


Chapter 6

Entering a Brave New World: Market Entry Assessments Into a Born Global Industry

Arild Aspelund

 <https://orcid.org/0000-0001-7964-0040>

Norwegian University of Science and Technology, Norway

Øyvind Bjørgum

Norwegian University of Science and Technology, Norway

Erik Andreas Saether

 <https://orcid.org/0000-0001-7352-0080>

Norwegian University of Science and Technology, Norway

ABSTRACT

This chapter investigates key motivations, drivers, and barriers for firms that are seeking to enter new international supply chains for renewable energy. Offshore wind (OW) is a born global industry with a fully internationalized supply chain from inception. The study adopts a mixed-methods approach by first doing 11 case studies of Norwegian industrial companies entering OW and secondly by conducting an online survey targeting the whole population of Norwegian firms in OW. The study finds that new green industries' distinctive features, managerial motivation, and industry relatedness shape a firm's entry strategies and behavior. Risk and uncertainty, complexity and turbulence, high transaction costs and disadvantages of scale postpone industry entry from established actors. The study finds that environmental motivation tops the list of motivations for managers to enter, but financial motivation is the strongest of perceived market performance. Finally, the study finds that market relatedness is more critical than technological relatedness.

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INTRODUCTION

Global energy value chains are in transition. To stay on the course outlined by the Paris Agreement and to limit the global temperature increase to 1.5°C, we need a rapid and extensive transition towards renewable energy (IPCC, 2019). In many parts of the world, renewable energy is currently outcompeting and outgrowing hydrocarbons as the main source of energy. New global value chains based on renewable energy are emerging, and entry into those multi-billion-dollar global supply chains represents significant opportunities for firms that seek new business and are willing to take on the associated risk.

From a scholarly point of view, these new renewable industries are interesting for several reasons. One is related to the fact that they are based on ‘green’ innovations that arguably outcompete old solutions on costs, and simultaneously contribute to a better society and to a healthier planet. To outcompete and replace old solutions with new and greener solutions is a game we need to master well in the future, if we are to reach the goals set by the Paris Agreement. Another reason to study emerging renewable energy industries is that they are fully internationalized from inception (Bjørngum, Moen, & Madsen, 2013; Løvvdal & Aspelund, 2012). This means that any actor - new or old, domestic or foreign – need to fend off international competition for any contract or license in order to succeed in the industry. In addition to fierce international competition, actors also need to deal with typical liabilities of immature markets, such as high levels of risk and uncertainty and market inefficiencies due to high transaction costs.

This chapter investigates key motivations, drivers, and barriers for firms that are seeking to enter international supply chains for renewable energy. More specifically, it investigates how top managers perceive these business opportunities in terms of underlying motivation for industry entry, the role of technological and market relatedness, and relevant emerging market characteristics that shape strategic international market entry behavior into energy supply chains in transition.

The offshore wind (OW) industry is an appropriate case industry to investigate these factors. It is emerging as one of the most competitive energy sources in Europe – outcompeting energy production based on hydrocarbon fuels such as coal, oil and gas. It is an industry that is fully internationalized from inception – a Born Global industry – where all contracts and licenses are subject to international competition. It is also an emerging industry, which is now only reaching its growth phase and where it is possible to investigate how entering firms have dealt with the immature characteristics of the market.

Since one of the main aspects of the study is to look at international entry, it made sense to study Norwegian firms’ entry into OW. There is no domestic market for OW in Norway, so all entries from Norwegian companies into OW are inherently international. Furthermore, the Norwegian OW industry is especially interesting to investigate since Norway’s economy is largely based on the oil & gas industry, meaning that OW firms must compete with oil & gas companies for financing and support.

This chapter provides theoretical insight into emerging green and renewable global industries by focusing on the Norwegian OW industry. The chapter then goes on to present the methods of the study. Finally, results are presented and discussed in relation to theoretical and practical implications.

THEORETICAL BACKGROUND

As mentioned previously, if we are to fulfill the goals of the Paris Agreement and keep global warming under 1.5 degrees Celsius, many of the current energy- and resource-demanding supply chains need to be replaced with more sustainable solutions (IPCC, 2019). One of the major culprits for CO² emissions

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