Chapter 2
Internationalization Strategy in New E-Ventures: Towards A General Model and New Research Agenda

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ABSTRACT

Recent literature highlights the fact that research in the fields of internationalization and entrepreneurship appears to overlook the internal and external context in which the international strategies are conceived. That oversight occurs even though the international activity of new ventures needs to be understood within the context and requirements of the respective industry. That gap is accentuated when we focus our interest on the electronic business industry since the literature contains no models conceived to explain the advantage and the process of the internationalization of new e-ventures. This work contributes to filling that gap by answering two basic questions: (1) what is it about e-ventures that allows them to compete globally? and (2) what is it about e-ventures that makes it a specific mix of strategy shaping processes necessary to formulate a born global strategy?

INTRODUCTION

E-ventures represent a group of firms that carry out innovative business. To that end they use knowledge and advanced technological capability to offer services based on a predominantly electronic creation of value (Kollman, 2006). In fact, e-ventures are so called because, unlike traditional businesses, they perform their economic transactions on line via the Internet (Matlay, 2003), which is why their business activity is called e-business (Fillis, & Wagner, 2005). Within that framework, e-entrepreneurship refers to the start up of a new e-venture, which we label e-born global when it operates in international markets from its inception.

Although the study of new ventures in the field of e-business is relatively new, its development

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has been notable, with interesting studies and manuals being published in recent years. Those articles have basically tried to verify and put in context the conclusions reached in the field of entrepreneurship to date about the peculiarities of businesses operating in the e-industry (Fillis, & Wagner, 2005; Kollman, 2006; Lal, 2004; Matlay, & Westhead, 2005). A study of the literature reveals two clear stages in the venture creation process: opportunity recognition and opportunity exploitation, the latter occurring when the new venture is started up (Morse & Mitchell, 2006). In both stages, certain decisions, such as those related to strategies and the organizational resources that make their implementation possible, assume great importance since they condition the success of the new venture in general (Kakati, 2003), and technological business in particular (Chorev & Anderson, 2006). Thus, it can be said that strategy shaping is a critical factor in the process of creating a new venture.

In the particular case of electronic start-ups, the entrepreneur must consider the specifics of e-businesses that affect strategic decisions – e.g., the impact of new information and communications technologies makes international operations less costly than before (Knight & Cavusgil, 1996). These special features can particularly influence the definition of the target market, giving rise to a growing number of new ventures that are born with an international vocation, and whose competitive advantages and rate of growth, in the short term, are surprising by their exponential character. To refer to this type of company, the term born global has been coined, as well as global start-up, instant exporter, micro-multinational, international venture and international new venture (Fernhaber, McDougall, & Oviatt, 2007; Karra, Phillips, & Tracey, 2008; Kuivalainen, Sundqvist, & Servais, 2007; Weerawardena, Mort, Liesch, & Knight, 2007).

A number of partial studies – e.g., Fernhaber et al. (2007), Kuivalainen et al. (2007), Zahra, Korri, & Yu (2005) –, have aimed to explain the born global phenomenon. These partial studies do not satisfy the expectations of the researchers who emphasize the importance of finding a new integrated theoretical framework that would permit the explanation of this complex phenomenon (Crick, & Spence, 2005; Jantunen, Nummela, Puimalainen, & Saarenketo, 2008; A. Rialp, J. Rialp, & Knight, 2007; Weerawardena et al., 2007; Zahra et al., 2005; Zhou, 2007). Moreover, Boter and Homquist (1996) warn that the internationalization of new businesses needs to be understood within the context and requirements of the respective industry. However, if we focus our attention on the e-business industry, the literature contains no models conceived to explain the advantage and the process of the internationalization of new e-ventures. On the basis of those arguments, the primary objective of this work is to analyze the internationalization strategy and the process through which it is formed in firms operating in electronic sectors. More specifically, we aim to answer two fundamental questions related to that objective: (1) what is it about e-ventures that allows them to compete globally? and (2) what is it about e-ventures that makes a specific mix of strategy shaping processes necessary to form a born global strategy? To that end, we apply various concepts from strategic management to the context of e-entrepreneurship so that this chapter contributes to filling a gap in the literature that is of particular relevance to academics and professionals interested in the e-business sector.

In pursuit of the proposed objective, this chapter is structured as follows: (1) background, which includes the study of the born global strategy, as well as its antecedents and processes for shaping the international strategy for venture creation; (2) proposal of an integral model for the shaping of the born global international strategy in the new e-venture; (3) new research agenda, which includes research issues requiring new contributions in order to advance research in this field; and (4) conclusions.