



International entrepreneurship in internet-enabled markets

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ABSTRACT

Despite the increasing numbers of businesses that are already using the internet to pursue international opportunities, and the latent potential for such activity from rising internet adoption levels, the international entrepreneurship literature has paid limited attention to the phenomenon. To address this gap, we review past research in international entrepreneurship, as well as the broader fields of entrepreneurship, international business, marketing, management and management information systems, to identify firm-level resources that are associated with the successful pursuit of international opportunities in internet-enabled markets. We identify three such internet-related firm-level resources: online reputation, online technological capabilities, and online brand communities. We develop a propositional inventory of the expected relationships, identify measures expected to be useful to future scholars in this area, and present the implications of our review for future international entrepreneurship research.

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1. Executive summary

Advances in information and communication technologies have been identified as enablers of international entrepreneurship (IE). By increasing the quality and speed of communications and transactions, and decreasing their cost, such advances have made internationalization more feasible for resource-constrained firms. Despite the increasing numbers of businesses that are currently using the internet to pursue international opportunities, and the latent potential for such activity from rising internet adoption levels, the IE literature has paid limited attention to the phenomenon. We address this gap in the research literature by developing a conceptual model of the organizational resources that are expected to be related to firms' successful pursuit of international opportunities.

This conceptual model was developed through a comprehensive review of literature in diverse fields: entrepreneurship, international business, management, management information systems, and marketing. We identified, from the extant literature on internet-related international entrepreneurship, three resources expected to be positively related to firms' successful pursuit of international opportunities: online reputation, online technological capabilities and online brand communities. From this starting point, we present a theoretically grounded review of the research that has been carried out on each resource. The review spans 33 journals during the period 2000–2010. We developed seven propositions that can be tested in future empirical research, and identified measures that are relevant to them. The review provides IE scholars with a current understanding of how these three resources are being conceptualized and measured, and how and why they are expected to be related to a firm's success in pursuing international opportunities when competing in internet-enabled markets.

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First, an online reputation is important because there is a large pool of competitors in internet-enabled markets. Gaining an online reputation early can yield substantial competitive gains in international internet-enabled markets because there is an increased capacity for herding behavior, with buyers imitating the purchase decisions of previous buyers. There are two aspects of an online reputation: being visible online and being seen as providing high-quality goods and services. In signaling quality, the favourability of online signals, such as online ratings and reviews, is important, as are the volume of signals and the consistency among signals. Signaling is expected to be related to the successful pursuit of international opportunities indirectly, through perceived trustworthiness, given that there are cross-cultural differences in how reputation signals may be perceived.

Second, online technological capabilities are important to the successful pursuit of international opportunities because they can enable a firm to discover and exploit international opportunities better and faster than competitors. Particularly important aspects of a firm's online technological capabilities are a) the extent to which web applications are integrated with back-end databases and systems; b) the firm's ability to customize the online experience for particular markets; and c) the firm's technological opportunism. These are all expected to be a function of top management championship: the extent to which a firm's top managers value online initiatives, and participate in them.

Third, online brand communities can help firms discover, evaluate and exploit international opportunities because they can provide information about buyers, support the buying process and build positive brand meanings. Potential foreign buyers can monitor the community to learn about the firm's offerings from the customer point-of-view, or ask questions of existing buyers. The existence of engaged community members from diverse geographic regions can signal to potential international buyers that the firm can and does serve foreign clients effectively. The firm can use the online community to monitor and reach out to geographically dispersed audiences, thereby avoiding the danger of becoming too isolated from their online foreign markets.

In the final section of the paper, we explore the implications of this review for future research in the area of internet-enabled international entrepreneurship. We discuss the relationship between the three resources focused on in the paper and early internationalization, concluding that we expect firms that acquire and deploy the required resources early in their life to have a higher propensity to engage in internet-enabled international entrepreneurship and to be more successful at it. We identify moderating effects that are likely to affect the propositions presented, as well as the individual- and environment-level factors that may influence firms' successful pursuit of online international opportunities. We outline negative outcomes that may be associated with internet-enabled internationalization, such as a temptation to over-standardize, rash foreign market expansion, and insufficient attention to offline interactions with current and potential buyers. Finally, we highlight some of the challenges of studying internationalization in an online context.

2. Introduction

"It is true that the Internet will change everything. It is not true that everything will change."

– Paul Deninger, CEO of Broadview Capital Partners, quoted by [Useem \(2000\)](#)

Advances in information and communication technologies have been identified as enablers of international entrepreneurship. By increasing the quality and speed of communications and transactions, and decreasing their cost, such advances have made internationalization more feasible for resource-constrained firms ([Gassmann and Keupp, 2007](#); [Mathews and Zander, 2007](#); [Oviatt and McDougall, 2005a](#)). The truth of these assertions is readily apparent from an ever-increasing number of highly visible examples. Some of these companies provide digital services, such as the online telephone business Skype and the online auction site eBay. Others, like the airline EasyJet, provide conventional products and services, but do most of their transactions and communications online, enabling them to pursue international opportunities quickly after start-up. The proliferation of international online markets over the past decade (cf. [Reuber and Fischer, 2009](#)) has made it possible for ever greater numbers of new firms in an array of industries to be "born global."

The phenomenon of internet-enabled internationalization seems unlikely to be restricted to high profile cases. While figures on internet-based cross-border trade are not available, there is evidence that even the smallest businesses are active internet users. In 2007 in Canada, for example, 95% of businesses (with 20–99 employees) had internet access, 74% had a website, 69% were purchasing online and 13% were selling online ([Industry Canada, 2009](#)). Data on six sectors in 28 countries reported by the Organisation for Economic Co-operation and Development indicate that, although there is a wide range in the extent to which businesses are purchasing and selling over the internet, online transactions are now common in most of the countries tracked ([OECD, 2009](#)). Over half of all businesses with more than 10 employees in Australia, Canada, Germany, Ireland, New Zealand, Switzerland and the United Kingdom are purchasing online, and over one-quarter of such firms in Australia, Ireland, New Zealand, the Netherlands, Norway, Switzerland and the United Kingdom are selling online.² These numbers translate to millions of businesses that have, via the internet, the potential to pursue international entrepreneurship (IE).

Despite the increasing numbers of businesses that are currently using the internet to pursue international opportunities, and the latent potential for such activity from rising internet adoption levels, the IE literature has paid limited attention to the phenomenon. While recent reviews of the field (see, for example, [Aspelund et al., 2007](#); [Coviello and Jones, 2004](#); [Dimitratos and Jones, 2005](#); [Fischer and Reuber, 2008](#); [Keupp and Gassmann, 2009](#); [Rialp et al., 2005](#)) have pointed out that technology-based

² Data from the U.S. are not included in the tables, and so it is unknown whether the U.S. should be included on either list.

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