

Born Global New Internet Ventures Intangible Success

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ABSTRACT

Many researchers, academics and practitioners were captured by surprise when a growing number of new Internet ventures in the early twenty-first century successfully internationalizing their businesses. Undoubtedly, these new Internet ventures and which is also sometimes called as born global signify an entirely novel type of firms by disregarding the established views of firm internationalization and creating a paradigm shift to the international business landscapes. This study will look into the significance of value creation in e-commerce in influencing the intangible success of born global new Internet ventures from the entrepreneurs (business owners) or the managers' perspective. The study will be further narrowed to investigate the intangible success of these born global new Internet ventures. Five micro sized new Internet ventures in retail with a minimum receiving one international sale were identified and interviewed in this study. The study focuses on four business-to-consumers (B2C) value creation strategies that include novelty, lock-in, complementarities and efficiency. The findings indicated that novelty is a significant in guaranteeing a success of micro sized new Internet ventures in retail when going for international market.

KEYWORDS: Value Creation, Intangible Success, Born Global, New Internet Venture.

INTRODUCTION

The phenomenon of “borderless world” due to rapid advances in Internet technology, the elimination of trade barriers, declining cost of communication and transportation, and a paradigm shift in supply chains practices worldwide have impacted how firms conduct their businesses [28]. Despite the fact that the developed economies continue to rule the e-commerce market, the emerging economies are closing the gap [10]. As a result, a large number of information and communications technology (ICT) firms began expanding their boundaries internationally [19, 14]. The Internet helps hurl these features of the global early-movers and rapidly globalizing young firm. These young firms are entrepreneurial driven and begins to internationalize. This occurs right after its formation. Hence, it is in a contradiction to the assertion that internationalization goes through an incremental process [13].

In [18] were among the early researchers to define this swiftly globalizing entrepreneurial business entity. According to them, this organization from inception pursues to expand considerable competitive gain from utilization of resources and selling of yields in multiple countries. There is also a mounting body of literature demonstrating analyses on strategic assets and intangible resources for instance knowledge of export expansion that identifies the reasons for firms to venture overseas are merely taking advantage of firm-specific assets and market limitations [23].

CRITICAL ISSUES

It is imperative to achieve a better understanding of the elements of success involved in born global new Internet ventures, since e-commerce engages a position in the development of a nation. There are two different types of firm success, tangible success is considered to be the measurable whereas intangible success is not-so-easily quantifiable [16]. Studies on the firm's success are rapidly shifting the importance from tangible to intangible factors due to the understanding of the incredible potential of intangible resources [40]. Furthermore, the management of intangible capabilities is critical for accomplishing a competitive advantage [31]. In new business ventures, for instance, an effort to embrace intangible factors in the business plan for full assessment of the potential has been seriously considered [9]. Most organizations now are leveraging on intangible success such as branding, customer satisfaction and innovation to build core competencies for future success. In this exploratory study, the authors attempt to understand how intangible resources of value creation can affect the intangible success of the born global new Internet ventures. Many born global researches in the past were

focused on more established companies, and there was a dearth of literatures studying on the intangible success of a born global new Internet venture.

LITERATURE REVIEW

Resource Based View

The resource-based view (RBV) of the firm has grown into a prominent theoretical perspective in latest international business (IB) research as well as in the information systems (IS) literature since the mid-1990s and is increasingly being used in the field of e-commerce [22]. The furthestmost dynamic assets in the inventive economy are to a great extent the intangible resources, for example, the thoughts, ability, and imaginative limits of the workforce [6]. Certain value of intangible resources in RBV studies have been long recognized to meet the resource-based criteria of being valuable, rare and costly to imitate [17]. Furthermore, RBV principally offers a path on identifying the input of numerous technologies which may influence organizational performance [29]. There are two different interpretations of a resource based view. One is a value creation theory [24]; the other one is a competitive advantage theory [38].

The word ‘value’ denotes the sum of value generated in e-commerce activities despite being the company, the client, or any additional user in the activity who positions that value. Thus, the author accepts [4] perspective of total value created as the total values properly allocated by each side concerned in an activity. Four fundamental value drivers exist in value creation in e-commerce namely efficiency, complementarities, lock-in and novelty [1]. The occurrence of these value drivers which are affixed in the established free enterprise and strategic management model, and improves the value-creation prospective of e-commerce.

Born Global

A born global firm can be defined as an organization aimed at seeking competitive advantages in business via selling the outputs in foreign countries and using resources. The born global firm is also described as “a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” [21]. In [37] relate the source of competitive performance to the knowledge base. The world is perceived as a single market by knowledge consumptive small firms which internationalize their activity from the start. In [21] concluded that born global internationalization pattern is of non-incremental, committed and radical nature.

Intangible Success

According to [33], the concept of company success is discussed in various fields of academic literature. It is interpreted in terms of economics, sociology, anthropology, psychology and other sciences, although there is no unanimity either in defining the concept itself or determining the most appropriate method of measuring it at the initial stages of a new undertaking [34]. It was also discussed in the work of [36]. Further evidence in the literature on new venture success as a dependent variable and are measured by intangible indicators have been reported in [32, 39]. Intangible success is considered to be the subjective and the not-so-easily quantifiable “soft factors” in enterprise that typically would include service quality, information quality, user satisfaction, internationalization and organizational impact.

In [7] concluded that one of the most popular subjects under discussion in the field of entrepreneurial activity is the study of factors pertinent to the success of a new venture. Scientific advancement requires getting the general consensus on the definition of performance or success in regard to new business ventures. However, no agreement has been reached yet, since the opinions differ. It can be seen in the works by [34, 36, 35], etc. Various studies have analyzed both the unmistakable and elusive advantages accomplished by small and medium sized enterprises (SMEs) from the appropriation of e-commerce. The unmistakable advantages gained from e-commerce for example decreased organization costs, diminished generation costs, lessened lead-time and expanded deals were minimal as far as immediate earnings [2, 26, 27]. Interestingly, these same studies established that the intangible benefits such as an enhancement in the quality of information, augmented internal control of the business, enriched relations with business partners provide superior value to businesses.

METHODOLOGY

According to the literatures, there are various factors affecting the size of sampling. Nevertheless, there is a difference of opinions on what will be the suitable number in term of size of the sample should be used in the qualitative study [5, 25, 12]. Sometimes, a sample as small as 10-15 per group is considered adequate depending on the nature of the decision [11]. In a qualitative study, size may not be of importance but rather the key point must be adequately huge to convince that we are expected to listen to most or all the perceptions that might be significant [8]. Additionally, each respondent has the similar chance of being included and the main objective of the study is achieved. Nonetheless, for the purpose of this study, five interviews were appropriate to initiate and

explore the constructs to be implemented in a larger study after the conceptual framework was introduced. Once data saturation was achieved in a qualitative study, researchers can stop the data collection process [20]. The authors obtained interviewees through their personal networks of the micro sized new Internet ventures in retailing for data collection. The interviews were done through face to face contact and followed up by an email of the questions to be answered. This ensured the interviewees have time to reflect and express their experience in their own words.

This exploratory study was subject to the authors' understanding of the information gathered. To guarantee the legitimacy of this research, the authors followed the appropriate procedures to discover the response to the study's essential inquiry [15]. The qualitative study involves a great deal of detailed administrative process to ensure the "dependability" of the methods, documentation and design is done in a systematic manner [20] when compared to quantitative study. Guided open-ended questions were used to explore the respondent experience in their strategies and success in Internet business. The interview guides consisted of three types of information including (1) demographics, (2) their value creation of e-commerce strategies and (3) how these strategies have impacted them. The interview lasted between 45-60 minutes.

Researchers are obligated to exhibit that their studies are credible. To reflect a valid and trustworthy study, the authors' practice a complete set of procedures. The data were analyzed for emerging themes. Then, an open coding is developed by grouping data into categories [20]. The data were analyzed in two phases: (1) concurrently with the interview process and (2) after all interviews were conducted. This permitted the authors to employ member checks [30] to verify that the interviewees' personal chronicles were represented. Member check was completed at the finale of each interview by presenting the interviewees with a summary of what have been said via email.

FINDINGS AND DISCUSSION

The study endeavors to comprehend the relationship between employing e-commerce value creation strategies and intangible success among new Internet ventures in Malaysia. All respondents are from the online retail sector and categorized as a micro company. It is imperative to state that the study focuses on micro Internet B2C (business-to-consumer) entrepreneurs or business managers located in Malaysia and the business have completed at least one successful international business transaction. Small and Medium Size (SME) Corporation Malaysia, an agency under the Ministry of International Trade and Industry (MITI) Malaysia and Bank Negara Malaysia [3] define micro company in the category of services and others as a business entity with sales turnover of less than RM300,000 or employees of less than 5. With regard to years of operation and following the definition of born global, all of the firms have been in operation in less than one year. The findings can be summarized in the tables below.

Table 1: Value creation of novelty leads to intangible success for born global new Internet venture

Novelty
<ul style="list-style-type: none"> • Three companies are satisfied with the current success implementation of new links with various partners around the world • Four companies have successful feelings after the number of registered visitors from overseas increase when new features are added • Three companies are satisfied with the success of receiving many good testimonials from around the world after improving unique customer communication

Table 2: Value creation of lock-in leads to intangible success for born global new Internet venture

Lock-in
<ul style="list-style-type: none"> • Two companies feel that the various incentives being offered lead to repeat International orders and are working successfully • All five companies feel that secure and reliable ordering process convince more users from various part of the world to complete their online transactions

Table 3: Value creation of complementarities leads to intangible success for born global new Internet venture

Complementarities
<ul style="list-style-type: none"> • Two companies offer complementary service such as free advice and tips and successfully attract new customers around the world • All five companies are satisfied after adding more product lines lead more success of getting the attention from international customers

Table 4: Value creation of efficiency leads to intangible success for born global new Internet venture

Efficiency
<ul style="list-style-type: none"> • Three companies created simplified and rich information contents that lead to success in getting users around the world spending more time on the website • Three companies structure product categories with easy search that eventually lead to more success for the customers to complete the purchase

Based on the findings, it can be concluded that most of the business owners of the new Internet ventures are satisfied with the overall performance of their business in receiving international sales and orders when all the four value creation strategies are in place. They also believe that there are growth opportunities in international sales and orders when continuously creating value on their website. It is worth to note that the intangible resources of value creation do have an impact on the success of a new Internet venture in global business. Hence, new online retailers should not fail to notice the importance of the value creation elements when developing and marketing their website.

CONCLUSION AND RECOMMENDATIONS

This study examined how intangible resources of value creation can affect the intangible success of the born global new Internet ventures. The study on intangible success of a born global new Internet venture is important as it offers new Internet ventures to analyze their ability and level of preparedness for export market. With regard to intangible success, this study found that having reliable and secure ordering process as well as comprehensive product lines is exceptionally important. The majority of the new Internet ventures feel that the novelty would lead to higher success in getting international orders. However, few companies feel that incentives and complementary services would garner more success in the international market. The study contributes to the literature of born global new Internet venture by highlighting factors that are deemed important to be successful in the international market. The findings on the intangible resources of value creation as significant contributors to the intangible success on the international market are consistent with previous studies [32, 39].

A number of recommendations can be identified from the study. The value creation of novelty was found to be the main contributor to the intangible success in this study. Therefore, new Internet ventures of online retailers should focus on the novelty aspect to increase their chances of success in and attract more online buyers. They need to spend time to identify which novelty features could lead to online international consumers purchase and implement the features in their website as well as services and products.

In addition to novelty, new Internet ventures of online retailers could take into consideration of creating value in efficiency by simplifying contents and information as well as categories for product search which could lead to more success in garnering international customers to complete their online purchase transactions. Perhaps, by considering the value creation of efficiency, the number of international consumers visiting their online stores would increase twofold.

It is recommended that future research should study other intangible resources such as reputation that perhaps could contribute to the international success of the new Internet ventures. A different analysis using quantitative technique could also bring different perspectives to the study in the future. Since there are only five online retail B2C companies involved in this study, it limits the generalizability and exploration of the findings. Hence, it is vital for the future research to use different industry sectors in order to diagnose the contributing factor that lead to intangible success in the international market.

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