



Network development and firm growth: A resource-based study of B2B Born Globals



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ABSTRACT

Using multiple case studies, we explore how Born Global networks develop as the firm's internal resources grow. Building on networks and entrepreneurship research, we develop a theoretical framework and advance five propositions that link resource development and entrepreneurial orientation to network content, structure, centrality, and management. We also explore the benefits that Born Globals gain from this development. Key findings include: resource accumulation and network development have a strong relationship while network content becomes increasingly strategic; strong entrepreneurial orientation coincides with calculative network management; network benefits are not always advantageous to the firms. This study makes empirical contributions to Born Global and Networks research in the context of Business-to-Business firms, and provides practical implications for Entrepreneurs and Born Global managers.

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1. Introduction

Born Global (BG) firms are recognized for their early internationalization and fast growth, which markedly sets them apart from the other types of new ventures (Knight & Cavusgil, 2004). These firms represent an extreme case of rapidly internationalizing firms (Knight & Cavusgil, 2004; Oviatt & McDougall, 1994; Rialp, Rialp, & Knight, 2005) and they are quite frequently Business-to-Business (B2B) ventures (see Rialp et al., 2005). From inception, these firms seek to gain competitive advantages from the use of resources and the sale of outputs in various countries (Oviatt & McDougall, 1994). They are also characterized by significant resource shortages commonly described as liabilities of smallness, newness, and foreignness (Knight & Cavusgil, 2004; Partanen, Chetty, & Rajala, 2011). In essence, these liabilities mean that during their early stages, BGs have limited resources like finance or equipment (smallness), lack reputation and legitimacy (newness), and are unfamiliar with various international business environments (foreignness). To make up for these shortages BGs rely on their networks (Laanti, Gabrielsson, & Gabrielsson, 2007; Oviatt & McDougall, 1994).

Born Global networks consist of the collective set of relationships between the firm and external parties such as clients, suppliers, business intermediaries, social contacts, and others provided that they have some resource exchange with the firm (Easton, 1992; Håkansson & Snehota, 1995; Hite & Hesterly, 2001; Zhou, Wu, & Luo, 2007).

Networks have links to BGs at virtually every stage of firm development. Before a BG's creation, its founders rely on their networks for legitimacy, capital assets, and support for the startup's subsequent establishment (Greve & Salaff, 2003; Larson & Starr, 1993). As BGs attempt their first set of international entries, networks help the firms overcome their liabilities through the provision of predominantly human and organizational resources (Coviello & Cox, 2006). Beyond initial growth, BGs continue to rely on networks for increasingly intangible content, such as commercial knowledge, strategic information, and other valuable resources (Hoang & Antoncic, 2003). In essence, networks are a dynamic source of resources that support BGs' survival, internationalization and growth well beyond their initial stages. However as they grow, BGs accumulate their own set of resources that increasingly enables them to take actions they previously were unable to take on their own. As a result, research shows that their resource needs and dynamics change (Coviello, 2006; Hite & Hesterly, 2001; Hoang & Antoncic, 2003) but little is known about how such changes relate to their networks.

Entrepreneurship research has a rich history of network studies, and many of those discuss how networks evolve through a domestic venture creation process (e.g. Greve & Salaff, 2003; Larson & Starr, 1993). However, their application to BGs is limited because most culminate at firm inception and they tend to overlook a BG's particular context, which significantly differs from other internationalizing firms (Laanti et al., 2007; Morgan-Thomas & Jones, 2009; Oviatt & McDougall, 1994, 2005). Other studies investigate how networks change after venture formation (e.g. Coviello, 2006; Hite & Hesterly, 2001; Zhou et al., 2007), but these are scarce, typically exclude BGs that become well-established firms, often focus in a single industry, and rarely place the network itself as the focus of analysis (Coviello,

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2006). Despite research that demonstrates networks are fundamental to the internationalization and growth of BGs (Laanti et al., 2007; Partanen, Moller, Westerlund, Rajala, & Rajala, 2008), the literature offers little understanding of actual network development processes (Slotte-Kock & Coviello, 2010) and commonly overlooks the progression of BG network exchanges (Barnir & Smith, 2002; Coviello, 2006; Coviello & Cox, 2006; Jack, Moul, Anderson, & Dodd, 2010; Lechner & Dowling, 2003; O'Donnell, Gilmore, Cummins, & Carson, 2001; Shaw, 2006). This is problematic because finer-grained research about network content is needed to gain richer insights about network evolution, international expansion decisions, resource acquisition, new product development (Coviello, 2006; Hoang & Antoncic, 2003, Hung, 2006; Shaw, 2006), and about a network's link to firm performance (Coviello & Cox, 2006; Hite & Hesterly, 2001; Hoang & Antoncic, 2003). In addition, BGs are frequently labeled as 'entrepreneurial' despite a shortage of research about a BG's entrepreneurial orientation (EO) and its networks, which if explored could yield valuable insights about how opportunistically BG's employ their networks (Partanen et al., 2011). This lack of research demonstrates how the development of BG networks is an area rich with research opportunity and is a motivation for our study.

As a result, the purpose of our investigation is to address the following research question: how does internal resource accumulation relate to the development of a BG's network? Our research question can be broken down into the following three sub-questions: 1) How does the accumulation of internal resources affect network content, structure, and centrality? 2) How does EO affect network management? 3) What benefits do BGs gain from network development? We focus on Business-to-Business (B2B) firms because their network relationships are characterized by interdependencies, mutuality of benefits, and the avoidance of opportunistic behavior (Ford, 1980; Håkansson & Snehota, 1995), enabling the opportunity to study more observable and longer relationships than in Business-to-Consumer firms. Based on a literature review of networks and entrepreneurship, and the resource based view (RBV) we develop a conceptual framework, advance five propositions, and empirically examine these through a multiple case study. We take support from the seminal works of Van de Ven and Poole (1995) and follow Slotte-Kock and Coviello's (2010) precedent in our empirical analysis of BG and network development. Our findings show that internal resource growth and network development indeed have a strong relationship. Resource accumulation influences changes in network content, centrality, and tie-strength, while network management relates to a BG's entrepreneurial orientation (EO). We also found that the benefits BGs obtain from their networks are not always advantageous to the firms. Our study makes three particular contributions to the Business-to-Business BG networks literature. First, it is one of the few that empirically show how BG networks develop as a result of internal resource accumulation. Second, it is among a few that draw from the RBV to evaluate the 'strategicness' of BG network content. Third, it contributes novel insights specific to BGs about the relationships between resource growth and tie-strength, EO and network management, and the benefits of network development.

2. Conceptual framework and proposition development

BG networks are dynamic and are characterized by change (Coviello, 2006; Coviello & Munro, 1995; Hoang & Antoncic, 2003). To this end, Slotte-Kock and Coviello (2010) assert that a better integration of *development processes* is needed in network research to understand how and why change takes place (Van de Ven & Poole, 1995). In their research, Slotte-Kock and Coviello conceptualize networks as a developmental outcome of actions taken by the firm. Those authors posit that firms actively develop their networks through a process of exploration, selection, and utilization of ties that occurs within and across various developmental stages, and over time these changes increase network

density, complexity, and interdependence. They also propose that a firm initiates change in its networks due to its own development or to enact or adapt to the external environment. Our investigation follows suit in that BGs proactively take action to size, shape, and use their network relationships in a way that satisfies the evolving needs of the firm. In this respect, network development includes both changes to and utilization of networks, consistent with Hite and Hesterly (2001) who propose that "*networks of emerging firms evolve in order to adapt to the firm's changing resource needs and challenges*" (p. 275) while highlighting the importance of network use "*as a strategy for resource acquisition to support firm performance*" (p. 284). On these bases and following the arguments by Slotte-Kock and Coviello (2010) and Van de Ven and Poole (1995) on development processes, we investigate a particular instance of network development – which is linked to internal resource accumulation.

Fig. 1 below illustrates our conceptual framework, which we explain in the sections that follow and empirically examine later in this paper. In short, our framework proposes that as a BG grows, the development of its networks is influenced by two elements: the accumulation and development of its internal resources, and its entrepreneurial behavior. We argue that internal resource development prompts changes in a BG's network content, structure, and centrality and that the entrepreneurial orientation of a BG influences the way it manages its networks. In addition, we propose that BGs capture particular benefits from the development of their networks including an expanded set of opportunities, competitive advantages, and the management of risk and uncertainty.

A comprehensive study of networks would include many of the characteristics that span across the literature, such as size, range, tie-strength, centrality, reciprocity, multiplexity, and balance (Kilduff & Tsai, 2003). However, for the purposes of focus and other reasons we explain below, our investigation concentrates on four important elements that are often neglected, demonstrate inconclusive results, or are frequently absent in Born Global literature heeding calls for further research (Coviello & Cox, 2006; Hung, 2006; Jack et al., 2010; Laanti et al., 2007; Partanen et al., 2008; Slotte-Kock & Coviello, 2010): content, tie-strength, centrality, and management.

2.1. The development of internal resources and network content

According to the RBV, resources are "*all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm*" (Barney, 1991: 101), whereas network content refers to the resources BGs seek and exchange within their networks (Hoang & Antoncic, 2003) and includes the relationships in which the exchanges occur. Networks research has drawn from the RBV to incorporate the study of network resources (Dyer & Singh, 1998; Inkpen & Tsang, 2005; Lavie, 2006; Yli-Renko, Autio, & Tontti, 2002) yielding three important contributions relevant to our study: First, a firm's critical resources extend beyond the boundaries of the organization and include those obtained within their networks; second, resource accessibility – as opposed to full ownership or control of resources – is a sufficient condition for firms to secure benefits from their networks; and third, competitive advantage is derived not only from internal but also from network resources. Our study follows such precedent. We also follow suit from Knight and Cavusgil (2004) and Brush, Greene, and Hart (2001) to focus our investigation on the four types of resources: financial, organizational, human, and knowledge.

As we have mentioned, newly incepted BGs have an insufficient amount of basic resources to survive on their own. Consequently, the early types of resources BGs seek externally are those intended to alleviate shortages within the firm (e.g. Partanen et al., 2008), including financing (Kazanjian, 1988), organizational resources (Coviello & Cox, 2006), or physical assets like, machinery, office space, trucks, etc. (Brush et al., 2001). Such resources are characterized by their 'utilitarian' (Brush et al., 2001) nature because they are simple and seldom lead to

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