



How international entrepreneurship characteristics influence Internet capabilities for the international business processes of the firm



Charmaine Glavas^{*}, Shane Mathews¹

School of Business, Advertising, Marketing and Public Relations, Queensland University of Technology, 2 George Street, GPO Box 2434, Brisbane 4001, Queensland, Australia

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ABSTRACT

This research explores the relationship between international entrepreneurship characteristics and the use of Internet capabilities for the international business processes of the firm. It has been suggested, that the accumulation of a firm's Internet capability can assist international operations, especially when operating in fast changing dynamic Internet environments. However, international entrepreneurship characteristics which are seen as a precursor to leveraging Internet capabilities are still vague. Given this finding, eight case studies of small and medium sized travel and tourism firms were selected to investigate the influence of international entrepreneurship characteristics, and Internet capabilities for international business processes. Based on the eight in-depth case studies, the results signify that successful international entrepreneurial firms which encompass high levels of international innovativeness and proactiveness behaviour integrate Internet capabilities to a greater degree. Our findings also indicate that the prior international business experience, international risk-taking propensity and international networking characteristics are not necessarily precursors to successful integration of Internet capabilities for international business processes. On the contrary, international business experience and international networks actually lead to a reliance on traditional mechanisms of internationalisation and can dilute the development of Internet capabilities for international business processes.

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1. Introduction

It is widely recognised that the Internet has been one of the most important tools for modern day international business (see [Loane, McNaughton, & Bell, 2004](#); [Loane, 2006](#); [Mathews & Healy, 2007](#); [Mostafa, Wheeler, & Jones, 2006](#); [Petersen, Welch, & Leisch, 2002](#)). For example, the Internet has enabled international firms to improve the efficiency of international market transactions ([Gabrielsson & Manek Kirpalania, 2004](#); [Loane et al., 2004](#); [Mathews & Healy, 2008](#); [Prasad, Ramamurthy, & Naidu, 2001](#)). This includes, strengthening of international business relationships, whilst significantly improving the collection and exchange of information related to international markets ([Petersen et al., 2002](#)). In particular, the Internet has played a valuable role in providing small to medium sized enterprises (SMEs) new ways to conduct international business through faster access to market and competitor information ([Mathews & Healy, 2007](#)). In many

^{*} Corresponding author. Tel.: +61 7 3138 8074; fax: +61 7 3138 1811.

E-mail addresses: charmaine.glavas@qut.edu.au (C. Glavas), sw.mathews@qut.edu.au (S. Mathews).

¹ Tel.: +61 7 3138 5310; fax: +61 7 3138 1811.

instances the Internet has also levelled the playing field associated with SMEs competing with their larger counterparts in foreign market environments (Loane, 2006; Standing & Vasudavan, 2000). By using the Internet through website applications, SMEs have been able to considerably reduce international business operating costs, thus increasing their ability to respond flexibly to new international market opportunities (Mathews & Healy, 2007). Subsequently, SMEs now have a greater ability to take advantage of international market growth opportunities, such as increased international customer sales due to the Internet (Mathews, Healy, & Wickramasekera, 2012).

Current research has attempted to explain the Internet's impact on the international trajectories taken by firms in foreign market expansion (Loane, 2006; Petersen et al., 2002). Research studies also identify the international entrepreneur as an important and potential catalyst for driving Internet generated internationalisation (Davis, Harveston, & Nicovich, 2000; Loane & Bell, 2006; Loane et al., 2004; Loane, 2006; Mostafa et al., 2006). Predominantly, research highlights the positive impact of the Internet on the firm, but neglects the significant influence of the decision maker, or in this case the international entrepreneur's role in exploiting Internet capabilities for the international business processes of the firm. With the exception of a small number of studies (see Aspelund & Moen, 2004; Loane et al., 2004; Loane, 2006; Mostafa et al., 2006; Reuber & Fischer, 2011), researchers to date have paid limited attention to the relationship between international entrepreneurship (IE) characteristics and Internet capabilities for the international business processes and outcomes of the firm. The Internet has been highlighted as a strategic resource that may help firms achieve operational efficiency and functionality when operating internationally (Li & Ye, 1999). More importantly, Reuber and Fischer (2011) found that entrepreneurial resources, such as Internet capabilities are a critical variable to the successful pursuit of international marketing opportunities. However, the extent to which Internet capabilities can contribute to the international business processes and outcomes of the firm remains unclear. Moreover, the link between IE characteristics, Internet capabilities and international business processes of the firm is still not well understood (Mathews & Healy, 2007; Mostafa et al., 2006; Reuber & Fischer, 2011). Furthermore, research concerning SME internationalisation has been criticised in the entrepreneurship literature due to the lack of consideration paid to IE in an Internet environment (Mostafa et al., 2006; Reuber & Fischer, 2011). Despite the increasing numbers of businesses that are already using the Internet to pursue international business processes, and the latent potential for such activity from rising Internet adoption levels, the IE literature has paid limited attention to this phenomenon (Reuber & Fischer, 2011).

Although several empirical research papers attempt to provide some insight into IE in an Internet environment, the research area is still evolving, warranting greater exploration to reveal the key IE characteristics influencing salient Internet business decisions among SMEs; as the role of the Internet in IE studies remains at a relatively infant stage (Arenius, Sasi, & Gabrielsson, 2006; Etemad, Wilkinson, & Dana, 2010; Loane, 2006; Mostafa et al., 2006; Reuber & Fischer, 2011; Sinkovics & Bell, 2006). More specifically, researchers have suggested that there is a need for further research in IE studies, to identify the IE characteristics influencing the Internet capabilities and international business processes of the firm (Mostafa et al., 2006; Reuber & Fischer, 2011). To address this gap, we review past literature in the fields of international business and IE to identify the IE characteristics and Internet capabilities expected to be related to the international business processes of the firm. This research study will aim to investigate the extent to which IE characteristics are influencing the application of Internet capabilities for international business processes. The research question developed for investigation is; *“Do international entrepreneurship characteristics influence the Internet capabilities and international business processes of the firm? If so, how and why? If not, why not?”* Further, the incorporation of Internet capabilities into our knowledge of the IE characteristics influencing the international business processes of the firm is important. Our paper makes an important contribution to theory development and practice of IE by developing a model of the IE characteristics associated with Internet capabilities, that are expected to be related to a firm's international business processes. This paper has been segmented into four main sections. The first section of this paper evaluates the literature surrounding the influence of IE and IE characteristics, as well as the key Internet capabilities of SMEs as identified in the literature. In addition, the impact of the Internet on the internationalisation of SMEs highlights significant changes to the body of knowledge, thus, these concepts were used to develop a qualitative set of semi-structured protocol questions. This section concludes with two key research questions. Secondly, as this research is exploratory in nature and the processes and procedures in the literature are still to be developed, a multiple case study methodology approach is utilised; the methods inclusion in this paper is also justified. The third section evaluates the findings from the research and highlights the importance of the international entrepreneur in unlocking the Internet potential for international business processes. Lastly, it is concluded that the impact of IE characteristics in assisting the firm to exploit Internet capabilities for international businesses processes and new international opportunities is imperative.

2. Literature review

There has been a development within internationalisation studies with a focus on the increasingly active role played by international entrepreneurs of SMEs (see Bell, McNaughton, Young, & Crick, 2003; Johanson & Vahlne, 2003; Johnson, 2004; Loane, 2006; Oviatt & McDougall, 2005; Welch, 2004). This is because decision making power within SMEs and the impetus for firm internationalisation often lies with the international entrepreneur, opposed to the management team, which are responsible for decision making in larger multi-national firms (Bhuan, Menguc, & Bell, 2005). The literature highlights for example, that international business processes can be optimised when the firm is internationally market-oriented and entrepreneurial (Bhuan et al., 2005). Recognition of the role of the international entrepreneur in the internationalisation of

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