The Internet in the Performance of Small Exporting Firms
A Developed to Developing Country Market Context

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Abstract

This paper examines the role of the Internet in the performance of small firms exporting in the context of a developed to developing country market. In particular, it focuses to assess the impact of the Internet on exporting in order to explain current strategies in performance of these firms. To achieve the purpose, this paper provides a theoretical build up on the basis of the evidence in the literature that demonstrates how the Internet is used in small exporting firms, the effect of its use on exporter-importer relationship and the performance of the business. The paper questions whether the Internet helps or hinders small firms exporting in the said context which leads to present a research proposition.

Keywords: The Internet, Small Firms, Exporter-Importer Relationship
1. Introduction
The literature on the use of the Internet for exporting has grown significantly over the last one and a half decades. The Internet is considered as an international communication medium which facilitates the firms to access vast and vital market information for successful implementation of their marketing strategies. This technology assists small firms\(^1\) to communicate with their interested parties in the same way as large companies. This is vital for small firms which are traditionally considered resource constrained and lack international competitiveness (Autio, Sapienza and Almedia, 2000; Benett, 1977; Evans and Wurster, 1999; Nieto and Fernandez, 2006).

For example, the Internet is used as a source of knowledge for the international activities of small firms and that knowledge-base could be utilised to furnish a source of competitive advantage to them. The resource based view (RBV) of the firm gained prominence in explaining knowledge as the key resource of the firm since the success of the strategy of the firm depends on how the firm makes use of its knowledge assets (Grant 1996; Maier, 2004). This literature highlights the fact that the use of the Internet assists firms to export successfully to any part of the world, irrespective of the level of economic development, culture and business practices of the export market (Bennett 1998). However, the review led to suggest that the available literature relating to the use of the Internet and the performance of small exporting firms has mainly considered firms exporting in the context of a developed to developed markets. The corresponding literature in the context of a developed to developing markets remains scarce and the theoretical knowledge in this area are yet to be filled. Thus the current theories are ill-equipped to explain a firm’s performance related factors (Gregory, Karavdic and Zou, 2007).

\(^1\)The Australian Bureau of Statistics (ABS) uses the number of employees as a guide to classify firms. In this classification the firms that employ fewer than 20 people are defined as small firms (ABS, 2002).
Despite the above contentions, it is questionable whether anticipated benefits could be derived through full implementation of the Internet in small firms exporting from a developed to developing country market since it would be critical to maintain exporter-importer relationships in such virtual situations. Drawing from the literature on the use of the Internet in small exporting firms and the factors considered important for operating in foreign markets (Brewer 2007; Cherian, 2006; Eid, Elbeltagi and Zairi, 2006; Leonidou, Katsikeas and Hadjimarcou, 2002; Sousa and Bradley, 2006), this paper questions whether the Internet helps or hinders the firms exporting in the context under consideration.

In the following section, the paper firstly explores the introduction on the Internet and how the technology is used in exporting. Secondly, the applications of the resource based view and implementation of the websites as a marketing tool of the firm are discussed. Thirdly, paradigms shifts from traditional to contemporary which occur as a result of the use of the Internet in business are discussed. Fourthly, challenges for successful implementation of business to business (B2B) in exporting are discussed while considering the vital role, the culture and business practices of the importers play in exporting. Finally, the knowledge gaps in the literature are shown. In conclusion, a research proposition is suggested for future investigations as the implications for the existing literature and theory.

2. The Internet in Export Business

2.1. The Internet

The Internet is considered as the most widespread form of network of networks or the most important application of connectivity technologies and the one with the supreme business potential (Hamill, 1997; Wynarczyk, 2005). Tim Berners-Lee conceived the idea of the World Wide Web (WWW) in 1989 that began to resemble the Internet known today. In 1992, trade was permitted on the Internet by the US Congress and electronic market places were created where buyers and suppliers met to exchange information about prices, products and service offerings, and to negotiate business transactions.
Amazon.com and e-Bay were both formed in 1995 and created one of the most remarkable booms in trade history (Philipson, 2005).

Since then, the Internet has penetrated into business life and has provided new possibilities for the effective conduct of commercial functions. Firms are now able to exchange information with their customers, suppliers and business partners without the requirement of setting up and maintaining expensive networks. The ability to converge between computers that allow them to exchange information globally has been considered as the most critical innovation in this technology. Hence this technology cannot be considered as a separate business function anymore as the information and communication capabilities offered by the Internet is vital to business success (Frasheri, 2003; Li, 2007; Sharma, 2005).

2.2. Business tool for small firms
The Internet assists firms to communicate cost free, regardless of the time and distance. It facilitates small firms to communicate internationally in the same way as for large companies. This facilitation places small firms, which are traditionally considered resource constrained and lacking international competitiveness, in an advantageous position. The reason is that they are able to access vital market information for successful implementation of their marketing strategies (Autio et al., 2000; Bennett, 1997; Evans and Wurster, 1999; Nieto and Fernandez, 2006; Poon and Swatman, 1997).

Research evidence shows that the Internet is increasingly used among small firms for strengthening their competitiveness while taking the advantage of its cost effective marketing features and its communication ability to reach international markets. As a result small firms that embrace this technology, carry the potential to gain leverage in competing in international markets (Bennett, 1997; Hornby, Goulding and Poon, 2002). For example, research studies undertaken in Australia show that the Internet is a low-cost option for small firms to present themselves and their products in as an eye-catching and professional manner as those of large firms (Hornby et al., 2002; Singh 2003). Therefore
Kehal and Singh (2005) argue that internet technology has become an effective tool in conducting successful business particularly in developed country markets.

Even before the Internet was permitted in commercial activities, Gemunden (1991) suggested that accessing export-oriented market information was critically important to the success of export performance of firms. This was supported by Toften and Olsen (2004) who explain that receiving quality market information can positively assist firms in performing their exporting businesses. As Craig and Douglas (2000) argue such information is particularly important and assists small firms to avoid costly mistakes in exporting as they have to deal with complex and unfamiliar foreign business environments. The firms are also benefited from the Internet as it significantly helps in developing communications with new and current importers, other important elements such as suppliers and agents in the value chain (Bennett, 1997; Hamill and Gregory, 1997).

In addition, the Internet is also used for conducting market research since it enables firms to make use of a number of sources such as overseas customers, distributors, suppliers, and other related firms. Search engines and online surveys are used in getting this information from these sources which are considered quick to access and cost effective (Nguyen and Barrett, 2006). As Moini and Tesar (2005) suggest that the benefits offered by the Internet to small firms include image improvement, cost cutbacks, increased sales and access to market research, eventually making their entry into international markets quick and cost effective.

As suggested the use of the Internet in exporting enables firms to leapfrog the traditional stages of internationalisation as it carries the potential to remove all export impediments such as psychic distance, practical export problems, resource constraints, trade restrictions and market risks. This is enormously beneficial to the small firms as it permits instantaneous market entry (Bennett, 1997; 1998).
The Internet is also a very important source of knowledge for the international activities of small firms as this knowledge-base could furnish a source of competitive advantage to them. Nevertheless, the owner/managers of the firms play a crucial role in determining the extent of the knowledge that supports the international activities of the firm (Bell, McNaughton and Young 2001; Bell, McNaughton, Young and Crick, 2003; Loane, 2006). Knowledge is considered as the key resource in the firm since researchers argue that the success of the strategy of the firm depends on how the firm makes use of its knowledge assets (Maier, 2004). Spender (1996) and Grant (1996) suggested knowledge as the key resource of the firm using the theoretical explanations of the resource based view (RBV) of the firm.

2.3. The Internet for knowledge management

The term resource-based view (RBV) was originally used by Wernerfelt (1984) who built on the ideas presented in Penrose’s theory of the growth of the firm which looked at firms as a broader set of resources (Penrose, 1959). RBV describes that the competitive advantage of a firm is primarily based in the application of its valuable resources (Wernerfelt, 1984). It explains that the main determinants of a firm’s performance and strategy are the internal assets or resources of the firm. Thus the competitive advantage of a firm is internally generated from assets that are rare, sustainable and imperfectly imitable (Barney, 1991; Collis, 1991).

This theory has been used in a number of circumstances, including, to test the performance implications of the internal assets of a firm classified as tangible assets, intangible assets and capabilities (Barney, 2001). As argued by Clulow, Gerstman and Barry (2003) intangible assets are more complex and difficult to define and value than tangible assets. Therefore such complex and specific resources provide barriers to duplication. Intangible assets such as client trust and reputation are difficult to imitate since they result from “accumulated firm-specific activities” (Fahy 2000, p. 98). Capabilities often display the features of “causal ambiguity”, which means difficulty in identifying the resources that are causing the outcomes. Furthermore, “tacitness” occurs
in situations where key resources cannot be clearly identified thereby creating inimitability (Clulow et al., 2003, p. 223).

Literature shows that assets of the firm have also been classified in various other ways, including physical, intangible and financial resources (Chatterje and Wernerfelt, 1991), marketing skills and management capabilities (Clulow, 2005; Ghoshal and Bartlett, 1990), and organisational, social and human capital (Wright, Dunford and Snell, 2001). The combined effect of these assets leads to the uniqueness of any firm (Fahy, 2000) since such synergic effects would make improvements in competitive positions of the firm compared to when the assets operate separately (Barney, 1997).

In the current electronic business environment, knowledge creation and innovation can make physical assets less important in the value creation activities of firms. Thus it is difficult for firms to gain competitive advantage through possession of physical assets as such resources can easily be copied by competitors (Dunning and Wymbs, 2001; Cartwright and Oliver 2000). Taking the advantage of RBV, the ability of the firm to manage knowledge is proposed as the key source of firm-specific asset. Madhok and Phene (2001) argue that this ability is tacit, causally ambiguous and difficult to copy as it is specific to the firm’s activities. Export marketing knowledge and experience, market information, business and social networks have also been recognised under the RBV of the firm as important elements that create synergies which enhance the advantages of the firm compared to competitors (Madhok and Osegowitsch, 2000; Madhok and Phene, 2001; Rutashobya and Jaensson, 2004).

The contributions of Spender (1996) and Grant (1996) were classified under the label knowledge-based view of the firm where knowledge was recognised as an asset which directs firms to achieve competitive advantage. The explanation was that these knowledge assets enable firms to successfully face changing environment. In this knowledge creating exercise, the competitive advantage of a firm depends on how successfully it could apply such knowledge assets with its existing capabilities for building new capabilities that would suit the market. Thus it was suggested that
competitive advantage can be created in firms through the use of new knowledge assets with high dependability of the Internet (Davenport and Prusak, 1998; Kanter, 1999; Martin and Matlay, 2003; Maier, 2004; Wickramasinghe, 2003; Zack, 1999).

Literature provides evidence that the Internet, websites of firms and even a relatively simple and common form of Internet technology such as use of e-mail, could play a major role in this exercise in creation of market knowledge in firms (Martin and Matlay, 2003; Nieto and Fernandez, 2006; Wickramasinghe and Lichtenstein, 2006).

2.4. Implementation of websites
Moini and Tesar (2005) suggest that websites are an effective marketing tool for small and medium sized firms in the current competitive business environment. Moini and Tesar (2005), based on a survey of small and medium sized manufacturing firms in the US, argue that with the advantages of the Internet, small and medium sized firms have the ability to overcome many of their common disadvantages such as small size and distance to international markets. In particular possessing web sites have become a requirement to be competitive for these firms as many of them undertake their business in dual systems. According to this system firms conduct the businesses in the conventional way using their sales force for distribution and promotion of the products while employing websites on the Internet for marketing the same products globally.

Based on a survey of exporting firms in the UK, Morgan-Thomas and Bridgewater (2004) also suggest the existence of such virtual export channels with the use of creative web sites which interface with existing channels for exporting. The outcome of the survey suggests that exporting firms are advancing from a simple use of the Internet, such as communication and information-based business applications, towards much more advanced transaction-based models.

Bennett (1997) argues with the outcome of a UK based survey of exporters that the impediments to exporting were reduced to a great extent with the support of the Internet
and the availability of websites of the exporting firms. The explanation of this argument is that since websites provide information on the firms and their products to the world, the impediments may not be as applicable to importers who were equipped with the Internet for their importing activities. The psychic distance between the country of export and the country of import has been identified as one of the major impediments to exporting as Dichtl, Koeglmayr and Mueller (1990) argued that the effect of psychic distance affects the level of export performance of firms.

Bennett (1998) undertook a survey in Germany and the UK respectively, who possessed websites and exported to the Far East and Japan. Analysis of this research study revealed that psychic distance from export markets was not important to the export performance of German firms as they showed better management of their websites than the exporting firms in the UK. This led Bennett (1998) to argue that the Internet, particularly the employment of websites for exporting, does remove or significantly reduce the impediments created by psychic distance. The explanation is that the exporters are able to communicate using web sites with all markets in the world simultaneously without giving any consideration to economic and cultural differences of the foreign markets.

In addition, small exporting firms also have much to gain from the use of the Internet and e-commerce with its ability to support e-value creation. Value creation has long been stressed in the business literature as the main objective of companies (Haksever, Chaganti and Cook, 2004; Evans and Berman, 2001; Sharma, Krishnan and Grewal, 2001; Kothandaraman and Wilson, 2001).

3. E-Value Creation and Paradigm Shift

Undertaking business on the Internet is termed in many ways such as, e-commerce, e-business, Internet commerce, digital business and online trade. Rayport and Jaworski (2002, p. 3) define e-commerce as “technology-mediated exchanges between individuals or organisations as well as the electronically based intra or interorganisational activities that facilitate such exchanges”
The real impact of e-commerce is its ability to reduce overheads, reduce the cost of interacting with customers and suppliers or transaction costs, offer more efficient pricing for consumers and facilitate easy information access through its global reach. As a result, businesses are able to increase their efficiency and strengthen business competitiveness (Mehta and Shah, 2001; Sharma and Gupta 2003). Thus the use of the Internet and e-commerce offers opportunities for firms to conduct their business efficiently through new business models or e-commerce models. These models take the marketing aspects of the firm in order to explain the logic of a business system adopted in creating value in the business processes. These models are not only useful for owner/managers to understand their business but also to make important business decisions (Hamel, 2000; Linder and Cantrell, 2000; Osterwalder and Pigneur 2004; Rayport and Jaworski, 2001; Timmers, 1999).

The following table illustrates how the traditional business paradigm is shifting towards a new direction as a result of conducting business using the Internet and e-commerce.

<table>
<thead>
<tr>
<th>Traditional Business Paradigm</th>
<th>Contemporary Business Paradigm</th>
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<tr>
<td>Focus on mass marketing</td>
<td>Targeting one to one</td>
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<tr>
<td>Focus on mass production</td>
<td>Focus on mass customisations</td>
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<tr>
<td>Supply-Side thinking for business</td>
<td>Demand-Side thinking for business</td>
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<tr>
<td>Customer as target</td>
<td>Customer as partner</td>
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<tr>
<td>Focus on generalisation</td>
<td>Focus on specialisation and value orientation</td>
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Source: Sharma and Gupta (2001, p.22)

Table 1: Paradigm shift from traditional to contemporary

Small exporting firms also have much to gain from the use of the Internet and e-commerce with their ability to support e-value creation (Boyd and Spekman, 2004; Haksever et al., 2004; Singh, 2003). E-business business models enable small firms to generate revenue by integrating their businesses with suppliers, importers and others in selling their products online. These models are broadly classified as business-to-
consumer (B2C), business-to-business (B2B), and consumer-to-consumer (C2C) models. Even though electronic marketplaces involve all three forms of these business models, many small firms adopt B2B e-commerce model as they are generally suppliers of products to large firms (Sharma and Gupta 2003; Singh 2003). Nevertheless, there is need for rich literature for a clear understanding on how firms manage internet technology, what issues arise during implementation and stages of growth of B2B e-commerce (Chan and Swatman, 2004).

4. Challenges for Successful B2B Implementation

Based on the research undertaken in the UK and Germany, Bennett (1998) argues that use of the Internet, assists firms exporting to any part of the world irrespective of the remoteness of the country and it allays the exporters’ concerns about the culture and business practices of the importers. In contrast, Eid, Elbeltagi and Zairi (2006) point-out that there are still many pitfalls associated with successful development of B2B in exporting even though it looks like the barriers of language, culture and national borders are diminishing in the current world of business.

Eid et al.’s (2006) research study, which involved companies in the UK, examined the critical success factors in implementing B2B in exporting. The outcome of this research suggested the following are critically important for consideration for firms which use the Internet for B2B in their exporting business.

- Language and communication
- Culture

Eid et al. (2006) particularly highlight the great deal of work exporting firms have to undertake in order to understand the culture in a foreign market. The findings of the study of Simeon (2001) are also consistent with the study of Eid et al. (2006) as it also highlights the influence of the social and cultural environment in which the firms operate for the successful implementation of the Internet and e-commerce in exporting business. Simeon (2001) examined the Internet strategies of US and Japanese
software firms in different environments and compared strategies of websites within sectors and across borders. The results indicated that the US firms formed more dynamic and innovative websites by providing market, cultural and company differences in their websites. Taking lessons from Internet related projects undertaken in the US, Duggan and Deveney (2000) suggest that using basic tools that suit successful Internet related business should be similar to public relations. The point raised here is choosing the audience while keeping in mind that the web is global. Although it does not mean to possess the websites in other languages, it is important for exporting firms to be prepared to answer queries coming from around the world (Duggan and Deveney, 2000).

Sousa and Bradley (2006) conducted a survey in Portugal with firms exporting to 35 different countries as their main export destination. Based on the responses received from 301 firms, Sousa and Bradley (2006) argue that cultural distance shows influence over the psychic distance of individuals. This research suggests that it is more difficult for managers to understand and learn about the export markets when the cultural distance between the home country and the export market is greater. This greater cultural distance can lead to misunderstandings. In the same manner, smaller cultural distance between countries not only facilitates the firms to build economic relationships but also provides intensive cultural and social interactions. Thus greater interaction between exporters and importers lead to a reduction in psychic distance. Therefore Sousa and Bradley (2006) argue, psychic distance is mainly determined by cultural distance and the values of the managers of exporting firms.

For example, Brewer (2007) points to the managers’ familiarity with foreign markets as a key factor in the understanding of psychic distance. It is evident that the level of foreign market knowledge of managers who lived in those countries for extended periods can provide them with pre-existing familiarity which helps bring the export markets closer to exporting firms. On the other hand, managers try to avoid foreign markets which they feel are difficult to understand. Brewer’s (2007) study shows that the largest number of Australian firms export to the markets that have the closest psychic distance to Australia. For example, the study indicates in the year 2002-2003 there were 13726 exporters to
New Zealand which was ranked number one whereas there were 1506 and 160 exporters to India and Kenya respectively and these were ranked 19 and 25.

Another research which involved a survey of 146 small and medium sized firms in Austria, the Czech Republic and Slovenia showed that firms need to receive cross-border cooperation with overseas partners for access to their resources in order to overcome the insurmountable financial difficulties that they have to confront in the process of internationalisation. This study was conducted with the purpose of investigating whether trust-based cooperation is a logical explanation to the internationalisation process of these firms. The outcome of the research showed that development of trust-based cooperation relationships with foreign firms work positively for entering into markets in these new Central and East European Countries (CEEC). This was explained by cooperation theory which linked Austria’s geographical, historical and cultural closeness to CEEC countries. Cooperation theory explained the value of development and maintenance of trust-based cooperative relationships with the firms dealing in foreign markets that lead to the success of firms in exporting (Fink and Kraus, 2007; Gemser, Brand and Sorge, 2004).

The important role of communication in relationship development in international business and related difficulties which arise due to physical distance between exporters and importers are discussed in literature. It suggests that distance is a main difficulty for having face-to-face contact between these parties. In addition to misunderstandings that may occur due to the lack of competence in language use, cultural differences can also create further miscommunications in interpreting the spoken and unspoken language. Even though communication is essential in building trust and commitment, cultural distance can cause difficulties in communication between exporters and importers (Griffith and Harvey, 2001; Nes, Solberg and Silkoset, 2007).

Nes et al. (2007) also suggest the connections between cultural distance, communication, trust, commitment and export performance. This study states that the value of Aaby and Slater’s (1989) findings which highlighted the commitment of the top management of
exporting firms to be strongly related to export success. Trust and communication have been identified as important factors to the development of this commitment. Thus Nes et al. (2007) argue that the exporter’s understanding of cultural differences creating communication difficulties, which lead to negative implications on trust towards the importer, is vital for the development of the commitment.

Hofstede (2001) provides a detailed explanation on the value of understanding cultural differences in international business even in this Internet era. As Hofstede (2001) argues, even though the Internet facilitates easy access to information, it cannot change the pre-existing value system of the owner/managers of firms since these values are linked to their culture. Therefore culture plays a key role in the way information is gathered, used and analysed. Even perceptions of what is right and wrong tend to be determined culturally. For example, although maintaining eye contact is an indication of interest in most Western cultures, it is disrespectful and aggressive in many Asian cultures (Schneider and Barsoux, 1997). Thus cultural differences can not simply be ignored in exporting as there are significant differences in business practices in different countries. Corbitt and Thanasankit (2001) also stress the value of understanding the effects of these differences particularly in conducting international business with developing country markets in Asia. In reviewing the literature, Martinsons and So (2005) further point to the need of undertaking research from different cultural perspectives in order to develop a wider base of literature.

Barrett and Rainnie (2005) observed the difficulty faced by the owners of small firms to form a culture which can integrate the adoption of the Internet in their firms and promote new forms of relationships. Other literature also shows that the cultural impact on the adoption of the Internet and e-commerce appears to be significant even though the level and type of significance has not been adequately explored (Swee and Siew, 2000; Yeung and Tung, 1996). The UN (2005) also recognises the importance of culture in international business and highlights that small firms in the international business need to understand the culturally diverse population since such awareness of the differences can help small firms to adopt appropriate e-commerce dealings.
For example, as Lee and Dawes (2005) explain, social connections, personal ties or bonds which are based implicitly on mutual interests and benefits as termed ‘guanxi’ in China are considered an essential component in gaining access to doing business in that market. Personal relationships cultivate personal trust, essentially through the affect factor of ‘guanxi’. As Lee and Dawes (2005) suggest that it may be difficult to develop this personal relationship in business situations in which only material exchange takes place.

In explaining the importance of maintaining a healthy relationship in exporting business, Leonidou et al., (2002, p. 103) state that; “exchange processes between selling and buying companies do not exist in a vacuum but within an emotional context or atmosphere”. The research evidence by Leonidou et al.’s (2002) suggests that positive feelings generated through the exporter’s relationship with the importers in one country can act as a motivating factor in starting even new relationships with importers in other countries. Thus Leonidou et al. (2002) argue that this finding provides an explanation to some extent for the expansion strategies of exporting firms which also contribute to the export performance.

Paul and McDaniel (2004) examined the relationship between interpersonal-trust with virtual collaborative relationship performance. This US based study highlighted that it was a challenge for businesses to manage trust in virtual business situations as there was a question about whether face-to-face contact was replaceable with Internet technology. Thus, Paul and McDaniel (2004, p. 185) argue “the replacement of technology for collocation undermines the emotional relationship aspects of trust and increases the immediacy of threats from failing to meet commitments”. Barnes and Cumby (2002) also state the value of recognising the importance of these emotions in business interactions as it contributes to building of solid business relationships. Most importantly such relationships are not easily replicated by the competitors.

Nevertheless, on realisation of the enormous benefits of the Internet and e-commerce in exporting, many small firms in developed country markets are swiftly moving to embrace the Internet and e-commerce as a less costly business model. However, it is still questionable whether there is the same potential for e-commerce in developing country
markets (Cherian, 2006; Wilkinson, 2006). Statistical evidence indicates that despite its growth from 1990s, less than 20% of the world population has access to the Internet and the majority of these users are in developed country markets (ClickZ, 2005). As Chaffey, Ellis-Chadwick, Johnston and Mayer (2006) explain, there are variations also across different markets in terms of levels of access and usage. Based on a UK government survey, Chaffey et al. (2006) suggest that these variations are partly due to the following social barriers that could hinder successful e-commerce implementation.

- no perceived benefits
- lack of trust
- security problems
- lack of skills
- costs

A number of literature highlights that e-commerce among businesses in the world are also challenged by the different legal support systems available for virtual transactions and certification requirements among different countries (Gasmelseid, 2007; Raven, Huang and Kim, 2007).

Cherian (2005; 2006) argues that the acceptance level of the Internet and e-commerce in developing country markets is still slow due to a number of impediments, although it is increasingly accepted among businesses in developed country markets. These impediments have been suggested as payment systems, delivery of goods and services, telecommunications access, trust and culture. Cherian (2005; 2006) developed this argument based on his research work and the report on existing e-commerce projects in countries such as the Philippines, Egypt, Lebanon, Morocco, Tunisia, Kenya, Senegal and Mexico, in addition to his discussions and inputs from the World Bank concerning the identification of difficulties to the successful implementation of e-commerce in developing country markets.

Thus, Cherian (2006) proposes that small firms conducting businesses globally need to understand diversity and differences of markets for successful implementation of e-commerce dealings. Cherian (2006) suggests the impact of the use of this technology on
the social relationships during the business process should be taken into consideration. As there are significant differences of business dealings and business norms in different markets of the world which demand eye contact, body language, face-to-face communication that has been used in developing trust between the business owners and their counterparts. Thus the replacement of these human factors with Internet technology is questionable, due to the potential obstruction of the emotional exchanges between the parties involved in the business process. Given the importance of building and maintaining effective exporter-importer relationships in virtual situations, it is therefore arguable whether benefits could be derived for small exporting firms through full implementation of the Internet and e-commerce.

5. The Internet and Export-Performance Dyad

It is advantageous for small exporting firms with their limited resources to adopt the Internet and e-commerce for value creation and international competitiveness. However as discussed in section four of this paper, there are a number of suggested impediments for these firms in developed country markets to consider, in successfully implementing Internet technology when dealing with importing firms in developing country markets, since these impediments are different to what small firms confront when exporting to another developed country market. Therefore the different levels of Internet adoption by small exporting firms in a developed country market and the importers in a developing country market are likely to have distinct implications for the performance of small exporting firms.

Despite the rapid growth of the Internet in business activities over more than a decade and its recognition in international business activities, there is other research evidence also to show that the research on the Internet and exporting is still in its infancy stage (Mostafa, Wheeler and Jones, 2005). Although there is some evidence of a relationship between the use of the Internet and the performance of small firms in a domestic context, there has been little attempt to learn the potential role it plays in exporting. Thus many authors highlighted the strong need for empirical investigations as to what extent the Internet integrates into firm’s export strategies and how this relates to export performance
This is further confirmed by the recent literature review of Gregory et al., (2007) which highlighted that researchers are not in a sound position to understand how the Internet and e-commerce influence the export performance of firms as the empirical evidence in this respect is still in an emerging stage. Zou, Fang and Zhao (2003) state that little research has been undertaken to understand the contribution of the Internet in exporting, especially in the developing country market context. This confirms the fact of the existence of this research gap which remains largely unexplored in spite of the fast development of the Internet (Loane, 2006).

Hence the need for new paradigms for firms which enter markets as well as for those managing existing markets in exporting is raised (Gregory et al., 2007; Karavdic and Gregory, 2005). It would be interesting to carry out such research with the aim of observing whether the Internet helps or hinders in the market context of a developed to developing country considering their rarity and the potential benefit to offer a new view of exporting. Thus the research proposition of “What impact does the use of the Internet have on the export performance of small firms?” is suggested for future research investigations in the said context.

6. Conclusions and Further Research

Literature highlights that many small firms in developed country markets are swiftly moving to embrace the Internet and e-commerce as a less costly business model. The review of the role of the Internet and e-commerce applications, led to a greater understanding of the benefits of this technology to small firms exporting in the context of a developed to developed country market since the majority of research on use of the Internet in small firm exporting has been centred within this context. Even though standardisation of e-commerce is one of the key issues for the exporting firms in the developed countries during their e-commerce implementation process, the literature review highlights that the use of Internet technology in small firms carries the potential to
gain leverage in competing in international markets and enables them to remove all geographical constraints in exporting.

However, the knowledge of the role of the Internet and e-commerce in small firms exporting in the context of a developed to developing country market is still in the early stages of development. Thus the review led to question whether benefits of Internet technology are still applicable to small firms exporting in this context, given the importance of maintaining the social relationships, since such relationships are suggested as critical to the export success. The important point raised here is that the major focus on Internet applications could divert exporters’ attention giving less importance to the human factors which may hamper the development and maintenance of healthy exporter-importer relationships since it would be critical for maintaining such relationships in virtual situations. It is therefore arguable whether anticipated benefits could be derived through full implementation of the Internet and e-commerce in these firms.

Consequently the question arises whether the Internet does help or hinder the exporting in the context under consideration. Thus the research need for use of Internet technology with the objective of observing any relationship to the firm’s performance in the context of a developed to developing country market is grounded and a research proposition framed.

The need for integration of the Internet into the existing theoretical explanations has been highlighted as one of the major future research expectations that would enrich export performance related literature on small firms. In order to pursue this international business research study, the requirement of choosing two countries arises.
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