

Conceptualizing Reputation as Determinant for Born Global New Internet Ventures Intangible Success

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ABSTRACT

This exploratory study is one of the first steps in developing and testing the conceptual framework for the intangible success of born global new Internet ventures. Two hypotheses were generated based on the literatures, which linking them between reputation and intangible success of a new Internet venture with the moderation role of environmental dynamism. This study also describes the concept of corporate reputation and reviews some of the existing points when it comes to measuring it. Many scholars have established the prominence of reputation for firm success or performance, but the mechanisms through which reputation can be accumulated are still to be explored. This study will look into the significance of reputation in the e-commerce in influencing the intangible success of born global new Internet ventures from the entrepreneurs (business owners) or the managers' perspective.

KEYWORDS: Reputation, Environmental Dynamism, Intangible Success, Born Global, New Internet Venture.

INTRODUCTION

There is a conspicuous call for creating an online trust instrument in order to assist individuals and organizations' online activities. Trust is a prerequisite for the continued existence of any organization and in a case of a born global new Internet venture, where the impact is even greater. Without the trust of customers, employees, shareholders, the government and supervisors, a business is unlikely to survive. Its reputation is too weak to compete in the economic and social environment. Integrity thus plays a central role in the operation of every e-business. Economists argue that in order to meritoriously foster trust among strangers, it is imperative to track historic data and establish the "shadow of the future" in an online environment [1].

eBay for example is an online global marketplace to conduct trade using a platform, where millions of items are traded each day through online auction formats which also called auction-style listings. eBay creates a feedback forum or a reputation system to gain trust. This reputation system allows buyer and seller to rate each other and leave comments after each transaction. The amassed feedback score is then discernibly displayed along each user's profile name. Empirical evidences indicate that sellers with outstanding reputations do sell their items on eBay than others [2]. In fact, the overall commercial accomplishment of eBay is largely attributed to the original scheme of its reputation system [1, 2, 3]. The views that measurement of corporate reputation could influence firm performance have been long documented in many studies [4]. Many scholars are attracted to conduct research on these views in so many areas of corporate reputation. Reputation is part of intangible resources. These intangible resources are now increasingly seen as drivers of sustainable business competitiveness and success. Thus, it is inevitable that an intangible resource like reputation continues to be researched as sources of sustainable advantages.

The notion of company success is debated in numerous fields of academic literature [5]. It is a monumental task to delineate the success of a company in any branch of activity, especially if it is referred to new business ventures in the context of small and medium-sized enterprises (SMEs). The newly-established companies have no background or history. Most of them do not have any performance indicators or measures of standard accounting yet. Notwithstanding the fact that there is an increase in their sales, those firms may not be profitable during the first several years of operation. This idea was supported by many scholars [6, 7, 8].

Additional evidence in the literature on new venture success as a dependent variable and are measured by intangible indicators have been recounted in many studies [9, 10]. Intangible success is not easy to be quantified and typically would include service quality, information quality, user satisfaction, internationalization and organizational impact. The study of factors related to the success of a new venture has emerged as a popular subject under discussion in the field of entrepreneurial activity [11].

Since success is a debatable issue, this study will attempt to conceptualize intangible success from the perspective of entrepreneurs or business managers' satisfaction when an international business is transacted

regardless via online or offline so long the initial transaction occurs on an Internet platform and does not necessarily has to be on a company website. A third party website and email are sufficient medium. Furthermore, international business typically occurs when an international transaction takes place in one or more country and market environment [12].

CRITICAL ISSUES

Efforts to accept intangible resources as a potential full assessment in a business plan have been certainly deliberated for new business ventures [13]. To build core competencies for future success many organizations today are leveraging on intangible success such as reputation or branding, customer satisfaction and innovation. Reputation therefore is a subjective perception of a successful company's attributes such as having superior quality products/services, quality management, customer orientations, ethical behavior, attractiveness and reliability. Within academic research, substantial energy has been dedicated in the last 15 years in attempts to accurately define [14] and measure corporate reputation [15] as well as to investigate its antecedents and outcomes [16].

The new business venture could turn into trepidation and peril that would effect in a poor performance due to the ambiguous dynamic environment. According to [17], environmental dynamism signifies to the degree of change and the existence of the elements of unpredictability within an environment. This dynamic environment also impacts the rapid changes in technology and forms uncertainty or capriciousness in the environment [18]. The degree of instability or turbulence in the dynamic environment would considerably affect main operating concerns such as market and industry conditions as well as general technological, economic, social and political forces [19].

In this exploratory study, the authors attempt to understand the connection between intangible resources of reputation with the intangible success of the born global new Internet ventures and moderated by the environmental dynamism. Furthermore, there are very few attempts being made to link reputation and intangible success as well as environmental dynamism of a born global new Internet venture in the past literatures. That would make it a compelling reason for the authors to come out with this conceptual paper.

LITERATURES AND HYPOTHESES

Resource Based View of Reputation

The resource-based view (RBV) of the firm has developed into a conspicuous theoretical viewpoint in the international business (IB), information systems (IS) and e-commerce [20] literatures. Several theories have been used in both the conceptual and empirical papers to examine corporate reputation and had been identified as well in the resource-based view (RBV) [21]. Reputation in RBV is an intangible asset that is considered valuable, rare, hard to imitate and subject to suitable practice when the right organization is put in place [22]. The economists, strategists, sociologists, marketers and organization theorists viewed corporate reputation from complementary perspectives [23].

An organization's reputation is conceivably one of its imperative strategic resources that were pointed out in a recent Journal of Management article [24]. Reputation aids in differentiating firms from competitors [25]. In addition, the reputation has been associated to organizational performance [26, 27]. Hence, reputation acts as a fundamental understanding of why some organizations outdo others. The RBV depicts reputation as an intangible resource from the amalgamations of internal investments and external appraisals and can further be defined as "a general organizational attribute" [28]. The value it derives from several elements lead to pivotal ambiguities, competitive advantage and in the end, performance superiority [29] which making reputation one of the organization's most important resources [30]. The authors propose that RBV offers a justification for how reputation might influence performance [28, 31].

H1: There is a significant relationship between reputation and intangible success of born global new Internet venture

Environmental Dynamism

Environmental dynamism increases uncertainty and could possibly turn into a new business venture into anxiety, and risk that would eventually result in a poor performance. Environmental dynamism denotes to the frequency of change and the occurrence of the elements of instability within an environment [17]. Furthermore, this dynamic environment influence technological changes and create instability or capriciousness in the environment [18]. The degree of instability or turbulence would significantly affect main operating concerns such as market and industry conditions as well as concerns on general technological, economic, social and political [19]. Empirically, in [32] associated dynamism to organization environment as strategic diversification and organizational demeanors en route for innovation [33].

The new ventures must overcome the ambiguous value-judgment standards and overwhelming environments for the choice of operational procedures when confronting an exceedingly dynamic environments. These factors may constrain the new ventures to quickly settle on key decisions utilizing restricted diagnostic perceptions of the organization's operational surroundings. Uncertainties and opportunities may affect the position of an organization in competitive market linking environmental dynamism directly with performance [34]. In [35] has also advocated that the RBV and dynamic capability theory emphasized external business environment opportunities could influence organization strategy which in turn impacts organizational performance. Therefore, the authors propose that environmental dynamism offers a justification for how it might moderates the relationship between reputation and firm success.

H2: Environmental dynamism moderates the relationship between reputation and intangible success of born global new Internet venture

Intangible Success

There are two types of measurements for firm performance mentioned in literatures by first differentiating financial measures or objective measures. For instance, return on equity, return on sales and return on assets with non-financial measures or subjective measures and shareholders' satisfaction, employee satisfaction or customer satisfaction [36]. It is a challenging task to define the success of the company in any branch of activity, especially if it is referred to new business ventures in the context of small and medium-sized enterprises (SMEs). The newly-established companies have no background or history. Most of them have not got any performance indicators or measures of standard accounting yet. Notwithstanding the fact that there is an increase in their sales, those firms may not be profitable during the first several years of operation. This idea was supported by [6, 37, 7, 8].

Figure 1 on the next page illustrates the study proposed model which indicated that there are three variables; reputation being as the independent variable, environmental dynamism as the moderating variable and intangible success as the dependent variable.

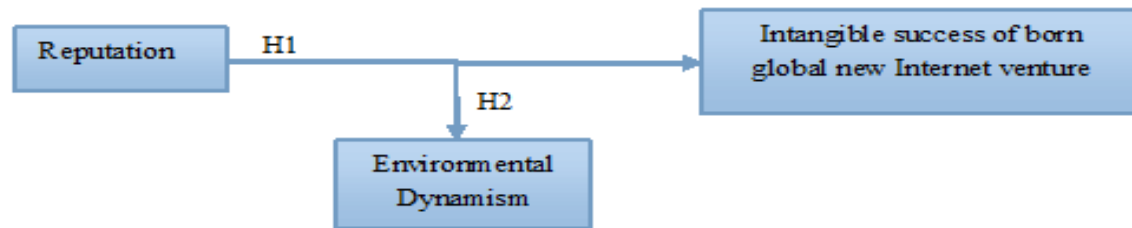


Figure 1. The conceptual model

CONCLUSION

This study examined how intangible resources of reputation can affect the intangible success of the born global new Internet ventures and moderated by the dynamic environment. The study is important as it offers a new perspective to understand the capability and level of readiness of the born global new Internet venture, especially with rapid changes in the environment of international market. The study contributes to the literature of born global new Internet venture by highlighting reputation as a determinant variable. The findings from the intangible resources of reputation may be significant and validate some of the previous studies. It is recommended that future research should study other intangible resources that perhaps could contribute to the international success of the new Internet ventures. It is vital for the future research to use different industry, so that comparisons could be made and contribute to the literatures.

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