

# Chapter 17

## Global Online Performance and Service Orientation

**Anna Morgan-Thomas**  
*University of Glasgow, UK*

**Robert Paton**  
*University of Glasgow, UK*

### INTRODUCTION

The competition currently facing **small and medium sized enterprises** (SMEs) is characterized by three interacting trends: **market globalization**; enhanced **e-commerce** technology; and the growth of the **service economy**. With respect to the first trend, globalization has led SMEs into world markets and some are rapidly becoming global players (Chetty and Blankenburg Holm, 2000; Oviatt and McDougall, 1997). Understanding the processes that underpin success is of paramount importance to academics and practitioners alike (Beamish et al., 1999; Cavusgil and Zou, 1994).

With respect to the second trend, e-commerce has redefined the nature of global business (Karavdic and Gregory, 2005; Quelch and Klein, 1996). By facilitating a direct link between the firm and customer, e-commerce provides a low cost gateway to global markets (Etemad and Wright, 1999). For

many SMEs, online activity accelerates the growth dynamics by increasing global sales (Morgan-Thomas and Bridgewater, 2004; Raymond et al., 2005); reduces global operational costs (Lohrke et al., 2006; Matlay and Westhead, 2005); or enhances the rate and geographical spread of foreign market entries (Kim, 2003).

The third trend relates to the growth in the service economy. Over 75% of the United Kingdom and United States workforce can be classified as belonging to the **service sector**, with at least 50% of Japanese, German and Russian workers being similarly classified (OECD, 2006). In today's global market place, performance and long-term survival are more likely to be derived from the **service exchange** than transactions involving products (Vargo and Lusch, 2006) and there is an increasing emphasis on service provision even within manufacturing contexts (Bell, 1999; Tidd and Hull, 2003; Karmarkar, 2004). The focus is on **co-creation of value**, with ever-greater attention to the servicing of the exchange rather than

DOI: 10.4018/978-1-61520-611-7.ch017

the transaction (Prahalad and Krishnan, 2008; Paton and McLaughlin, 2008; Vargo et al, 2008). **Service orientation** gains new relevance in the context of e-commerce and evidence suggests that e-commerce plays a key role in enhancing service orientation both in the domestic (Balasubramanian et al. 2003; Jayachandran et al., 2005) and global (Houghton and Winklhofer, 2004) contexts.

Against this background, the article examines the contribution of e-commerce to SME globalization. The focus here is explicitly on existing firms and their online activities. The key construct, **global online performance**, measures the extent to which **internationalization** objectives are achieved. Building on globalization and e-commerce literature (Cavusgil and Zou, 1994; Morgan et al., 2004), and framing the issue as one of capability development (Knudsen and Madsen, 2002; Zahra and George; 2002), the article examines **online capabilities**, **external knowledge sources** and **intentional efforts** as they relate to global online performance.

## BACKGROUND

The most salient property of e-commerce is its international reach: multiple foreign markets may be entered (Kim, 2003; Quelch and Klein, 1996), without investing in overseas assets (Yamin and Sinkovics, 2006). Evidence suggests that online activity tends to be more dramatic and dynamic than traditional approaches (Kim, 2003) and is regarded as a means of achieving international growth (Gabrielsson et al., 2004).

The international growth of SMEs has received much attention. Empirical studies on **born-globals** emphasize both the increasing speed and geographic diversity of internationalization (Oviatt and McDougall, 1997) and the rapidity at which international market entry occurs, particularly amongst high technology and knowledge intensive firms (McNaughton, 2000). In these studies globalization is seen as a dynamic process, individual

to each firm, and characterized by flexible and dynamic business approaches (Morgan-Thomas and Jones, 2009).

There has been limited empirical research on the integration of e-commerce with export marketing. For example, researchers have considered its mediating role in the context of international strategy (Gregory et al., 2007; Moon and Jain, 2007; Prasad et al., 2001), or the benefits of e-commerce for globalization (Raymond et al., 2005). Although these studies provide insights into the factors relevant to global online performance, they do not explicitly measure the extent to which globalization objectives are met online. A prerequisite of performance related research is measurement, as it would highlight differences between adopters, thus providing practitioner and research guidance.

Performance measurement of online activities has been addressed domestically, specifically in the IT management literature. The **value stream** of IT research (Ray et al., 2005) attempts to explain differences in performance of IT applications including online applications (Barua et al., 2004). The approach advocated here relies on direct assessment of the impact of online activities (Barua et al., 2004). The basic premise of this approach is that the primary contribution of online activities is best captured in the specific context of the business processes, which the technology enables (Souitaris and Cohen; 2003).

To examine the effects of online activities on global performance, the authors propose an empirical model, arguing that the investigation of performance can be framed as a problem of **capability development** (Knudsen and Madsen, 2002; Morgan et al., 2003; Ray et al., 2005). Capabilities emerge as a result of deliberate actions to create new forms of competitive advantage; they emerge from learning-by-doing and as a result of deliberate investment (Ray et al. 2005). Applying **Zahra and George's** model (2002) to the online context the authors argue that the global online performance is dependent on two sets of

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