't know how it was then completely run down after I left but. But a lot of hope lot of conceptually important stuff and we were even conceptually able to sell it but in practice we didn't have a system that added the value to the customer they wanted and I think our execution on the software side was not very good. We, we could, we could kind of do it but it was not, wasn't at the point as many of the other systems had much better systems and software than we did. And I think in some ways we tried to do everything, this logistics stuff was just a desperate attempt to add something that would add value. So if the core didn't add value start doing more so maybe that adds value. Add more and you get the logistics. Somewhere there is the Holy Grail but we never found it. I mean that's, that's kind how I remember it.

JL: OK. What were the expectations from, E side, meaning that the, what did the owners of E expect?

TH: Well, mean you have to kind of think about this in the terms of, that OA had just made a lot of money, on electronic market places, or even KP in terms of what was on and he, he saw. And OA had a good, I mean he had big visions and he kind of was a few steps ahead of the rest of the crowd but he really saw that this was really, really big. That he wanted this to be the global market place where the whole X and Y industry and, and in some ways I'm guilty, and probably your guilty as well in terms of building the numbers to the point that, I mean the calculations for the, for the a kind of potential were probably. I don't think we were dishonest, I think we really believed that that's possible. So, we looked at the total volumes and what kind of volumes and, and getting, and because the pricing model didn't exist so we could put all kinds of pricing models where we get some percentage of some, some kind of volume which in some ways looking afterwards, seems silly but it wasn't silly because everybody, I mean 1500 marketplaces came up with this same model and thinking that well this is kind of solve the problem. But OA really saw that this is, this is gonna be paradise, we all did, I mean we had stock options and we had I mean we thought were going to be rich for the rest of our lives and (laughs). It is interesting because we can look at this one place but there is but it's important in terms of your dissertation, how often this happens that we look afterwards and we think people were absolutely crazy. But when you're in the middle of it and everybody else is doing it and whether you talk about house, is a housing mortgage loans, now you look at "these people, I mean what were they thinking" and I look back and I say "I mean what were we really thinking" there's the pricing model and all the issues but we saw that there's a transaction, decrease in transaction cost, a more perfect market place where if we can create that we would get some part of it. I mean I don't remember the numbers exactly, you probably remember them much better but, but there were, I mean we were throwing out huge numbers or even the financing, that they were thinking about that they almost gave us and if we would have been able to convince OA earlier we probably would have gotten money. I don't remember the millions that they talked about but it was.

JL: Forty seven million dollars pre-money valuation was in March 2000.

TH: I mean 47 million just think about it, and 15th of march 2009 with 47 million dollars what could you buy now? I mean you could you couldn't quite, I bet the valuation of H Group is much better, I mean it isn't a so, I think in that sense, I don't know how you're building a theory but in some ways there is this kind of group think, that I can't be wrong because everybody else is thinking about it. Because if we had been forced to think about it, in isolation from everybody else we could have found all kind flaws in the system. I think. I mean if you really object take away but we have to remember the kind of the feeling of, in the issue and I, if you think about how much money people invested in these market places they were huge amounts of money I mean hundreds of millions of dollars and a everybody wanted a part. I mean we had several people who wanted part of this action and, how come we were so smart and so on. It was a fun ride.

JL: Finally, is there anything else you wanna say?

TH: It was a fun ride. I'm embarrassed about it to be honest, personally, I should have known better. And there were times I knew and yet I didn't say anything. So it's not one of the stellar moments in my career but, but, I learned something so, I think it was a conceptually if, if we had to go back we would probably make the same mistakes, because at that information, with the information we had, and the, the spirit of the times, and OA's successes in this business, it would be very easy to make it again. Afterwards it's always easy to, "no you should know this and you should know that" That's not how it works. But I don't think we did particularly anything wrong except the one thing we did wrong was we stuck out too long. We should have been able to know and pull out. After the investors left we should have said, hey, that's like I, at that point I did say this is not anything, but OA then said, Ok I'm gonna put 10 million of my own money into this and then talked me and talked me into it so. But that could have been, that would not have been a bad deal if at that point we would just said, would have re-evaluated and said, "no its now time to quit". But there's too much inertia, and the inertia is also probably largely personal, OA wanted to move to Florida and nothing was going to stop him. This was one way to have it yeah I mean if that hadn't been the driving force, probably when the financers walked out we would have said "ok lets close this bid". But there was a underlying motive that kept it going I think cause I was ready to quit at that point, said "na, there's no hope" and that's when he made the decision, "ok no 10 more millions, I'm gonna put, I'm ready to put this in" and that's why he talked me into it. And I'm really; personally I'm happy I did it. I'm not, like I said blaming, but of course I feel bad for OA's money, I feel bad for the people who got hurt in the process, and I think that the way we treated. I think there was a time we treated people pretty fairly but in the end I'm not sure that's true. I'm not particularly proud of some ways we treated people, it certainly wasn't my value structure so. I feel bad about TH, I'm not sure anybody got really badly hurt, aa, oh, there was one guy, think about, what would be, I go back a little bit. I, his name was DH, did you ever meet this DH guy, he was to say, and OA hired him as a sales manager.

MG:

JL: Ok so first thing can you tell the story of E?

MG: Oh the question is where to start. Probably when I first went over to, to Finland but, you know what's interesting you had contacted me after we had been in the orange juice business when I was with WG and I was at the DC again at that time and you'd say "hey there was some interesting software developments in Finland" and you thought it would be very possible to sell xX online, over the Internet. And keep in mind, back then the Internet was very new and it was virtually unknown. At that time we had just gotten even PCs in the office so we were all learning DOS, it was truly dark ages. So that was sort of the first mention of this and I happened to be going to Finland shortly after that and had stopped by and talk with you about the subject and then you came over with someone from AA's company, what was the name of the paper?

JL: KP

MG: KP, I still have my KP jacket which is very well made and, and very warm. But, yes they, you had visited the DC and we were talking, at that time my thoughts were that something like this went forward and you were able to put out offers to buy and sell over the Internet, and show up in your computer, we wanted to make certain that Florida was not left out in the cold. And I had gone to the executive director at that time and said this is something that we really should look at, because if we leave it to the Brazilians, why, we'll be done. It was a very early stage and we were all quite naïve about what to expect from the Internet and what it will be doing. But we all sort of learned together at the same time. So the, the next time I had gone over to Finland and met the people at KP who had the software that you had, you had been, you were working with them at the time, as I recall, and you said you thought some of the functionalities of the software would fit very well with the xX business. And you guys asked me if I would look and help you with the design of this and we talked with the software, the geeks, the engineers as to how they were gonna map this out so it's, it was a very useful exercise to sit and work with you all and say laying out "here's what happens in the deal and you want to sell it and somebody wants to buy it and here's all the constituent parts". So it was, it was interesting to me, as a non specialist in the electronic side, to be able to say, all right these are the pieces of information that have to go backwards and forwards. And it was very clear to me having been in an xX company in the international sales and then back at the DC, so I had an overview of the whole global industry as well, that if you could have the connectivity to put all these pieces of information together in one system and it could be pulled out by, not just the buyer and seller, because the buying and selling is, is the easy part, it's very simple, if you already have a customer to say "here's my price it's agreeable, yes it is no it isn't ok the deal is done". The, the savings, really, would come in everybody else who would have to be in the deal in terms of paper had access to the same data that was pretty much determined by the buyer and the seller. So it was extremely interesting to me and by extension to the DC, that they, I went, I remember I went back and explained to them what was gonna happen and the thought "boy this is really something that is exciting" and we wanted to make sure, we, since no one really understood what was going on and how it would fall out it's like let's make sure we keep Florida in the mix, and the evil Brazilians didn't take this over and then. We, we had absolutely no idea what, what was gonna happen but then no one else did either so we found ourselves in a very good company and since we started asking around and everybody said "oh yes, yes the Internet" and it was like it was an entity to itself and no one really understood it. So that was sort of the beginning of it, the, it, it started up really E itself after OA made the decision, I think you put the project forward and said "here's the results of what I found out, yes it appears there is a good potential" at that time we were just considering and I remember we were just considering if you took the Florida xX and bought and sold it to just the Florida companies and the big brands, and the United States being the largest consuming country that looked to be a reasonable business model. And if we could just bring the Florida and U.S. users together into a, an Internet community there would be tremendous savings and you know it would be to the Florida, Florida's benefits. And so, mister OA decided yes he would take this further make a project of it and probably put together a totally separate e-commerce company owned by his, his own company over all. And that was really the beginning and it took place I'd say over about a six month, seven-month period that I was involved with it. You'd been looking at it for far longer which is why you called me and said think this would work.

JL: Yeah actually you came in quite early. You were approximately the second person that I talked about this whole concept.

MG: But I was so bright I understood instantly.

MG: That I remember going over to Finland, in the winter time, and working on the, you know, bringing this into what we thought was a more sellable unit and I remember thinking "oh my good people are not going to believe that an Internet company" that time we really didn't appreciated that you could be anywhere with internet. But to sell this to, to the X companies particularly xX which is all grown in very temperate climates, to say that the company that was running this new Internet buying and trading system was in Finland and not just Helsinki, at least people knew where Helsinki was, but to be in northern Finland. It was like "oh these guys, oh they understand xX, right their up with Lapland reindeer herders". So, I remember when OA came over, you brought OA and, I forget who else came with him. No it was another Finnish guy, because, you came to Orlando and I remember I met you at the airport and you said "when we left it minus 50" and you got off and it was bright sunshine it was in January in, in Orlando and OA the, into the Orlando, for those who haven't been to Orlando airport it's very tropical and it's very moderns and there's palm trees and water everywhere and OA got off and went "Aaah, this is paradise" which by extension it was. Coming from northern Finland in minus 50 it was just sort of unbelievable and he made the decision and we looked at some office spaces and we took him around and showed him basically the industry. And, he made the decision that yes it did not make sense to have the company have E itself located in Finland. And it just, there were too much cognitive dissonance involved there you know, “wait a minute, wait a minute, the Finns are really good with Nokia phones but what do they know about growing x or anything for that matter that’s out of, doesn’t grow in that region” so he made the decision that time, all right he’s funding the company, he wants to put it in Orlando and it was shortly thereafter that you guys made me the offer to leave the DC and come onboard with it. And so it was, at the time, it was a considerable gamble to go from a known entity like the DC and being within the industry, to a e-commerce company because at the time even the term e-commerce was brand new. And there, there was a beginning excitement that nothing like it would be a year later when it was dotcom this and dotcom that and money was just flowing like water, more than orange juice. So that was, it was an interesting start and interestingly I had no problem getting people with experience and the expertise that we needed to stop what they were doing with the hard part of, you know, the real xX business and X in general and join E. Everybody once they heard the basic premise and what it would do and of course we were assured, by the geeks, that it absolutely worked “yes it works” and we all asked “does it work” “yeah, oh yes, yes, yes, yes, yes” so that that was really the beginning. People were extremely enthusiastic about doing it was sort of like here’s a new frontier and from our standpoint it was “aaah the brilliance of this concept is, it’s the last way to wring any inefficiencies, and therefore cost savings, out of the industry”. I remember telling people “look, we cannot possibly grow any more Y on a T, that, we’re as good as we can get”, you get some efficiency’s but the cost is now too much to gain any more, the, X side of it. I had been working with WG, and actually at the plant, and I knew there were very few efficiency’s left to be gained and how to s the product and turn it into X. The real waste was taking place with the paper work and all of other insularly parts of putting the deal together and watching it and the transportation and just the man-hours and the number of pieces of paper. I think that after we had mapped the process out there were something like 26 separate pieces of paper that could be involved in export transaction. And then when you throw in everybody’s time, the cost, secretaries, sales people and we could wring a huge amount of that cost out, the, even starting right with T the top guys at T, at that time the largest, well still the largest brand in the world for xX, understood it instantly “yes that’s millions of dollars in savings, that’s something we would like to be part of”. So that, that really sold me and everybody else in the company on it, I remember thinking “ooh this is, this is a no-brainer, this stuff works the geeks promised us it worked so it’s just a matter of time”. Yeah that, that was the beginning that was the, the really interesting time.

JL: So, but then when it, when the business started in a way running, meaning the operations started running, can you tell about that time?

MG: The split, in, in all the dotcoms, and I talked to enough people who were in all the other add dotcoms and of course read the other horror stories from the non-agricultural dotcoms. Everybody with product expertise was convinced that this was the way of the future, it was logical, it made all the sense in the world, we assumed the technology was there and, aa, you know a faulty assumption at the time but in reality everything we thought was, was in fact the case. The those, those things will still happen, the inefficiencies are there today they’re becoming less so the technologies that are being adapted, keep in mind, this was back when, for us on this side of the ocean, cell phones were brand new. It was the Finns that made me get a cell phone and at the time I remember distinctly that I would turn the phone on when I wanted to make a call and mister JL used to go, “MG is your phone working?” I said “yes it works fine” you said “but I’ve been calling y-y-you don’t answer” said “I don’t have it turned on” “you must turn it on” and I’m, myself and everyone of my generation was of the background that phones cost money and you used them to make a call, you get the information and you hang up. And if you've gone to the expense of getting one of these horrifically expensive cellular phones and remember the phones that we started off with were the size of a brick, a large brick, and they cost a fortune to "ha, better not stay on the phone, yes, no" hang up. And the Finns arrived with, by the standards of the day, tiny little Nokia phones I'm like "whoa, look what, look at this, this is so cool" but we were, it took me months not to think oh my god I've left my phone on what must the bill be. It was a totally different mindset whereas all the Finns and JL pointed this out to me when I was over there in Finland and you were saying "look, look around", I said "what, what" "see that guy across the street" there was a guy across the street from us waiting for the light to change he was talking on his phone, and he was talking to the guy next to us. And ok "oh my god this is cost effective", here's a guy that cant eve shout across the street it's worth it to him to talk on his Nokia to the guy standing next to us like on the other side of this room we are in. So that was a, a real eye opener so it was quite natural that the, the Finnish exposure to the technology side was so much greater than anyone in the U.S. at the time, certainly in Florida and even more certainly in agriculture industry. I mean no one had the technology, so for us it was all new and we made the assumption, we were quite willing to make the assumption, that "oh this is the way of the future, yes this system will work, yes it's clear to us where the savings were, are gonna come" and we took it on faith that it actually will do this right now. And so we were running to jump in and get this thing up and we were the first ones out there with this but very rapidly by the time we had our offices set up, there was another dotcom, WC, not the big WC which, later was in terrible trouble, but they had somehow gotten the name and the original WC didn't step on them, as they should have, but they were right in Orlando and that we only found them out by accident it was in the paper and I'm like "oh, ou" and we actually drove over if you recall and pretended we were interested on what they had just to see and they were quite happily taking us around and showing us these huge rooms with you know spots for like 60-70 people and we came back like "oh my good these people are outspending us like crazy, we don't have a chance against these guys" aa, of course they eventually folded and they were nowhere near where we were but it was, at time we realized we were in a real horse race and it was what do they call, battle for space, race for territory or something where it rapidly became apparent that we couldn't do the it had to be all X if it would work for xX it would work for all Xs. And of course lot of the xX guys were using aX and gX and pX so we expanded to all Xs and then right up to that it was like "oh, oh, WC and all these others are coming up and their gonna do Y so we had to be into Y" and so it was, everybody's eyes were bigger than their stomachs but we were being pushed so hard because the change was coming so fast the magazines were coming out. I remember wired 2.0 went from being like a twenty page poorly done thing to a massive big 120 pages 20 bucks a shot and that's what everybody read because uuh there were adds for Aston Martins and stuff it was like "whoa were all gonna be rich" and then it was options and more options "oh this is great" the amount of money that was being thrown around actually dwarfed the value of the xX market (laughing) so it was, at some point you thought and coz keep in mind it wasn't just us it was a worldwide phenomenon at that time the Japanese were claiming that the value of the land in Japan was worth more that the land in the States and then it was, no the value of Tokyo land was more than the value of the States and then it was, no the value of downtown Tokyo that land was so much per inch that, it was absolute nonsense but the time I remember "oh my god the Japanese are so smart" well they weren't anymore smarter than anyone else and of course it blew up on them. Think back on those days and go back and read the headlines and it was "go, go, go faster, faster,

faster you know we gotta do faster gotta move faster" so we on the sales and marketing side, which is what I was tasked with doing, we were calling on all, starting from all the Florida companies and we were not turned down by any single company, we started right at T cause I knew these guys from working with the DC, and the top people all sat around and we were in the board room, presenting to them, and they said "I get it, I get it" he then, he turned to his people and said, "we wanna be in this, you guys figure it out" he literally said "let me understand this, I could be anywhere in the world and as long as I can plug my computer in", cause there was no WiFi at the time, "if I can plug my computer in, I could access my inventory and I'd know what was going on and I could see what was happening, had already happened that day", and we said "absolutely" he said "then we have to have this" he said, "this is absolutely the way it was going to be this is gonna mean massive savings for the company and, and we wanna be in" so once drop was in everybody said "oh, yes, yes, yes" they, they understood what it was gonna do, they understood that if they weren't in it they would lose and from there we went to literally all the other companies in the X business worldwide that were worth anything and we were, we were running out of companies to pitch. And we met people around the world we went into food shows we were, we were really playing with the big boys. I remember when we got to finally got down to the last, we did over 400 companies I think, and the last one was the only major producer of pX, in Peru, and I remember thinking "there's no one left, we've done all we can in marketing, we've got every single X company has said gimme a password were in". The problem of course was that they were waiting for the system to work. We had started off, we had a grand opening and I remember I had friends there and they came to see it, and the press, we did it down town in the C club in Orlando and we had the first ever Internet conversation for the sale of X between a buyer here in Orlando, and a sell, no a seller was here in Orlando and the buyer in Germany, I think it was. And we, it much like Alexander Graham Bell and mister Watson, you know, the first message went out, but it wasn't "come here Watson I need you" its "I'm selling specs zz at some many cents per ps" and the answer came back "yes it looks good to me", and we went "woohoo" and I remember a friend of JL's and mine here in Orlando said "I'm in a room with millionaires, I've seen the future and it works" it was DS he was proven wrong unfortunately it was a heavy time for starting this off.

JL: So at some point there was a downturn and what happened after that and why did the downturn take place?

MG: I can remember, going to a presentation at, it was in F what was the big trading company in F, C, it was the C plant in F and we were presenting them, I remember, we were going to be doing a live demo from one part of Frost, from one part C there in F, Florida, over to Europe their European office, and these guys were very tough. C's a tightly held private trading company, one of the largest in the world, in commodities. That time they were big in xX both in Brazil and here in Florida. And they had they misgivings but they wanted to see it would work and we brought our, our alpha geek KK along just to make sure that everything went well. We had it set up and sure enough we ran the trade and everybody filled in the slots and It showed up on the screen and people going "whoa, it works this is terrific this is what, the way of the future". In the car back it was MB, myself and TK. TK was in the backseat and we were driving along and MB and I were going "we're going to be rich, it works were going to be rich, C's biggest in the world they love it ooh I can't wait to get back and tell everybody, tell JL tell OA this is gonna be great, TH's gonna be so happy" and, TK in the back seat goes pretty quiet and TK being Finnish was relatively quiet, big guy, and he said in very matter a fact tones " yeah I'm really glad that worked" and I said "why is that" he said " well the whole thing is just held together with chewing gum and string" and both MB and I looked at each other, I was driving thank god, and I said "I'm gonna pull over", we pulled over it was in the town of F we pulled in this gas station and we both turned around and talked to TK and said "what do you mean chewing gum and string" and at that time(laughing) he said "yeah this system is, is not very robust there's only, there's two guys, two part time guys in Finland who were doing all the work" and MB's, MB's mouth literally dropped open, I've always thought that was a figure of speech but he just went "a, a, a" and I said "TK I, I've been to the office building I've been to, it's a big office building I saw dozens maybe hundreds of computer, software engineers and people running around" and he said "oh yeah, yeah but none of those guys are working on this, it's just two part time grad students" "aaahh". We had very, literally sweaty palms we all did arrive back into Orlando thinking this can't, there must be something wrong, perhaps TK doesn't really understand the background on this. So it, truly we were up against major, major companies, Oracle was trying to make this stuff work. Everybody was, and the other dotcoms and by that time there were probably around a dozen agricultural dotcoms all talking that they have the solution, and everybody had a solution and everybody's solution was sort of the same but sort of different. And they ranged in funding from hours where we probably blew 10 million dollars of aa, the investors money, in three-year period. And we were the cheapest that I know of there was no one that spent less money or had a better product for that matter, I mean our product was more robust it was better thought out, we, we had more people actually signed up waiting to use it but the, the largest competitor had ten times the funding, they ran at 120 million.

JL: Who was the largest (competitor)?

MG: That was the guys remember the British con guy up in Stanford Connecticut. Can't remember, they had hired the former, the woman who had been the former head of T (JL: Yeah) and she was disastrous, they fired her, and she, her golden parachute was like 3 million dollars just for going away. But it, that's started the questions from the standpoint that everybody from sales and marketing in because we were not expected to know the details of the software and we took it for granted that it was in fact a robust system that worked and was going to do everything that worked and it is, it wasn't anyone lying, it was we did not understand the right questions that asked in the right way. If you say does this work to the technician and software guy and you just say something like that, does this functionality work, is it possible that information can go from point A to point B. "Yes it is, of course" and Finns in particular go "yes, yes of course" and they were right as far as that went but if we had known enough and said "if we take this information that was input on pricing and volume and distance it has to go, will it automatically send that message to everyone to anyone along the path other that the buyer and the seller" then they would have said, if we'd asked the question properly they would have said "oh no, no, no, it doesn't do that". "It's just like a telephone, you pick up the phone and say, I want to buy, I want to sell and that's information but oh it's much more difficult to make it go to the right trucking company and automatically going to their system and from that his, his message the company's it goes to the warehouse that's supposed to receive it and goes into their system all the way down the line and print out the documents for customs inspections and tax people and the like". And it wasn't until, by the time we realized that none of this stuff worked it was really too late. It might have, I tell you one thing, it might have been different it, keep in mind just after that time we said, "oh oh, we gotta put much more resources into the software development" and that's when we got back and asked the question are there two part time graduate students as the only people as our support, the answer was “well, yes”. And then we all got nervous and went “there needs to be more or they need to be brought over here” and so they were brought over and I remember when they came over they were very nice guys, very bright but they said “look, we’re working, trying to graduate and we got our theses to do and this is a part time deal” so there was a lot of patching being done to the system every time we would find a glitch or find something that we hadn’t thought needed to be done to make this system more robust and make it somehow be able to connect to other peoples systems and that’s what we were digging and everybody found this out , it was, I had the same conversations with other dotcom guys as we were standing around like the Anuga show in Germany or Sial in France or I remember we went up to the a meeting in Chicago and we were talking with some other guys and we make great presentations I made presentations all over the world I had my little laptop with a camera on it and people were going “whoa, this is the way of the future”. I could sell, I mean we had everybody going “boy, we better jump on this bandwagon” but the conversations in the hallways or in the bar were always starting up the same way “do you, do you guys have any issue with the fact that you can’t get the signal to come back quite right” and there’d be after the third drink “yeah I thought we had but the software guys lied to us” “what, our said it works perfectly” but did you ask them was it a test” “oh, no” so it turned out that everybody had exactly the same problems, the same issues. And then we were starting to learn terms like “bandwidth” “what’s bandwidth” I thought it meant you know large rock and roll guitars and it was “no there’s not enough bandwidth” and everybody was trying to do the same thing the same time on a minimal amount of information, whereas the software guys were having to invent this as they went so they were almost as much at sea as the people with the technical expertise whatever it was. At the same time, we were also being inundated with, that was the hay day of the venture capitalists. These kids today won’t understand what that market was like, there were venture capital firms springing up several times a day there’d be a new announcement “here’s a 100 million dollar fund” and its being run, basically by twelve year olds, I had to go be interview by several of these twelve year olds out in California because that’s the home where all the money was. I remember thinking “these little jerks, don’t understand anything and here they are pushing us saying “you gotta grab more space you’ve only got 2 of these portals and the X just looks great and Y is going along well but we need five six, a dozen more of these, what else you got” I remember writing up a piece saying “what other commodities can be traded” and we were talking about having wood dotcom and nuts dotcom and natural rubber that was another one and we were finding stuff that other people hadn’t thought of yet. So we had, and this was all driven by the venture capitalists saying “ you gotta have more, you gotta have more, you gotta have more, I’m sitting here and we want to give you this money” and of course we were like everybody else we went “ ooh we're going to be rich this is so much money there, our options are expanding day by day oh my god” at the same time I did go home and tell my long suffering wife “sweetheart, we are virtual millionaires” I remember you had said “your shares are now worth a million dollars” and I’m going “whoa” because we had gotten an evaluation on the company based on what other companies like that were doing. Now keep in mind, no one was making a dime, not none of our competitors not, no, there was no income coming in, it was from investors and the dotcoms were pouring hundreds and hundreds of millions of dollars into this. And we were talking to other companies who had software solutions and things that we needed and they were reading Wired 2.0 on the Internet looking at the right ups going “oh these guys, these guys have what we need to handle the trucking lines” and “oh these guys can do warehouses” so we were out trying to match things up and find the right combination of software expertise. And the evaluations on these companies were just massive. We were still tiny by comparison but people knew from our presence and all these shows and by the places we'd been speaking that, you know we had name, we had very good image about the company and people came to us. Reporters asked for us and were saying "what do you got we need stories, we need to write stuff up" and it was sort of given that within our niche particularly when it came to X we, we were the one that everybody looked at and everybody felt they were playing catch up to. And about that that time that we were being inundated with a our share of the venture capitalist guys saying "we wanna give you money" and one time they were saying "we can put 16 million dollars in like tomorrow" and we were going "whoa 16 million dollars, whoa" but the reality was that there was nothing there to sell and when you asked the hard questions "how much money your making" you had to say "we're not making any money" and "it was a early stage of it you gotta make all this to work". About that time we found out that the company WC in Orlando that we thought was our big competitor and we were going "where do they get all this money" we had gone to see them, their company cars were brand new Lincolns and they had banks and banks of computers and they were gonna go into flowers and they were gonna go into all these things and then it turned out that their funding was coming from a group of guys down from Miami and we were going their not techies their not a bank it turned out it was online pornography, which then came out well that's the only part of the Internet making any money and its making money hand over fist. So these guys were basically laundering, at that time ill gotten gains through this company set up to be handling flowers and Y and X and the rest and of course they never got to handle anything and it fell apart shortly thereafter. And all the Lincolns went away they had just been leased and god known's whatever happened to the space but. And I remember thinking, "yes but we're solid, we, we've got, you know, sound Finnish software and our stuff is going to work" and then right after that, literally all this time. September eleventh "bang" we had just expanded into bigger offices and high priced downtown, we'd moved away from our offices where we should have stayed and hammered it out and learned things, we expanded drastically and brought in more software people and more sales people for something we didn't need, we didn't need to sell anything to anyone at the time we didn't understand it. And I remember watching, we all heard about the first plane and then turned the TVs on and saw the second plane hit and we were looking out the windows of this high rise and looking at the planes setting for the Orlando airport thinking "oh my god what if they're gonna hit, what if there's one group of terrorists and hundred planes and they're after every city" we had the grand thought "surely their gonna hit Orlando were a we've got Disney and we're a tall building oh my god should we, should we leave" but within three months of 9/11 we had basically we saw the handwriting on the wall and said "no this isn't gonna work this way" and we started to really that's when we started shutting things down from the standpoint it's probably not working at this stage. That was the I remember exactly it was 9/11 and everything after 9/11 was "oh where getting back to basics" and remember the economy took a huge hit at that time and people were unsure what the future was going to be and the dotcom stuff was like "okay that's so last millennium".

JL: Okay what do you think, first of all what were the, major strengths of E?

MG: I'd have to say from sales and marketing standpoint it was knowledge of the industry. We had more knowledge of what was going on, certainly X wise but also Y that any of the competitors and I talked to all the competitors at various shows and there were lot of really young guys or older guys who thought they saw a brass ring and grabbed it but really there was nobody with plant experience there was there was lot of people who sort of had some of the ideas but we had very strong in-depth connections and Florida was literally the place to be cause xX was the dominant X and by extension we used the other two largest ones which should be aX and gX. So we had the core knowledge of what needed to be done from internally I mean I had worked in sale and had written this stuff and I knew instinctually all these pieces of papers that were involved which was why it was so attractive to me I was thinking "wow these guys understand it perfectly" and the all, all of the Finns were very good guys and very solid there wasn't a soul in the technical side that didn't know what THEY were doing it was no one, it was new territory for everybody and they had no idea no harm no foul it was like remember again Oracle as big and mean and tough as they were they came to the same conclusions about the same time we did "oh, it can't be done the way the industry is set now, it's too early this is too early to make it work" but there wasn't a soul that didn't say "oh, it is going to work, this is what's going to happen it's just not gonna happen now and it cannot happen fast enough given the economic downturn after 9/11, to have people still willing to throw money at it and say " I'm willing to throw money out for the next five years while we prove out all these individual things" and what we thought would happen there was this shake out and the smaller ones would be eaten by the larger ones but you'd end up with, you know some really, really big companies that were gonna handle ALL trade like that and there would be all these verticals and I mean truly anything that worked for xX would work for natural rubber or wood or flowers or any, any commodity that was traded in such big quantities could have its own site. And the technology would be exactly the same, it would only be minor differences in coding of the product because buying and selling was exactly the same.

JL: So what do you think, what were the main reasons why, first of all E failed?

MG: We were too thinly capitalized and we had one investor and he, he was quite generous and put his own money out there but if you're spending just your own money and you have a only so much, you can only do so much. Also it should have been, and again I can't fault any of, there was no single mistake we say "aah that guy, we only got rid of that guy" there wasn't a that guy to it. There was a lack of understanding of what was necessary technically. The, again sales and marketing side, boom, it was it was an easy sell you just had to get out there and explain, we explained it very well and we had no problem getting people to understand what was gonna happen and what the benefit was. Everybody saw the benefit everybody bought into it and said how fast it will work. I remember distinctly though, when I said we've done all that we can, I went to WW and ZZ and I put it in terms ZZ had some issues with language and understanding things, learn to speak more Finglish if you can and I put it in terms of, cause ZZ liked cars and being a FP he understood cars and motorcycles and I said ZZ think of it this way, "you got a really sharp looking car, looks like a Ferrari I mean it's just boom its terrific and the inside looks great you sit it it and you turn the engine on and it goes vroom, vroom, vroom, but you step on the gas and it don't go, because our system is like that, everybody likes it they've all signed up their all going when's it gonna work, when's it gonna work because they wanna drive in this car because they know oh boy I wanna be the first one in I wanna make a ton of money if we do it", and I said "but our car doesn't run" there and there is and the engineers then said, "oh there's no way given our current state of information that we can make the drive dream work". "It looks like we have it its immaculate everybody likes the way it looks we like the way the seats feel we like the noise the engine sounds great but we can't get the power from the engine to the wheels and it, till we do this line of people we have, waiting to buy it aren't gonna give us the money they've all put their name on the list and they're, their just elbowing each other and can I be first can I be first and were not there". And I remember we did a test just before I left I said let's cause I had said "look ZZ this system it doesn't work " and our chief information officer at the time what was his name yes he was adamite, yes it did work. By this time he was in America and he was absolutely adamite "yes it works" and I said "oh does it" and so rather than go round and round on what is the definition of working and not working because sales is different from, it's like being in an xX plant, there's production and there's sales, and the sales says "give me something I can sell" and the plant says "sell what we make", "but they don't want it" "well make'em want it" it it's a never-ending you know chasing of tails. So I set up a session where we, we sent we said let's do a test I'll get in Hamburg who's an xX broker. I said "I'll do it the way it's currently being done and has been done for years now", "you set up the computer and your guys will put, guy in the other end is very computer literate he'll be on the computer" cause they were the first ones to sign up they wanted, he understood it entirely and said "we'll send the information back and forth and see what the difference is" and so I went on the phone we called and said "ok start here's the data that we're gonna sell X amount of so many tons of specs z of xX for manufacturing. We'll set a price we'll set where it's going to be delivered to, terms all that". And I get on call Hamburg, Gareth "hi MG how's how're the grand kids yeah everything's fine here weather's good what's it over there" polite chit chat, five six minutes and he said okay were offering xX at dollar nine ps how much do you want, okay so many tons all right where would you want it, you want it you want it Hamburg you want it Vlissingen, okay they're gonna handle everything trucking same as normal no change okay well send it from Canaveral it will go I'll get you a date that we'll probably within you know X days looking at the calendar. Listen say goodbye to Heidi when you guys come over we'll play some golf and we're finished and it took maybe ten minutes. It took an hour for mister TM's crew of people on a computer to be getting the documents back and forth to get the same amount of information. So I told ZZ and I said look ZZ I've used a yellow pad and a number two pencil and this is the main tool that everybody is buying and selling X with, around the world. And if I had wanted to, this could have been a minute 30 seconds if I were dealing with Japanese there wouldn't be any nice talking, it would be " a price " price is dollar nine "okay, ten tons, when it come" "thank you" done that's more likely the way it is but here were still having to go "wait a minute wait a minute, that screen isn't populating okay go back up" and said we're at that stage and that's not saving the industry anything so that was really sort of the death nail and after that buy the end of the week I wrote up, wrote up my resignation and then gave WW and ZZ a list of all the people I thought they should let go with my name being the first one saying, "you do not need these bodies because they've done everything that could be done, its set its done we don't need PR we don't need any more sales all the companies that will make us successful are here and we know their names their contacts and their sitting and waiting to hear something from E take the money that you would spend on us and this effort and out it into more software engineers and fix this and this and this and this and this" but even that I was wrong because it would have taken far more money and far more people to fix those problems because they were insolvable at that time. Trust me if Oracle couldn't do it we couldn't do it, I don't care how smart the guys in Finland were if we'd have the students working full time instead of part time.

JL: Couple more questions, in the beginning what do you think were the expectations by the owner of the company, what?

MG: I think OA had seen how well KP had done and he did that through you now strength of character, he had a good idea and a really good time in a very homogeneous market. It really was not a replica of all other markets, Finland given the nature of Finnish society and the size, he had a good idea at the right time and carried it out to perfection, made a lot of money also saw what people had told him "Gee we need to have this online now go from a piece of paper to something that people can get on the internet and trade in" and Finland was far, far ahead of the rest of the world that time and the adaptations of all these technologies. And I think he thought, "I can be first in, this is a whole another revenue stream, we can" and he believed the number that we all gave him. And we were going on, you know, best guesses we knew how much money was in X business for example, we knew exactly to the dollar, how much money was in xX we knew how much was in aX and gX we knew how it was traded we knew the system inside and out. And we basically had pricing models saying "ok if we make you know one percent of the billions of dollars of sales and its whoa were gonna be" and the amount of money was going to be astronomical and then we got more realistic as it went on going "weeelll that much money people aren't gonna give it to you but you could still make a considerable sum of money with a system that did what OA was told it would do" And he was not well served by his people on the technical side. And I don't know whether people didn't want to say "gosh we need to think carefully about this" or my personal feeling was it was the guys who were running the KP side of it they knew what they were doing they knew it made money and it was really was a cash cow. They didn't wanna be part of the E deal. That's unproven stuck in America's so be away from power and so it was I think he had internal opposition and people said "no no lets not put our resources into that" which is why we ended up with two part time students as the brain trust instead of what I had thought was a building full of really talented Finnish supermen who were just coding like teens and leading the world and Nokia was literally just down the road "wau we're next to Nokia, these guys must all be bright" and their right their hardworking but the obstacles were such they couldn't be overcome.

JL: What kind of a market share you were expecting?

MG: We expected to own, certainly X, and that was that was given there was nobody else in our space and it was it would have been all ours and we could have made a very nice little company out of that. And we were getting close because we had presented this to the S company and this was a family owned, small but very highly regarded maker of JA and JE and they been the third generation family name the brand was, was just a top in its relatively small niche. We met them we made a pitch to them in the western food show and their number two guys said this is really interesting we could use something like this technology for our internal processes because we buy a lot of Y, we buy a lot of X we buy a lot of zX and keep in track of it all and knowing where it's going and knowing what the pricing is a nightmare we've spend a fortune on bookkeeping, this might be something we're very interested in. So we spent a lot of time and we made presentations to them and they made an offer to basically buy in, that, unfortunately came right at the time that venture capitalists were going around millions, millions billions and they were a very conservative hard nose group that said we'll put a million dollars into this joint project with you. 500 000 in cash and 500 000 in our own peoples time and expertise and were gonna work with you hand in glove to craft this system just for S company. We could use, you know it would have been a wonderful opportunity for one, bragging rights, here's a top notch company in the U.S. and everybody would "oh my god they signed up with E, we must be somebody". And being fair to OA he was not, he did not grow up in the States he didn't know the states well and I remember asking who is S company, what are they I think to his mind this was an insignificant small company and the amount of money they were talking about, it was out in the country side in Ohio going out there with TH and myself and I don't think he thought it was a good deal. I mean all those of us on the sale side were going OA do this, this could make us this could really cause now we would be inside a company with all their technical people and we'd really develop something that we could get our hands around. That way we'd prove out the system we'd be the only company out there with a proven system we, learned all the hard lessons but inside away from the preying eyes of others and someone would have paid us money which 500 000 alone would have made, would have been the largest amount of money that any of the dotcoms made who were in the, no one made any money. And others blew to 50, 60, 70; 100 million dollars with, with absolutely no success, we only went to 10 million of AA's money.

JL: OK. What about the, the other services that these exchanges had, like logistics things like that, what kind of a meaning did they have?

MG: That was the big Achilles heel. There was very little expertise available or brought in to any of the companies and certainly not to ours, who had expertise within the shipping the trucking and we did get you know a good one on the shipping side that was LP but to we, you would have had to have people who understood had the adapted knowledge of that particular part of it, trucks warehouses what they called storage the shipping lines and they would have had to been totally integrated into what we were doing. When instead we tried to do and it was the same what everybody else we tried to find the people that claimed that they had the expertise and everybody had different territory we dealt with a Canadian company that said, "we've got all the shipping companies we've got the transportation part of this, this is the missing part and they made a very aggressive and impressive presentation and they had slideshows and PowerPoint and the whole thing and it was good presentation unfortunately I was the only one that sort of sat there going "this is sales pitch their lying they don't have this, this is cause I've been making those kind of presentations about E, here's what it's going to do sales and here's it's the vision of what's gonna happen here it is three years later and this is still a vision of what their gonna have" they were presenting it they were misleading us by saying, "we've got these" and I specifically asked and I finally was told to sort of back off because I, every time they said "we've got this" I said "do you have the trucking companies" "yes, yes, yes we have them" "which ones do you have, which refrigerated trucking companies do you have that handled X" cause I knew what they were. They couldn't name one and I remember telling OA "they don't have any, they have an idea and nothing wrong with it" and they, everybody's presentation piece looked good it wasn't functioning it just appeared to be functioning, we had the same thing I checked everybody else that these shows and one guy was showing "look, look lets take for example T if you want to buy so many pounds of T and look poom, poom pop, pop, pop this is populating" and I said "ok let's not do T let's do C and they looked at me and went "aam T is all we have this. is just a demo" I said "I understand, we have the same thing, so you're saying yours doesn't work yet" "well no, but this is the way it will look yes absolutely " that was the same with the trucking guys same with the shipping guys and everybody said "I've got it and all I need my contract to be million dollars to do this" "or you could buy us", who were the guys we saw that was like a two men operation very sharp guys and I forget what part of it they had but we went remember when we that was it that was it, we realized we couldn't do it ourselves, we didn't have the, depth of the technical expertise neither here or in Finland so we'll ourselves we'll buy it and you know we looked and jeez bunch of different companies and everybody was in the same situation maybe they'll buy us maybe they'll buy us and then we'll have the money we need to make this stuff work. So you could see that it was just like crabs in a basket going me me, me.

JL: Is there anything else you want to say before you are convicted?

MG: It wasn't my fault I swear to god. I will say this, having told my wife we are virtual millionaires and she said "what does that mean" and I said "we have an options program and the value of those options at our current evaluation we're worth over a million dollars so we're millionaires" and she said "let me get this straight, let me understand" she being very practical "can we spend any of this virtual money right now?" and I made the mistake of saying "oh darling these are, these are options, this is what were GOING to have" and she said "fine you tell me when we have it and then I'll be very pleased but until then let's not talk about quote options" so yes that's, that was my final word on that I learned a very, very many good lessons through that.

MB:

JL: Why don't you start telling about, tell briefly the story of E.

MB: Well the story of E I think was I think it was an attempt to develop a trading exchange for the international bulk X market. It was a one of many exchanges that were being developed at the time and I think it, at least from my point of view, it targeted a good industry but it had some flaws in that we didn't really recognize when we started out in the business model. And lot of that, and some of it was in our control, some of it was out of our control, I think what was out of our control was the state of the Internet infrastructure at the time, which today we can see back and see that it was primitive. Two, this other thing that was out of our control and I think had great affect on this, on us, was the state of the law with respect to Internet communications and security and privacy and these kind of things which was still was still undeveloped and not well settled at the time and those two had very major impact on what we were doing. I think that what was in our control that, but we only learned about as we as time passed by was the fierce nature of the of private enterprises to wanna protect their data. And I think that we look back on it now we can understand that the mode would have placed in our hands what was essentially an untested business model to the broader area of commerce some of their most significant information, that being their cost of goods, for those who were selling on the marketplace and excuse me the cost of goods for those who were buying on the marketplace and of course the pricing of, for those selling on the marketplace. This being in an open market situation, probably the most sensitive information of all. And I think the three factor combined, the infrastructure, the ability to have in place an understanding of how data was to be secured and where the liabilities lay and things like that, led to a great hesitancy on behalf of the potential marketplace participants. In our case being the most significant players in the world among our customer base and membership base in the X markets. So they're cautious to move ahead it would, then untested situation and I think that was if you wanted in a nutshell say where we where we fell down. In terms of listening our customers, in terms of adapting the model as we went along, in terms of introducing features that were important to the industry, in terms of again adapting the model to a specific business practices, so that we could be a better service to our membership base, I think we did a lot of things right. But I think you know its sort of like a salmon swimming upstream you know at some point the stream exhausts you and no matter how strong you are in your attempts to swim you run out of energy and keeping with that analogy after the salmon has laid their egg and fertilized the egg again even if you've made it to the calm pond you at some point the salmon expires. And I think that is kind of where we were at that point looking back. Because we see today in websites of private enterprise all around a whole host of features that we envisioned and were actually at the fact at the time and yet the model of a industry together sharing data like this, I still don't, it isn't there and yet the manipulation of the data the reporting of the data the features for placing orders and for issuing invoices and for the electronic exchange of data is all well now established but it is private enterprise to private enterprise directly as but not through an intermediary.

JL: Do you want to say anything else before getting conviction?

MB: No the only thing I would say was it was a great experience it was for me personally it was a broadening experience and I looked back at it today and I have been involved in several things in my life at high level position in both politics and business and where you're trying to make a difference in what's gonna happen in peoples lives and I think that the work that we did was pioneering and visionary and I think that you know you got to go out there and got to somebody's gotta cut the path through the forest firs that person dying of starvation or you know what ever but the path is cut for the rest to come along so I feel good every day for the fact that were on the front edge of that and the rewards to me personally were more that sufficient for the work that we did and for the both financial and intrinsic rewards that I had out of it. I'd like to be a multimillionaire but you know what every day I go and I see something like websites that are incorporating things that we were talking about and I realize what we were doing was significant and we helped change the world

MA:

JL: Good, good, first of all I would like you to tell the story of E as you remember it?

MA: As I remember it, E used to be one of the most advanced ideas in the late nineties where we had a goal of creating a marketplace for the X and Y industry. And the basic concept was to create a system where we would get all the buyers and sellers into a same place to do daily business, without getting the spot markets. That was the basic idea. Then the system were to, was supposed to include all custom duties, transports, stock things for the Y that needed, whatever, basically, our customers needed to do the daily business.

JL: Ok

MA: That's basically what I remember of the system.

JL: Ok, and then when you joined the company what, can you remember like a story wise what happened? How did things go?

MA: Well, story wise, I was introduced to the system and to the people that worked for the company at that time and then after that I was supposed to come up with a creation how to lock the European side customers into the system and actually create a sales, sales strategy for getting customers who were mainly the buyers from the European side because most of the producers were at that time South Africa, no South America, North America and Far East. But at that time, so xX was one of the main things where, basically that came from the American continent and then, that was the story. I liked the idea, the idea is still today, even today I would say that it's a tremendous idea, which should work maybe one day it comes. And then we started the footwork because that was the basic thing to do a lot of footwork.

JL: Ok, and then you, before this interview we discussed a little bit and you mentioned that at some point the thing was ended so can you remember the ending of the story.

MA: Yeah actually I think that the owner, who we know very well, got scared at the costs. And of course at that time, when he had to move to United States so one part of probably the risk taking was also the problems that Enron had because we couldn't find any financers who would be part of this thing. So he kind of calculated that I've put this and this much money into this and that's the end of the story, which was absolutely the wrong decision at that time. Because we had already found connections that started to use the system but there weren't enough of them. And in a sense it came to a shock to me it was just, as I told you before, midsummer, couple of days before midsummer when they decided, TH called me and said "MA I have bad news we need to shut this down, so you need to shut all the European functions down, that you that you did sell all the goods" and so on and so on and TH stayed at the U.S end and did the same job over there and this was, in my opinion June 2003.

JL: Was it that late?

MA: Or 2002 either one.

JL: I think I'm not sure I think it might be 2002.

MA: Could have been 2002 because the schedule was that before Christmas it needed to be shut down. So it had to be 2002.

JL: When you were doing selling, when you started doing selling what was the customer response when you introduced the concept?

MA: Well in the beginning they were kind of suspicious that what this is and it took a little bit of footwork going through the same customers to tell that see what this is and try out and log in and see. Quite soon I figured out a way or actually I forced out a way that you need to get free access into the system just to study it and to see what it is and after that it got done so everybody registered in so that was a huge key. Human being is a human being they don't trust what they see they need to feel. That hasn't changed in hundred years. And then basically when customers logged in and they tried to see that and they saw what they have here they started to complain that there's no raw materials they needed raw materials that was the response of the buyers but everybody kind of liked the idea that there was the news site, you would have seen the stock values there, you see the logistical things you have the customs, you had the insurance, you had the payment things, you had banking over there, so they kind of liked that. And then when we got to that stage so we never got raw materials there or let's say serious raw materials that could have been sold and bought.

JL: Ok, anything else you want to say about the whole thing that has come back to your mind when discussing about it?

MA: Well the whole thing was that it was I feel still today that even if it was a hectic time to do and run so it learned and taught me lot and it gave you new ideas and prospects to look through how business will be run through the future and it gave you thoughts to think that what actually are the key things in the world, how to utilize and use different helps that you have. And I still feel that we shut down maybe one or two years too early, I still feel strongly we were in a good way of going to the right direction because we had some success already but I can also understand the owner who didn't want to or who held too long. Reasons were he greedy or not greedy I don't know. But as before I strongly I feel that the sales team failed and our part of the sales team too so I failed too, I have to take that responsibility but the idea or concept was outstanding, that was tremendous.

JL: Ok if there is, is there still something that you would like to say, because I think that I have covered all the areas.

MA: are you sure? Well what I would like to say is that we had a good team we started out doing good things, then we had some internal struggles mainly sales because I had different views from what the U.S site had, I still feel that we should have done over there the same things we did in Europe, then we forgot about Far East too much because it was also cost issue and basically because we failed the sales the owner didn't trust us anymore, and that was the end of the story. But technical teams all these people that we had who fed information who did system and all of the things that we did was outstanding what else can I remember, I'm trying to remember, I'm trying to remember the disadvantages that would have been in the system but unfortunately I cant find JL any and I've tried to put a lot of energy of thinking through the years that where the hell didn't we succeed, what the bloody hell happened that we went down in the sense. And the only reason I can see is that the big players specially in the xX wanted to block us out, because neither one of them or anyone of them didn't put any goods into the site it wasn't trusting because the buyers didn't see that something will happen and that's the struggle how I felt all the time and that's why I was probably even pushing too far, because I wanted to have that all the time because that was, if we would have locked one of the big ones to get any stuff, in it doesn't matter if it would have been one of the big Israelis or if it would have been one of the big Cubans or if it would have been any of the American continent players, we would run today. Absolutely we would exist today. Which ever way I think about it because over at this end so how often would people travel today into the factories to look at the products to seal the deals how often would they need to travel.

OM:

JL: Okay can you first tell me the story of E, in your own words as you remember it?

OM: Yeah, I, I didn't know too much I joined I group in year 2000 and I group was the owner of E and then, it was the first time I heard about E and my first year in I group, I was working in China, and during that time I met TH and OA several times and we were discussing about my future and also to see if I could start to work for E and since I had a background in China and China was one and still is one of the major a producer and getting more users from China for E and then I learned the business idea that E was created to be marketplace for the X where the producers and farmers could meet each other and sell X and that was the beginning. And when I joined we started to learn that there was much more involved that just the trading and its about annual contracts, it's about the logistics and so on so we, I believed that the original idea was just to have a marketplace to buy and sell.

JL: Okay, what about the ending of the company, what happened when you joined the company and you started operating and then?

OM: Okay when I started I got I was responsible for getting more products to sell and buy so getting more volumes on the site and also getting more registered users. And I met couple of companies in Florida and during that time those farmers and even X companies they were traditional companies and they used to deal with faxes for example, they, everyday they received fax what is in trading companies what X they have and what is the price and they found it very difficult to go online and many of those companies didn't even have online access at that time they were on country side. So what we did in first place was we started to send faxes to buyers that hey we have this xX or pX or aX and when we started to do that we saw that the increase of, the user increase started right away, and then we transferred into second stage where we started to send emails every week that, just a summary that we have so many a or xX. So we saw I believe that the registered user increase by 70% and weekly user rate increased almost 100%. But then we needed more products to sell, better prices so then we utilized my team in China to get lot of aX, aX on the site and then again we were able to increase the number of visits everyday and every week. And that was great results but unfortunately that did not pay the bill so we had visitors who were looking what we had available, then we had some news and made some articles so that was a good start but no sales happened and then the next step was to really analyze how could you have more sales the actual trading happening through the website and then we learned that its about the logistics and its about the annual contracts so people are mainly doing annual contracts and they make call of every week or every other week or once a month based on the agreement and we didn't have any solution for that. And then we decided that we have to get few companies that we try to understand their business model and since management team was pretty much Finns so TH was the managing director, then OA chairman of the board, MA European sales director Mr. HA joined us as well so he was managing sales overall and then I was a business director so we decided that MA and I we will make some phone calls to Finnish companies and I believed we contacted 20 companies and then I flew back to Finland and we were on road 2 to 3 weeks meeting with Ra corporation, Sa corporation, Va corporation and different companies who are using the X or any kind of agricultural products. And we created a pilot with them where we tried to make this traditional faxes and annual contracts into e-commerce mode. We didn't have proper tool but we got the idea and we created a quick software to do that and we ran pilots with several of them, Va was the major one, and then after the pilot we had a meeting with Va and they said that "yeah this is a good" but they did not see any value, I mean it replaced the fax but nothing else and then I, after that meeting I told TH and OA that we are not bringing the benefits to the users and if we will make this a business its gonna still take lot of investment, lot of more time, we have to understand the dynamics of this business and then my proposal was that we should shut down the business so we are too early, and we don't know all the details and it requires lot of investments in software so basically that happened and that's the story in my words.

JL: Okay, anything else you want to say about the whole thing?

OM: I think it was a good journey we made good friends, in general people were really motivated and committed and it was a very learning, especially for me when, when you have an idea and you have a group of people that can change the system. They can create a software but same time you have customers and you have to understand the need and I was just in the middle where we had a group of engineering's with the great ideas and then I was trying to discuss with the customers to really understanding what are really their needs, how they see in the future and then putting these two groups in together so that we can bring benefits to the customers and, for me it was a great experience.

JL: Okay anything else you want to say before I turn the tape recorder off.

OM: Not really, maybe now and then I'd really look in the industry and maybe still there is a change that something like this is still happening.

TM:

JL: OK, first of all could you please tell me the story of E as you remember it

M: Well I joined E after you had left and I had come out with the automation industry I was a business analyst I was actually a manager of CRN the largest robot producer and so I, there was a real opportunity that came out to get in there at, as the chief technology officer and to try to improve or at least bolster up the technical part of E. So I came on board and really didn't know anything about the X industry my background was supply chain and automotives, quite different than the juice industry. So I got onboard and we had two other people TK and AG so over the from the IT side, they were managing the servers and I joined with them and I started to identify what could be done so once I took a look at what we have and I noticed that we had some problems with the, some of the servers we were having trouble the first day I started so the servers crashed and then I watched them in agony trying to rebuild it so we fixed that and put a more robust system in and then I started to go out in the field with the sales people and trying to understand how the X industry worked. So over time I was looking at all the different contacts we got to meet with us. Lot of the producers in the X industry, I was actually quite surprised looking at their titles and they were like the directors of procurement and directors of X production so it seemed like they were all the right people and they were telling us what they wanted and of course each of them had different needs. Some of the companies were huge like T and MM but a lot of the companies were very small. And the needs were quite a bit different so it was quite of a challenge to try to find a solution that really was viable that either would give enough money from one of the segments of the market or enough money from the total market. And I think as time went by we started to build a bigger system because it was being told to me they were going after the large X companies and their requirements were so much higher than everybody else and much more stringent that we had to build a system that would impress them. And so we started doing that as well as talking to many other people I know MA in Europe was talking to many, many people from different kinds of companies. We went to many trade fairs at Anuga? and Sial? two big, you know food service fairs and we had booths there and we had a lot of feedback from people, and I think it was a fairly active booth, and a lot of the information. But the key thing was to try to find what were the key requirements to base solutions off of, to build a business case, to build a value proposition to where you could get the executives commit a significant amount of money through the system and we struggled with that, I don't think we ever really nailed a sort of the golden solution. We had a viable company and over time it became evident that some of the technology we were running into trouble with it so we started looking for different types of ways to bolter what we had. We had relationships with procurement, as far as the logistical movement of X it was viewed that at some point when somebody bought something they would have to move it and there was a lot of time spent at you know thinking that maybe we could build that procurement supply chain, so we made partnerships with initially a company called FG which was a small ecommerce company, but the problem was that the marketplace was very small and limited, so then we later up connected with a company called D which had a global logistics network and they had pretty sophisticated system that you could basically monitor any shipment anywhere in the world, for better or for worse, sometimes people don't want to know where their X is, they just want it to show up. So we hooked that in but we were still we were having trouble so we had one of our sales people that we had hired that had worked for the company called PP out of Las Vegas they had a very good state of the art system and they were created to support the hotels in Las Vegas which buy a lot of stuff and we thought, well we know they buy a lot of X, we know they buy a lot of Y and so we thought maybe as a stop cap solution we could use their platform but we just couldn't I could not get people to get in and work out that market. You know they really should have gone and, out to the market looked at those customers and find out what their needs were. But they were trying to view them the same way say OB provides X to T and that's not their model. So that market place, the PP part of it never really took off either because I couldn't get people to engage and build at it. And in my past having technical people provide solutions is not a good thing. You know they can build a solution but someone else needs to tell them what's required. And every time that I've seen software guys do it this is sort of like your gonna get criticized no matter what you do because if a technical person builds it to the business people they say this is not what they need they start all over again, so its good to have involvement from the very beginning. I started also looking at some of the, trying to go for something more tangible from a business point of view because that's what I had done in the past. Usually I do some sort of justification for building something so I started looking, taking a spreadsheet and working with LV who was the market analyst, working with TH and we kind of just putting some numbers in and "ok if we had T lets say either we got five percent of their business" and we had our revenue, how much money we'd get from them and we would go and review that with our experts and they would say well you know we need more than that we're not gonna get five percent, we can get more than five percent and I said I don't think so I think we're lucky to get 5% because they have to work with the system to the point where they are comfortable with it they have proven that to their management and then see what happens, and there would be a risk that if its viable they would go and build their own solution they would go, T as being a part of PC they would go to PC they have a huge logistics group within PC just a hind, and MM and CC and they got a gigantic logistics group at CC they can build their own solution. So I thought it was, it just didn't make sense to me to focus on the big producers but to go to maybe the small and mid producers. And there was a little bit of you know conceptual conflict there everybody kept trying, you know no matter how hard we tried to open up the, to look different we kept coming back to the big companies because they kept focusing on the destination, they kept focusing on the, if we have them we would be instantaneously successful, I kept hearing that over and over again and I said that's a big if I'm not so sure about that's gonna happen so over that period that I was there over those three years we struggled putting all that together I took a was very grateful that I got to go to France for Sial? and Cologne Germany for Anuga? I got to go with MA to Australia, New Zealand talk to those customers. We even build what I called a briefcase system to took our solution our market place solution and started to, we put, we actually put these little brick computers with like three of them in the box, two of them in the box it was like a Linux serves and a windows server and it was funny to go to customers because they were wondering what it was they had never seen anything like that and it was basically two little servers that I had plugged up. And the reason we had to do that was at the time the Internet did not have a good throughput across the world so if you went down to say for example South America it would be incredibly slow and you try to explain the concept and it would take, at that time it would take probably ten minutes to build a screen and you know in the U.S. it would be done in half a second so we, that's why we decided to do that I don't know what the network capabilities were in Australia in New Zealand but we took that just to take the risk out of it and it was fairly successful as far as showing them what was possible but we still didn't get commitment even doing that we still didn't get commitment for them to put money through it. We had companies like EF in New Zealand they were very open to e-commerce they were growing very rapidly they wanted, they did not have a good supply chain it was relatively small company even though it was one of the largest in New Zealand relative to all the other big companies they were relatively small but they were very forward looking and they thought that e-commerce was like a good solution but we just really couldn't, by the time that we found them it was towards the end of that time at least what I think investors were getting tired, wanted some revenue coming in there just wasn't enough coming in so I think it was the time. So that's the semi short.

JL: Ok let me see, why did you, well, what do you think were the expectations from the owners for this whole system

TM: I'm not sure I mean I think that they, they to me were one of the better, the attitude I saw was pretty good because they sort of giving a free reign they wanted people to explore and try to find a solution but as you know time went by obviously after, by time I got there E had been in business something like 2, 2 or 3 years so I would have expected by that time they were getting you know anxious for some form of steady revenue in and they were not seeing that revenue so they started asking some really tough questions as they should have, you know, and when team started struggling with providing good answers so it was becoming kind of clear that the solution that we were all driving toward or different people were driving toward it was problems with it, it just didn't seem viable and but people come back trying to stay on that solution and so they started to try other thing if there were different dimensions to that solution or different solution. So we added the logistics stuff we added the PP stuff they started doing some kind of inside sales activities to try to promote it, promote the system and try to, they also brought in DDL and AL, they were brokers so the model was that they were exploring was sort of an electronic broker why we can get rid of these brokers and we can replace them with computers, well the problem with X industry is that they depend on their brokers because of the way some of these, I'll give you a good example, in China they have people that are putting out there saying we sell X but when you go and investigate somehow you find out there's some two guys working on their basement so somebody has to go and check whether to check the business to see if it's a proper business second of all they had major quality problems in China at that time there was actually, people were poisoned because some of the X places had chemical that were used to, and apparently the people that owned them didn't have any problems putting carcinogenic chemicals into xX. They didn't understand that, so the brokers were relied upon to go and do all the fieldwork and I think that was the problem how to do that electronically. Second of all there was a lot of information the system, like lot of intellectual property these companies, how much they buy, who they buy from, how much they pay for it, that is super critical risk, super confidential information and there's a very few people they trust with it so they gotta find a good broker that will maintain a confidentiality. I think a lot of them either not directly to us but I heard afterwards that a lot of them were not, were leery about having a foreign owned company housing that most critical information. It was mostly from the unknown point of view, they didn't know who was running the company they didn't know what kind of access control people had and I've seen this in other places I've seen this with the government that I consult with now. They have a lot of information that's super secret that has to be locked out and so they just wanna make sure to have proper processes in place and it would have been very difficult for us to demonstrate that to them, because we were just busy trying to find a solution let along saying here are our standard procedures and here's all of our security controls and all of that, those weren't in place at that time so it would have been very difficult sell to them and I know I talked to couple of other procurement executives at the time and then afterwards and they just said I we just couldn't we just didn't have confidence that a small ecommerce company could manage that properly.

JL: Actually I don't have anything more at this point, is there anything you want to say before you get conviction.

TM: As I said at the end of the report I really would like to thank OA and TH and those guys I learned a lot from working there it was a great opportunity I mean I am probably just as sad as they are that it wasn't successful but from a career point of view its probably knowledge that I couldn't have gotten any other way it was pretty intensive we had good, it was probably one of the harder ways and stressful ways to get information but that's how you learn and people were pretty good, we just needed to work better as a team but to me a lot of great people, I learned about the X industry, I didn't know anything about, now I know more than I wanna know about it so I would just like to thank OA and those guys for helping me learn all this stuff.

TK:

JL: Ok first question tell the story of E, briefly, what you remember of it?

TK: Okay it was started as a project in a Finnish company called I group the idea was to build a marketplace for Y and X industry. After realizing that the biggest possible customers were mostly situated in Florida it was then decided that we would, found a company in Florida to be close to our customers and then first the marketing activities were moved there and then gradually also the technical development was about to be moved there. We were trying to build the marketing, the negotiation engine ourselves to be kind of like "let the buyers and sellers of Y and X industry to negotiate with each other" but we were also, we wanted to utilize some existing other services for example related to shipping. Some ext, like existing Internet services to exchange the documents related to the shipments and so on.

JL: Ok what about how did, can you describe the events that led to the ending of E?

TK: Well, we had been doing that for about three and a half years, at that time, and we, the company and the activities were mostly being funded by OA who was the main owner and aa at that point he apparently came to a conclusion that since there hasn't been any noticeable cash flow in company during those three and a half years and there wasn't any, like obvious change that was coming, then he decided that "ok this didn't work as planned" and he decided to, so to speak, pull the plug.

LP:

JL: Ok, tell me the, let's start, can you tell me the story of E briefly as you remember it?

LP: I remember it as being an exiting venture at the time I had been working for ship lines most of my career and was offered the opportunity to come on board as the logistics manager in 1999 and I remember it as being new to me but exiting and as much that I was offered the chance to share my knowledge of the supply chain and integration of all of those parties in the supply chain and how we could get that into an electronic commerce business.

JL: Ok, ok and what did your job include, what did you do except?

LP: I remember that we spent a lot of time mapping out the supply chain initially and discussing you know the terms of moving, physically moving cargo so that we can map that over to how it would work in electronic marketplace and make sure that we have all the pieces in place so everything from receiving products to the paperwork and the documentation that needed to be done to export products or import products and the ship lines, the carriers involved, how they would be connected. Pretty much mapping out the whole process.

JL: What was the perception from the customers?

LP: I think they were a little leery of how it would work because we didn't even have a clear understanding of how it was going to work while we were forming it. We were gathering the information and mapping the pieces together and, I mean management, upper management surely did but even those of us who worked in there weren't exactly clear about how we're gonna bring it together. So I think maybe the customers were one step more leery because of that they weren't quite sure what we're gonna do with the data we had to get people, some of the X customers, we had to push them hard to come on as case study with us and I think they were just leery about the whole thing and probably leery about the business deteriorating on their side if the marketplace takes over.

JL: Ok what about the issue of trust, did we different parties was that some kind of a factor and if so what kind of a factor?

LP: Yeah I definitely believe internally and even externally but there was the unknown the feeling of not everyone being on the same page and not all the information being shared perhaps equally. Personally I never felt completely aware of everything that was gong on even at the level that I should have been at I don't think I had an opportunity to really share some of my knowledge and get deeper involved. Only because we were kind of split in little subgroups in doing things you know working on things and I feel that the sales side of that time was more promoted, really working hard with the sales and the customers and getting everyone on board before we got the foundation right and really showed that we could connect these little parties in the supply chain because so I think there was internal struggle where to focus efforts and I believe they focused more heavily on sales and outward communication and internally we struggled with coming together as one group that could provide a solution.

JL: What about the strategy of the company in general, anything you can say about that?

LP: Again I think we were kind of smoking mirrors you know I felt like we had a strategy to be the first one out the with a marketplace that would work across the supply chain but that we didn't do our homework and didn't have didn't have it build up internally and probably a breakdown now that I think about it the breakdown was the fact that internally we had those struggle with the sales and the people and not everybody being completely aware of where we were going so I think the I think there was an overall strategy but I don't think everybody was on the same page focusing on the same mission.

JL: Ok what about you mentioned earlier before this interview that you left in December 2001 what happened during those times before you left?

LP: I remember that we knew that we were not succeeding and that most likely people were starting to be laid off and I cant even remember who was laid off before me but I wasn't the first one to go but I remember feeling that it was inevitable and kind of feeling within the company and these, those people that I spoke with were all disillusioned and realized that we weren't gonna be successful and lost hope and lost our motivation for working so I remember feeling not very connected with what we were doing and not very involved to try to correct it and move forward I just kind of felt like its not gonna work and I'm gonna lose my job.

JL: So you were laid off?

LP: So I was laid off because there just wasn't enough work and so yeah it was very tough and emotionally it was very tough because like I said when we started it was such a challenging venture it was really exiting to be a part of even being laid off I still didn't have I still go the you know I gave a good shot with what chance was provided me but I could have done more and I think had we worked better internally as a group we could have brought out of each other so I didn't walk away feeling in bitter with E but I walked away feeling a let down.

JL: What about external events, that happened in the world, did they have any effect on E? September 11?

LP: Yeah there was a lot going on I don't know yeah I remember now that you say that, watching nine eleven with some of the colleagues at the cafeteria from the TV when it happened I think it certainly must have, it shuck the world but I cant specifically say what it did for us at the time.

JL: Ok at this point is there anything else you want to say before you get conviction? You're not convicted.

LP: I'm not convicted.

MC:

JL: Ok, ok briefly could you tell me the story of E as you remember it?

MC: It started out as a business-to-business marketplace for X and Y and the work I did, was to develop a step-by-step procedures on how to trade on the marketplace, putting that into a PowerPoint presentation. And then I was hired full time, I did that part time and then I was hired full time to help develop the Y marketplace.

JL: I think, yeah couple more questions what about do you have any idea what were the expectations towards the company from the owners from the people working in there from the industry?

MC: I think everybody thought it would be an easy sell.

JL: But it wasn't

MC: It wasn't, just a, pretty, business would come to us without having to do too much hard sales, just because of the fact of the times, (b-to-b was start-ups) but it wasn't that b-to-b system was unknown it was just new and tried, there was a lot of publicity around.

OA:

JL: Yes, so could you please tell briefly the story of E as you remember it?

OA: So have had some ok how far away I mean.

JL: As far as you want, maybe not in the fifties but

OA: So we had certain good foundation to start E from certain perspective. We had in-house software, development software, development understanding, we had e-commerce understanding, we had other e-commerce initiatives going on inside I group like KP online auction, car dealership and online funding so we had very good understanding about technical perspective and we believed that we have a certain understanding from the business point as well. So that was the starting phase and e-commerce was a big trend by that time and we saw that we have a fairly good, decent understanding and a platform to go to e-commerce world and make some business, make some business over there. So we started E as a spot market place if I recall right and by that, we changed the spot market place into later on to a e-procurement system and, and we never get, we never got it done so it was nice try but we never get it done so the market place e-procurement system. So that was kind of.

JL: Yeah, ok what do you think what were the expectations in the beginning?

OA: That ecommerce trend was fairly powerful and that struck throughout all business segments and my perspective was most likely that we could if you ask the expectations is to leverage our in-house know how understanding and try to utilize that on bigger scale that just in Finland and just on domestic residence or business but to utilize our know how and platform more widely and for business to business world.

JL: Did, was there any financial expectations or market share wise expectations?

OA: When we started these expectations were modest, but when that e-commerce hype hit us maybe we had fairly high expectations and we may argue if those were reasonable and if those were valid.

JL: Yeah there is a concept of first mover advantage but it does not always apply. What was the customer acceptance like in the beginning?

OA: It's easy to sell concept I think e-commerce is a wonderful topic so it is easy to sell as an idea. It's easy to sell some benefits, customer benefits, end user benefits it's easy to manage that on conceptual level and I believe when concept is solved that way everybody says ok that's good, that's interesting. So I think that's easy and e-commerce is kind of, that kind of concept that you can sell that fairly nicely to everybody. So on that level I think we got audience.

JL: Why did E transfer from being a spot marketplace to e-procurement?

OA: It was the basic hype, ecommerce hype, we were, this is my recollection that because that spot marketplace didn't natural moneymaking concept build in, so, so in order to keep that high value, market value of E, there must, there should have been according to our thinking, more solid business model, how to make money. So I believe that was, and and ok and the other one. We were here in, we were here in Orlando Florida, surrounded by processors and X companies. I don't know if they have real need for any spot marketplace, I doubt, they have need for more efficient logistical system, business, more efficient business processes, that's what they needed. So maybe that was kind of thing which pushed us into that e-procurement system instead of spot marketplace. I don't know if they have significant need for spot marketplace in X industry. I don't know. Because they have those farms who are just farming, contract based, yeah so a, to be honest I don't know how meaningful need, how significant need that was.

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