Chapter 9

The Impact of Social Networks on “Born Globals”: A Case of De-Internationalisation

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ABSTRACT

This paper aims to explore the role and impact of entrepreneurs’ social networks on the internationalisation of “Born Global” firms, in particular, its de-internationalisation process. The research is based on a case study approach and adopts a series of face to face and online qualitative longitudinal interviews. It provides some useful insights into the relationship management of “Born Global” entrepreneurs and unveils some negative impacts of social networks on the initiation of ‘de-internationalisation’. The study reveals the importance of online social networks, high-tech communications and contemporary management techniques for “Born Global” entrepreneurs.

INTRODUCTION

Many managers and entrepreneurs, particularly in “knowledge intensive” firms, are seeking international business growth in a more proactive manner than before (Bell et al., 2004, Child and Hsieh, 2014). More and more firms are engaging in international operations in the early days of their establishment (Oviatt and McDougall, 1994, Bell, 1995, Knight and Cavusgil, 1996, Jones, 1999, Knight, 2000). They are the so-called “Born Globals” (Rennie, 1993, Knight and Cavusgil, 1996), “Global Start-ups” (Oviatt and McDougall, 1994), or “International New Ventures” (McDougall et al., 1994).

Since Small and Medium enterprises (SMEs) have limited resources and knowledge, and different managerial styles, the experience and knowledge gained from the study of large corporations cannot be directly adopted and utilized by their smaller counterparts (Calof and Beamish, 1995, Mejri and
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Umemoto, 2010); The main purpose of this research is to explore networking knowledge and experiences from “Born Global” entrepreneurs who are embedded in their social networks and relationships.

This paper examines the roles of social networks, one of the most important aspects of the internationalisation of SMEs (Styles et al., 2006). It investigates a “knowledge-intensive” rather than “traditional labour-intensive” firm. A small high-tech firm in the South East of England was selected because of the considerations of methods, time-scale, and resources.

The remainder of the chapter is structured as follow: Firstly, we review relevant literature, where we critically analyse the existing internationalisation theories and research activity in this field. Consequently, we develop the research problem. Secondly, we present the research objectives and research questions. Thirdly, we discuss the methodology. Fourthly, we analyse the data from the case company. We then move on to discuss the findings and, in the light of previous theories with the aim of constructing new frameworks for understanding the internationalisation of “Born Global” SMEs. Finally, we reflect on the importance as well as the limitations of this study and suggest an agenda for future research.

LITERATURE REVIEW

There are various definitions of internationalisation (Calof and Beamish, 1995, Liesch et al., 2014), one of the most common, by Benito and Welch being “the process of increasing involvement in international operations” (Benito and Welch, 1997). Since internationalisation is multifaceted, the subject has been addressed with differing perspectives and a variety of approaches have been used to study the phenomenon. The limitations of the economics-based approach are its over-simplification of the organizational decision-making process and the adoption of rational underpinning assumptions (Calof and Beamish, 1995). Behaviour-based process theories have been criticised as being too reactive (Autio and Sapienza, 2000) and over-orderly, like “rings in the water” (Madsen and Servais, 1997). They are inefficient in explaining the internationalisation of SMEs, particularly the “Born Global” phenomenon, which refers to a firm’s engagement in international operations from the early days of its establishment (Jones, 1999, Rialp et al., 2005). Network-based theories, which consider the advantages of a network of relationships, provide more multilateral elements than their prior economic- and behaviour-based theories (Johanson and Vahlne, 2003), and can explain the different behaviour of SMEs, which is ignored by the previous approaches mentioned. Yet, as Axelsson & Agndal (2000) point out, even such theories have not considered the importance of personal-level social networks (one’s relations and contacts with others). Even in the limited literature about the influence of social networks on the internationalisation of SMEs, factors impeding internationalisation and the phenomenon of de-internationalisation have been ignored (Chetty. and Campbell-Hunt., 2004, Benito and Welch, 1997).

Current empirical studies about “Born Global” social networks have produced varied and often quite contradictory results due to over-reliance on quantitative methods (O’ Donnell and Cummins, 1999, O’Donnell, 2014). These studies can be further divided into two main categories: those belonging to the rational perspective and those belonging to the embedded perspective. The rational perspective highlights a personal network as a lever which always provides additional resources, whereas the embedded perspective perceives the personal network as both a lever and a plug, as something the entrepreneur is embedded in for better or for worse (Klyver and Schott, 2003). Most of the existing studies adopt a rational perspective, such as for example, social relationships helping entrepreneurs minimize the risks and uncertainty of new markets (Ellis and Pecotich, 2001); social relationships can play a role as me-