When Internet Adoption Meets the Firm's Internationalization Process:

The Emergence of Internet-enabled Internationalization (IEI)

ABSTRACT

The paper presents Internet-enabled internationalization (IEI) as a unique phenomenon differing from traditional behavioral approaches to the firm's internationalization behavior, as well as from the International New Venture and Born Global approaches. A timely conceptualization of an IEI process is provided, viewing it as the child of two parent processes – the e-commerce adoption process and the internationalization process of the firm. Such conceptualization highlights eight unique IEI mode configurations and two possible sequences of IEI mode changes through time. IEI modes are conceptualized as three dimensional phenomenon shaped by firm choices concerning levels of website functionality, localization, and service strategy (FLS framework). IEI mode change sequences are conceptualized as two possible developmental paths firms may follow pending on their Internet dependency levels. Finally, these efforts culminate in a discussion acknowledging current conceptual limitations, possible contributions, and invitations to further research.

Keywords - Internet, Internationalization, International Marketing, e-Business, e-Commerce

INTRODUCTION

Online international business is on the rise. A recent International Marketing Research Group report predicted that worldwide online sales reached half a trillion USD in 2007, with cross-border sales growing sharply (Davey, 2007). Internet breaks new records by surpassing one billion users in 2005 , and expected to reach 2 billion users by 2011 (Computer Industry Almanac Inc, 2006). Therefore, firms increasingly launch more sophisticated websites to serve an ever larger pool of potential partners and clients roaming the Internet globally.

In recent years, the adoption of the Internet as a new channel for firms' international development has captured the imagination of various scholars. Relevant literature is growing but remains eclectic in nature. Some of the existing literature comprises early insights into the uniqueness of the IEI process (Arenius, et al., 2005, Barrutia & Echebarria, 2007, Berry & Brock, 2004, Borsheim & Solberg, 2004, Chrysostome & Rosson, 2004, Donovan & Rosson, 2001, Forsgren & Hagström, 2001, Kim, 2003, Loane, 2005, Loane & Bell, 2002, Petersen, et al., 2002, Prashantham & Young, 2004, Yamin & Sinkovics, 2006, Yi-Long & Chun-Liang, 2006), the influences of Internet on export marketing practices, competencies and strategies (Bennett, 1997, Eid & Trueman, 2004, Gregory, et al., 2007, Hamill, 1997, Hamill & Gregory, 1997, Karavdic & Gregory, 2005, Morgan-Thomas & Bridgewater, 2004, Poon & Jevons, 1997, Prasad, et al., 2001, Quelch & Klein, 1996, Rosson, 2004, Samiee, 1998a, Sheth & Sharma, 2005, Vila & Küster, 2004), the tensions between globalization versus localization in the context of online commercial activity (Chen, 2007, Grant & Bakhru, 2004, Guillén, 2002, Singh & Boughton, 2005, Singh, et al., 2004), and Internet-related transformations of channel relations (Andersen, 2005, Houghton & Winklhofer, 2004, Javalgi & Ramsey, 2001, Klein & Quelch, 1997).

This paper presents an attempt to integrate various insights emerging from research on firm internationalization, Internet adoption, digitization processes, and international e-marketing into a coherent framework of analysis. In this sense, it answers earlier invitations to research on the integration of e-business and export marketing strategies (Donovan & Rosson, 2001, Karavdic & Gregory, 2005, Morgan-Thomas, et al., 2008, Petersen, et al., 2002, Samiee, 1998a) while extending the understanding of the IEI phenomenon, and being the first to conceptualize its modes and the patterns along which firms may switch between them.

For this purpose, while paraphrasing Welch & Luostarinen's (1988) definition of firm internationalization as the increasing involvement in international markets, an IEI process is defined as *the increasing involvement of firms in international markets through the utilization of the Internet channel as a service platform for export markets*. Such process may either emerge in parallel to offline internationalization activities, or instead of them.

First, a case would be made for the uniqueness of the IEI phenomenon versus the predominant existing behavioral approaches to internationalization. Second, a conceptual framework would be suggested for capturing key dimensions shaping modes of online foreign market service, as defined by levels of website functionality, localization, and service strategy (The FLS framework). Third, two possible developmental paths are outlined, which serve as conceptualizations of mode sequences along which firms progress as they deepen their involvement in IEI activities. Finally, the key limitations as well as the potential contributions of the suggested conceptualizations will be discussed, followed by the extension of invitations for further research.

ON THE UNIQUENESS OF IEI

The eclectic literature hinting towards a new form of internationalization, which leverages the unique properties of Internet technology, has suggested that Internet challenges traditional conceptualizations of internationalization behavior with respect to three key process dimensions – speed, scope and sequence. Although each of these dimensions is debated in the literature, agreements on the direction it will take and an understanding of its magnitude are still lacking. This is both due to the timeliness of the phenomenon, where firms have limited experience in employing commercial applications of Internet technologies, and due to the ongoing development of Internet technologies themselves, which constantly extend the possibilities available for firms in this respect.

Alternative Scenarios

Klein and Quelch (1997) prophesize that the Internet will lead to a revolution in the dynamics of international commerce, and Hamill (1997) claimed it provides a fundamentally different environment for international marketing requiring a radically different strategic approach. Other authors, like Samiee (1998a), are more cautious, claiming that the Internet should be treated only as a component of the firm's export marketing plans rather than as a totally new phenomenon that will replace conventional business methods. This confusion is best summarized by Karavdic & Gregory (2005), who identified two conflicting schools of thought concerning the impact of e-commerce on the exporting process: one predicting little or no impact, based on the persistent key role of experience and commitment in internationalization efforts, while the other predicting speeding up export processes through an expansion of communication and distribution channels.

Furthermore, the little empirical evidence collected about the link between e-commerce adoption and internationalization also shows mixed results for the time being. Some authors find a positive link, as may be evident in Rask's (2002) findings showing that the more web experienced Danish SMEs are the greater the extent to which they are involved in exports. In the same spirit, Daniel et al. (2002) found that the higher the level of Internet adoption in UK SMEs the higher the levels of their exports. And Lal (2004) found that Indian firms performed better in international markets when adopting advanced e-business tools. However, more moderate findings emerge elsewhere. Morgan-Thomas and Paton's (2007) study showed that using transaction facilitating websites in UK-based SMEs does not necessarily mean international growth (although the digitization of customer service functions does). And Raymond et al.'s (2005) study showed that e-business assimilation did not influence the internationalization of Canadian manufacturing SMEs.

Hence, no conceptual or empirical agreement exists about IEI and its manifestations. This puzzlement is further reflected in Petersen et al.'s (2002) conceptual work, which suggested three alternative scenarios of the impact Internet may have on the firm's international expansion process; being either a moderate effect, inducing fast expansion, or as causing rash unsuccessful expansion. A *modest effect* is likely to emerge should firms fail to tap into local opportunities and properly adapt to local needs due to less reliance on physical presence in target markets, lacking necessary experiential knowledge for operating in foreign markets, and at the same time being required to increase investment in filtering and evaluation of information harnessed online from various markets. Such scenario is close to the ‘virtuality trap’ principal, suggested by Yamin & Sinkovics (2006), where firms underestimate local particularities due to excessive reliance on Internet for export related interactions. *Fast expansion* may emerge should firms be able to leverage knowledge harnessed online, while reducing communication and evaluation costs of foreign customers and partners, at the same time as the necessary sunk costs for establishing online operations remains low, and becomes marginal with every additional market served. Finally, a *rash and unsuccessful expansion* may occur should firms join a bandwagon effect, while misjudging opportunities and entering fiercely competitive markets and segments, which may eventually result in a concentration strategy and a withdrawal from certain markets.

Speed of Internationalization: Faster process?

A popular prediction suggests that by proper adoption of Internet solutions firms can internationalize faster, and, therefore, enter new markets more quickly than predicted by traditional approaches (Arenius, et al., 2005, Bennett, 1997, Chrysostome & Rosson, 2004, Donovan & Rosson, 2001, Forsgren & Hagström, 2001, Hamill, 1997, Hamill & Gregory, 1997, Loane & Bell, 2002, Luo, et al., 2005, Quelch & Klein, 1996). This is mostly explained by a reduction in related costs and intensive experience development via online interactive tools (Hamill, 1997, Petersen, et al., 2002, Prashantham & Young, 2004), a decrease in the effects of both liability of foreignness and resource scarcity (Arenius, et al., 2005), proper internalization and transformation of knowledge harnessed online (Nguyen & Barrett, 2006b), and an improvement in information flow, collection and transmission (Bennett, 1997, Luo, et al., 2005).

Others are more skeptical claiming that cost savings are hard to achieve and may be less significant than expected, and in some cases costs may even rise as a result of Internet use (Chrysostome & Rosson, 2004). A rise in costs may be associated with website creation, maintenance, updating, translation and local adjustments, as well as with the employment of specialized staff. Second, some authors (Grant & Bakhru, 2004, Guillén, 2002) challenge the assumption of a decreased effect of liability of foreignness, claiming that national and linguistic adaptations, as well as the availability of local resources and capabilities, are all still necessary to communicate effectively with foreign customers and partners, while supporting the development of trust in these relationships; all suggesting that a learning process must still be given time to take effect (Borsheim & Solberg, 2004).

Scope of Internationalization: Wider process?

When the pattern of expansion is concerned, Internet makes it at least possible for firms to instantaneously position themselves on many foreign markets (Petersen, et al., 2002), and exporters may not even need to decide which foreign markets to serve, as customers throughout the world are liable to place orders (Bennett, 1997). In this sense, the location of the firm or the customer becomes irrelevant, especially in the developed world (Loane & Bell, 2002), since by launching a website a firm may become global simply by virtue of being available to anyone using the Internet (Chrysostome & Rosson, 2004, Lituchy & Rail, 2000). This view is also strengthened by economic reasoning according to which once sunk costs have been invested, the costs of serving an additional geographic market are very modest (Forsgren & Hagström, 2001, Morgan-Thomas & Paton, 2007). Other explanations are found in the relative ease at which marketing intelligence may be found online, which supports strategic decision making towards activities in foreign markets (Hamill, 1997, Nguyen & Barrett, 2006a, 2006b).

However, some opposition to this approach has also been voiced. Donovan & Rosson (2001) suggest that location and country-of-origin effects persist in Internet-based commerce, and that while Internet may offer global reach, commerce is still conducted locally. Building local capabilities is an arduous process that is hard to achieve quickly in several countries at once (Guillén, 2002), as local and national influences greatly complicate the simple picture of globally standardized Internet transactions, requiring investment in multi-lingual presentation of content, as well as accommodating technical and customer services in these languages (Grant & Bakhru, 2004).

Sequence of Internationalization: Ignorant process?

The slow experiential learning processes, predicted to accompany international expansion by traditional approaches, is assumed to be significantly shortened by mass market servicing and easier access to critical competitive information. Here, literature suggests two main ways for acquiring market information and experiential knowledge – either through increased accessibility to market intelligence and the facilitation of intensive cross-border interactions via the Internet, which is most suitable for resource limited firms (Hamill, 1997, Loane, 2005, Nguyen & Barrett, 2006a, 2006b, Petersen, et al., 2002, Prasad, et al., 2001, Servais, et al., 2007); or through incorporation of experiential knowledge via acquisitions of foreign firms that are already active online (Forsgren & Hagström, 2001, Kim, 2003), which might be a more suitable for resource-rich firms.

Still, while various authors agree that helpful explicit knowledge may be gained online, they also claim that it will not replace relevant tacit knowledge that may only be acquired through lengthy time consuming on-site experiences. And this may be critical enough so that the Internet may not be able to help smaller firms in penetrating foreign markets (Chrysostome & Rosson, 2004). This situation is especially critical in the delicate management of channel relations with existing export intermediaries. Being the masters in their own realms, these intermediaries are not quickly replaced by online intermediaries or direct sales platforms (Houghton & Winklhofer, 2004, Servais, et al., 2007).

When cross-country expansion is considered, some studies indicate that firms' international expansion via the Internet seems to be guided more by market prospects and potential rather than by psychic distance (Borsheim & Solberg, 2004, Forsgren & Hagström, 2001), in some studies this is not clear cut and mixed evidence is available (Kim, 2003), while in other studies international expansion seems to follow traditional patterns in which firms gradually enter markets that are perceived to be increasingly risky and more psychically distant (Rothaermel, et al., 2006).

In summary, when compared to the traditional behavioral approaches to internationalization, including both the Uppsala Model (Johanson & Vahlne, 1977, 1990, Johanson & Wiedersheim-Paul, 1975) and the Export Development/ Innovation Adoption approaches (Bilkey & Tesar, 1977, Cavusgil, 1980, 1982, Czinkota, 1982, Reid, 1983), IEI emerges as a significantly different phenomenon with respect to a number of core aspects (see summary in Table 1) – it allows opportunities for both rapid and gradual international expansion processes; it allows new methods for knowledge accumulation and development; it accommodates both 'ignorant' international development and a strategically 'educated' one; it allows new types of channel relations and governance mechanisms; it adds an ereadiness dimension to the concerns of psychic distance and demand levels in market selection decisions; and it introduces opportunities for leveraging advantages of network economics on top of economies of scale and scope.

(Insert Table 1 about here)

Firms that are engaged in IEI can either be Internet-based (otherwise known as 'pure click' or 'pure play' firms), owing their existence to Internet-related operations (e.g. eBay, Amazon, Skype, Google, etc.), or traditional firms extending their international activities online (e.g. airlines, banks, retailers, machinery producers, etc.), and hence becoming Internet-enabled (otherwise known as 'click and mortars'). In this sense, Internet is a technological turned commercial platform that any type of firm may employ for developing international market capabilities, access and reach; although different firms may do so to different degrees.

Such departure point also helps to differentiate between IEI and the Born Global approach (Bell, et al., 2003, Gabrielsson & Kirpalani, 2004, Hashai & Almor, 2004, Knight & Cavusgil, 1996, Madsen, et al., 2000, Moen, 2002, Rialp, et al., 2005, Sharma & Blomstermo, 2003), as well as the International Entrepreneurship approach (Andersson, 2000, McDougall & Oviatt, 2000, Oviatt & McDougall, 1999, 1994/2005, Zahra, 2005, Zahra, et al., 2000); both of which are more restrictive than the IEI (see summary in Table 2). Unlike the Born Global firms or the international new ventures (INVs) which are necessarily small, resource-constrained, well networked and entrepreneurial in nature, Internet-enabled internationalizing firms may also include those which are more traditional, possibly resource-rich, well established and less entrepreneurial in nature, further suggesting that counter to popular thought Internet technology actually leveled the playing field on both fronts, where – resource-constrained small firms gained international access on more or less equal terms with larger competitors, and larger firms gained a technological outlet for flexible operations and a competitive push for re-configuring their existing practices and strategies, while leveraging synergies from both their online and offline assets and activities.

(Insert Table 2 about here)

A note worthy exception to the above has emerged in the concept of Global Online Entrepreneurship (GOE), as introduced by Morgan-Thomas et al. (2008), which provided a literature review of studies at the intersection between international business, e-business and entrepreneurship research. They have defined GOE as innovative, proactive and risk seeking behavior that involves the usage of e-commerce technologies for crossing national boundaries and capturing value in the organization. Such definition may be more closely associated with the first type of firms referred to above as ‘Internet-based’ firms (e.g. online portals, software developers, e-retailers, etc). However, it may not fully capture the later group of firms, namely the ‘Internet-enabled’ firms which may be less entrepreneurial, proactive, risk-taking or innovative (e.g. airlines, hotel chains, banks, insurance firms, machinery producers, drugstores, etc). It is therefore assumed that IEI is a more encompassing concept than GOE, and the later is a natural subset of the former.

In conclusion, the passages thus far reflect the different and sometimes conflicting views of IEI. Since empirical findings are limited and inconclusive, which of the Internet’s impact scenarios will actually prevail is yet to be seen. In the absence of solid proof otherwise, the current paper adopts the position that IEI at least has the potential to challenge traditional behavioral internationalization approaches, and that with time, this challenge will grow stronger and become more evident, as Internet technology continuously develops and disseminates globally, and as firms become more experienced in using it in their international engagements in foreign markets.

As firms continue to experiment with IEI, and maybe even routinize it, it is equally interesting to know - how do they go about with their efforts? How do they attempt to tap into these opportunities? And how do they develop relevant capabilities through time? - The formative process in itself may be different and deserves attention, and may also assist in later evaluations of how successful or unsuccessful firms are being at employing Internet in their internationalization efforts. Hence, the focus of the current paper is not in adopting one view of IEI or another, but rather conceptualizing how firms engaged in IEI, may go about it.

In the next section, an eclectic IEI framework will be conceptualized based on earlier e-commerce adoption and internationalization studies, as well as a collection of the available relevant literature into various aspects of online internationalization, export development and marketing.

CONCEPTUALIZATION OF IEI

As a point of departure, the IEI process is perceived to be the child process of two parent processes – the e-commerce adoption process and the international development process. And therefore, it is hereby defined as *the increasing involvement of firms in international markets through the utilization of the Internet channel as a service platform for export markets.*

Although IEI can be theoretically envisaged as a process that may be purely taking place only online, existing studies seem to reflect a reality where IEI is one type of internationalization form at the firm's disposal, and more often than not online and offline internationalization activities supplement and support each other rather than eliminate one another. Hence, synergies between offline and online activities should be constantly evaluated in terms of knowledge creation capabilities, channel relations management, sales and marketing support, achievements in process efficiencies, and in overcoming social barriers (e.g. culture, language, trust and legitimization).

Modes of the IEI process

The IEI process is viewed as a child process of two different processes taking place within the firm, namely – the e-commerce adoption process and the firm's international development process. Each of the parent processes of IEI is associated with unique stages firms may progress through, as well as leapfrog and withdraw from.

In the case of e-commerce adoption, when put together, the various conceptualizations (Daniel, et al., 2002, Dholakia & Kshetri, 2004, Morgan-Thomas & Paton, 2007, Rao, et al., 2003, Rask, 2002, Raymond, et al., 2005, Saban & Rau, 2005) essentially suggest a four stage process, involving the development along the information-communication-transaction-integration path; where firms evolve from having a relatively static e-presence to an interactive communications and portal engagements, further into transaction facilitation, and climaxing in dynamic enterprise integration, with cross-organizational learning and process improvements. Underlying such progression is the firm's digitization strategy, defined as the embedding of business processes in technological systems while choosing which activities to transfer online, how much to invest and which strategic objective to pursue (Morgan-Thomas & Paton, 2007).

In the case of internationalization the picture is somewhat more complex. In classical behavioral approaches to internationalization (Bilkey & Tesar, 1977, Cavusgil, 1984, 1980, Czinkota, 1982, Johanson & Vahlne, 1977, 1990, Johanson & Wiedersheim-Paul, 1975, Reid, 1983), when put together, the various conceptualizations suggest a four stage process, involving the development along the direct export-agent/distributor-sales subsidiary-manufacturing subsidiary path; where firms evolve from having passive and random export activity to a systematic and strategic development of capabilities for operations in foreign markets, based on increased resource commitments, experience and knowledge acquisition, and gradual expansion in psychically distant countries. In more recent conceptualizations, such as those involving Born Global firms and INVs (Coviello & McAuley, 1999, Coviello & Munro, 1995, Coviello & Munro, 1997, Knight & Cavusgil, 1996, Madsen, et al., 2000, Madsen & Servais, 1997, Moen, 2002, Oviatt & McDougall, 1994/2005, Rialp & Rialp, 2001, Rialp, et al., 2005, Sharma & Blomstermo, 2003, Zahra, 2005), internationalization is synonymous with firm growth, and foreign markets are viewed as natural and immediate target markets rather than innovative target segments. In these cases resource limitations and knowledge gaps are overcome through leveraging network relations of management and organizational flexibilities.

Accordingly, the process of IEI is also conceptualized along a distinct set of stages. IEI process stages are reflected in a unique set of online international market service modes (hereafter referred to as "modes"). Modes, in broad terms, *are the strategic formats through which firms access, serve and interact (communicate and/or transact) with their clients and partners abroad*. 'Service' here does not imply membership in a service industry but rather the ability of any firm using IEI strategies to engage with players in a foreign market. The strategic formats firms may employ for this purpose heavily rely on the World Wide Web, but are not exclusively restricted to it, and may therefore include a variety of other Internet tools (such as e-mail, online telephony, video streaming, e-learning systems, archive management, file sharing, etc.).

Finally, a conceptual departure from a ‘stage’ to a ‘mode’ concept allows for certain flexibilities in the sense that a few modes may be employed at each stage. Hence, recognizing the possibility that clusters of modes rather than any single mode may be used throughout the IEI process; quite similarly to the complex reality of export management, where firms may engage in various foreign markets through a number of market entry and service modes (Benito & Welch, 1994).

IEI inherits the characteristics of both its parent processes as reflected in the key dilemmas underlying each of them. The key concern in e-commerce adoption may be summarized as the choice between communicational and transactional focus for online operations. And the key dilemmas of internationalization revolve around both the choices between direct and indirect foreign market service, and the strategic philosophies of global versus local orientation to international activities. Accordingly, it is here suggested that all three dilemmas constitute the defining dimensions of the IEI modes: online functionality, extent of localization (versus globalization), and international service strategy; hereafter referred to as the ‘FLS Framework’.

First, in terms of online *functionality*, similar to domestic online operations, firms may choose to either restrict their activities to information provisioning and communications with clients, suppliers, partners and other stake holders, or enhance their communicational capabilities towards engaging in transactional exchanges through electronic means (involving online ordering, payment, billing, real-time inventory management, etc).

Second, in terms of *localization*, firms may choose to either address the world as one market with target customer segments crossing national borders, hence opting for a globalized approach, or address nationally defined target markets, while accounting for relevant particularities associated with activities in each of these markets (i.e. language, culture, institutional environment, etc.). Here a global approach is synonymous with standardization of online service formats across different foreign markets, while localization is synonymous with adaptation of online service formats to local market conditions, preferences and needs.

And, third, in terms of international *service strategy*, firms may choose to either address and serve target foreign markets directly, or do so via a variety of online and offline intermediaries, whose usage brings certain benefits to the firm such as achievement of cost efficiencies, speed to market, access to critical knowledge, access to a pool of customers, trust facilitation, etc.

A combination of the related configurations of each of these three key dimensions results in a classification of eight distinct IEI modes (see Figure 1 and Table 3), which are at the firm's disposal when engaging in IEI activities. However, as mentioned earlier, combinations of modes may also be possible at different stages of the firm's internationalization process, and different combinations of modes may be used when addressing different target markets.

Such systematic classification takes us a long way from the limited existing insights into online internationalization modes, and fills a gap, often neglected under a grander attempt by authors to present an alternative internationalization reality. Most authors that did touch the issue were often fixated with particular aspects of the problem. Some have only focused on the functionality of exporters' websites, especially in whether it was more informational, communicational or transactional in orientation (Kaynak, et al., 2005, Morgan-Thomas & Paton, 2007, Rask, 2002, Yi-Long & Chun-Liang, 2006).

Other researchers focused on the extent and effectiveness of local adaptation of websites, with a particular fascination with cultural issues (Fletcher, 2006, Luna, et al., 2002, Singh & Baack, 2004, Singh, et al., 2006, Singh, et al., 2004, Singh, et al., 2003, Singh, et al., 2005a, Singh, et al., 2005b, Sinkovics, et al., 2007), some of which even present typologies of website globalization or localization (Singh & Boughton, 2005), while viewing such websites as 'virtual branches', either replacing or complementing offline market presences (Barrutia & Echebarria, 2007, Becker, 2002, Forsgren & Hagström, 2001, Hornby, et al., 2002, Kim, 2003, Vila & Küster, 2004).

Finally, existing examinations of intermediation issues are often associated with the analysis of the extent to which Internet eliminated old intermediaries or created new ones (Andersen, 2005, Poon & Jevons, 1997, Samiee, 1998b, Sarkar, et al., 1995), or with potential shifts from indirect service via traditional intermediaries to direct online service (Bennett, 1997, Hornby, et al., 2002, Houghton & Winklhofer, 2004, Yamin & Sinkovics, 2006). In any case, the actual contribution of online intermediaries to export development is rarely evaluated (Cho & Tansuhaj, 2008, Prashantham & Young, 2004), and even rarer is the differentiation between online and offline intermediaries.

(Insert Figure 1 about here)

(Insert Table 3 about here)

The four modes of direct international service include: global e-presence, market-specific e-presence, global e-shop, and market-specific e-shop. A global e-presence is a mode in which firms use Internet as an information provisioning and communications platform on a global scale, and doing so directly to target audiences across national borders in a standardized manner. Similarly, market-specific e-presence is also a mode used primarily for information provisioning and communications, however, doing so while adapting website design, content, and process to national particularities in terms of language, culture, infrastructure and institutional conditions. A global e-shop expands communications with global segments towards facilitation of online transactions in order placement, billing and payments, while doing so in a standardized manner. Here again, market-specific e-shops do much of the same only while adapting to particular conditions in target national markets in terms of foreign currency processing, allowing multiple forms and formats, as well as payment methods which are congruent with local culture, infrastructure, regulations, and other relevant institutional conditions.

The four modes of indirect international service include a variety of collaborative arrangements with global and local online players referred to here as e-alliances. A global information and communication e-alliance suggests a standardized promotional effort via a partner’s general commercial or industry website not restricted to a particular national market. And contrary to the former mode, market-specific information and communication e-alliance suggests a promotional effort directed and adapted to a particular national market setting, which is placed on a partner’s website particularly addressing and specializing in serving that same national market. A global transaction e-alliance is a commercial arrangement with a partner website, which facilitates transactions for the firm on a global scale and is not restricted to a particular national market, where transactions may be concluded via direct ordering, auction systems, aggregating demand, building consortiums, bidding for tenders, etc. A market-specific transaction e-alliance follows the same logic, only applied to a restricted national market, and where the firm adapts relevant processes and commercial arrangements in accordance with local needs, customs, regulations and institutional environment conditions.

At this stage, as the IEI modes are clearly outlined and illustrated, a static overview of IEI is provided. However, when acknowledging the dynamic nature of processes, it is equally important to identify patterns of mode changes through time. This challenge is addressed in the next subsection which focuses on conceptualizing two developmental paths along which firms may progress as they deepen their engagements in IEI related activities.

Sequences of an IEI Process

When evaluating changes in mode configurations one should acknowledge that any IEI development will first and foremost depend on the type of firm one considers. Firm types are here viewed in reference to their levels of Internet dependency, where *Internet-based firms*, owing their existence to Internet-related activities, will exhibit different behavioral patterns than *Internet-enabled firms*, whose existence is not owed to Internet-related activities, and whose engagement with Internet is an extension of existing offline activities. This differentiation was presented earlier, but carries special importance when IEI modes are no longer seen as static choices.

Another important point to stress at this stage is the fact that both processes of e-commerce adoption and international development were found to follow a generally accepted sequence of stages firms pass through, yet such sequences are flexible and variations do exist in the form of stage leapfrogging and withdrawals. The same logic applies to the suggested sequence conceptualizations below, where general patterns may be highlighted, while in advance accepting that variations of stage leapfrogging and withdrawals are possible and depend on differing sets of conditions that allow for non-sequential developments.

IEI Sequence for Internet-based firms.

Quelch & Klein (1996) suggested that Internet-based start ups are likely to develop their websites along a transaction-to-information path, as they are resource limited and heavily dependent on revenues generated only through their Internet-based services. Therefore, they will launch a transaction facilitating website early and only later re-invest some of their revenues into better information provision formats, such as more advanced promotional tools and diversification into market specific-websites with unique content and local adaptations. Moreover, being new to the market, Internet-based firms are likely to seek promotional assistance from intermediaries, but since identifying suitable intermediaries and holding commercial negotiations with them takes time, it is likely that they will have early versions of fully operational e-shops before having their offerings promoted and sold by online intermediaries. For these reasons, the following proposition is made:

Prop. 1 - *Internet-based firms will tend to begin their engagement in IEI activities through the establishment of a global e-shop, rather than through indirect sales or market-specific e-shops.*

Once having global shops launched, Internet-based firms are exploring cost-efficient ways to increase sales volumes, as well as to gain the trust of prospective international customers. Their immediate effort at this stage is directed at creating relations with online intermediaries and market makers. Commercial arrangements with online intermediaries make it easier for firms to expand market reach, learn about competition, gain the trust of customers, gain access to pools of foreign customers, learn about customer preferences and price sensitivities, overcome institutional barriers, as well as compete fairly for potential projects (Andersen, 2005, Prashantham & Young, 2004, Sarkar, et al., 1995). Only after this learning process takes place, and in parallel revenues were generated, also making resources more abundant, can Internet-based firms invest in launching websites tailored to serve specific national markets. Reliance on e-alliances is further enhanced by the highly competitive nature of Internet operations, where transparency is high and available information is overwhelming. Under such conditions online intermediaries become critical junctions for information filtering and evaluation of potential suppliers by prospective customers (Hamill, 1997, Klein & Quelch, 1997), reducing related search, bargaining and monitoring costs (Cho & Tansuhaj, 2008). For these reasons, the following proposition is made:

Prop. 2 - *Internet-based firms will tend to engage in e-alliances (communicational and transactional) before launching a series of market-specific e- shops.*

IEI Sequence for Internet-enabled firms.

Several studies have suggested that export-oriented firms have launched an informative or promotional websites before launching transaction facilitating web shops (Daniel, et al., 2002, Houghton & Winklhofer, 2004, Morgan-Thomas & Paton, 2007, Quelch & Klein, 1996, Rask, 2002, Saban & Rau, 2005). These firms are gradually adopting Internet into their existing business models, by extending promotional and sales efforts to Internet-based channels. This indicates that physical commercial infrastructure in various international markets exists, either in the form of the firm's own sales subsidiaries or through a network of local agents and distributors. Furthermore, this also indicates that certain routines, structure and organization already are in place within the firm, and may be more challenging to adapt by incorporating advanced e-business models, requiring collaboration across units and individuals for re-engineering certain processes, budgets and personnel assignments (Rask, 2002).
Therefore, such firms are not quick to change existing organizational structures and routines, as well as to challenge existing relationships with performing export intermediaries, and are more likely to first develop an informative promotional support tool, rather than a direct sales platform undermining existing intermediaries' sales efforts (Houghton & Winklhofer, 2004). For these reasons, the following proposition is made:

Prop. 3 - *Internet-enabled firms will tend to begin their engagements in IEI activities through the establishment of an informative and communication facilitating website, rather than through sales via e-alliances, or through the launching of an e- shop.*

Once launched, the promotional website may generate increased inquiries and contacts from various clients and new intermediaries in various parts of the world. Firms at this stage develop an interest into serving extended markets made available through online presence. Still, cautious about going in their own way, these firms may now be willing to explore relationships with online intermediaries. And by not pursuing disintermediation per se, they may maintain good relationships with existing intermediary partners (Houghton & Winklhofer, 2004), but at the same time extend market reach through employment of online intermediaries (Cho & Tansuhaj, 2008), as well as creating competition between offline and online intermediaries for better performance. Accumulated knowledge about the target market, high demand for e-services, and supportive infrastructural conditions there, may help identifying more promising foreign markets for online service (Samiee, 1998a, 1998b), but at the same time may indicate that strong local players may already be active there, and therefore, therefore making the option of e-alliances more attractive (both on global and local levels). Furthermore, intensifying competition may also push firms to explore new channels of transaction, also leading to indirect online sales, either when matching competitor moves, when experimenting with novel and cost-effective market approaches for foreign market service, or as part of an attempt to tap into first mover advantages (Andersen, 2005, Forsgren & Hagström, 2001). For these reasons, the following proposition is made:

> **Prop. 4 -** *Internet-enabled firms will tend to be engaged in transactional e-alliances (of global and local nature) before launching their own e-shops (either serving global or local markets).*

Once experiencing that online sales volumes facilitated through intermediaries are increasing, and a sufficient client pool exhibits repetitive buying patterns, Internet-enabled firms are encouraged to serve clients directly. Bypassing intermediaries in favor of direct service will require that the firm will be strategically and financially better off in internalizing the functions currently performed by intermediaries (Samiee, 1998b). Moving towards direct sales through the establishment of an e-shop allows for both more intimate interactions with loyal customers, as well as for enhancing efficiencies by cutting some of the intermediation costs. Moreover, intimate and direct relations with customers enables firms to learn about the market by keeping records and analyzing preferences, price flexibilities, periodic demand, and purchase patterns with greater ease and confidentiality, which in turn provides insights into product development and customer service improvement efforts (Nguyen & Barrett, 2006b). Still, launching an e-shop may cause some friction with exiting intermediaries, and therefore firms opt to limit such friction by avoiding direct competition with them in their own home markets (as in by launching market-specific sites), as well as through continuing to pay commissions to intermediaries that will now facilitate orders through their own global e-shop (Houghton & Winklhofer, 2004). For these reasons, the following proposition is made:

> **Prop. 5 -** *Internet-enabled firms will tend to employ a global e-shop mode, before launching a series of market-specific e-shops.*

Finally, internalizing the transactions through a global e-shop allows firms for more efficient learning through intensive interaction with market players and a growing pool of customers. Once a sufficient client base is established in a foreign market and the relevant market specific knowledge is acquired and internalized, firms may opt for direct market service via market specific e-shops. Moreover, highly performing markets may also indicate a gradual growth in competition, which may force firms to improve their service to local customers through greater localization efforts, or in matching competitor moves which opt for direct services. Such localized e-shops may either be created through forward integration, by acquiring or merging with local intermediaries (Forsgren & Hagström, 2001, Kim, 2003), or through creating an independent local store front based on the knowledge, experience and market foothold already established in certain foreign markets.

Summary of Suggested IEI Sequence Formulations

In the above propositions generic mode transformations are described. However, when put together a richer transformational path is unraveled (see Figure 2). Since the focus of the current analysis is on the firm itself and not on its intermediaries, and since it has been shown earlier, with reference to the e-commerce adoption literature, that communicational functionality precedes the transactional one, the case of e-alliances in the current analysis will assume by default that communicational e-alliances precede transactional e-alliances. Figure 2 summarizes the above propositions into two coherent process sequences, which again are presented as general patterns firms may follow sequentially or non-sequentially, when leapfrogging between or withdrawing from certain stages.

(Insert Figure 2 about here)

In conclusion, the above suggested conceptualizations of IEI process sequences are preliminary propositions, which draw heavily on existing knowledge from the parent processes of e-commerce adoption and internationalization. It adds a dynamic dimension to the conceptualizations of IEI modes, which were presented earlier as different configurations along the FLS framework.

DISCUSSION AND CONCLUSION

The current paper took on the challenge of introducing and defining the phenomenon of Internet-enabled internationalization (IEI), and its positioning vis-à-vis established conceptualizations of internationalization behavior. Once the uniqueness of the phenomenon has been established, the paper shifted towards conceptual development, conceiving the IEI process as the child of two preceding processes, namely – the e-commerce adoption and the internationalization processes. Such effort both introduced a set of eight distinct IEI modes, each defined by different configurations along the dimensions of the FLS framework, and a list of propositions capturing two potential developmental paths along which firms deepen their engagement in IEI activities.

Answering earlier calls for research into the integration of e-business and export marketing, these theoretical positioning and conceptual development are also the main contributions of the current paper, being the first to propose a conceptualization of an IEI process with a unique set of modes and mode change patterns.

However, as often the case when engaging in conceptual development, while some questions get answered via the building of frameworks and propositions, new questions still arise. Therefore, it is important to acknowledge some of the limitations of the current conceptualizations, which may serve as helpful guidelines for future research into Internet-enabled internationalization.

First and foremost, it must be acknowledged that a conceptual path dependency is inherent to the current work, as all conceptualizations related to IEI are based on concepts adopted from the realms of e-commerce adoption and internationalization literatures. Having said that, one may still argue that both these processes are closely related to the phenomenon under investigation and although other theories may also be relevant, the two mentioned are a natural starting point. Future research may therefore challenge this conceptual development by adopting principles and ideas from alternative paradigms and theoretical backgrounds.

Second, similar to traditional forms of offline internationalization, IEI may exhibit more complex realities than those presented in the frameworks suggested. One form of complexity is when clusters of modes emerge rather than the use of any single particular mode. This is especially true in cases where direct and direct modes of foreign market service are used in parallel when addressing a certain foreign market (i.e. selling products both through an e-intermediary and a local e-shop). Furthermore, while a firm may adopt a global orientation when serving one market, it may at the same time adopt a localization approach when addressing another, or may even employ both local and global modes when serving the same particular market (i.e. operating both global and local e-shops customers can place orders through). Therefore, understanding mode clusters is another interesting venue for further study, as well as the identification of factors that impact their formation.

Third, complexity may also be evident in that many of the choices firms actually make concerning IEI modes are not clear cut. First, in terms of functionality, the decision between communication or transaction focus may result in a situation where transactions may be partially concluded online, as processes, services and products may be broken to sub-parts and sub-processes, some of which concluded online and some concluded offline. Second, in terms of service strategies, firms may fully or partially own an intermediary, raising doubt about the indirectness of the interaction with foreign customers. And, finally, when localization is considered, even firms with local orientations may pursue local adaptations to differing degrees, where some may engage in greater efforts than others, when addressing different markets. Therefore, all three dilemmas underlying the FLS framework may actually be placed along a continuum between the two extreme values, and firms can exhibit intermittent values rather than dichotomous choices. Still, one may claim that these remain challenges of operationalization rather than conceptualization, and that they can be solved through studies that will assign specific definitions and indicators to the concepts.

Fourth, while the underlying assumption of linearity in IEI sequence progression may be in accordance with the parent conceptualizations of the e- commerce adoption and internationalization processes, it may still be argued to be detached from Internet reality, where network logic, dramatic technological changes, and evidence of non-linear growth patterns are all abundant. Furthermore, as in traditional forms of internationalization, where firms were found to leapfrog and withdraw from certain stages, the same can be expected in an IEI context as well.

Finally, although compelling reasoning is provided with respect to the proposed mode change sequences, a more in depth and comprehensive analysis of factors underlying such decisions may be necessary. Such effort should both highlight which factors have an impact throughout the process, and which factors have an impact on particular mode change choices.

Overall, IEI remains a fascinating and little explored phenomenon which is only expected to gain more momentum as Internet becomes more deeply entrenched in both private and business everyday life, while interconnecting an ever larger share of the globe’s nations, industries and peoples. The current paper highlighted the uniqueness of the IEI phenomenon, and has outlined an initial conceptualization of its modes and mode change patterns.

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Table 1

Traditional Versus IEI Approaches to Internationalization

	Traditional Approaches	IEI
Pattern and paste of international development	- Slow and incremental	- Fast and wide reaching
Resource commitment to activities in foreign market	- High commitment of financial and human resources for each market served	- Low commitment of financial and human resources for each additional market served
Knowledge gain in international activity	- Knowledge gained through time demanding experience	- Knowledge gained through: 1) Serving masses 2) Easier access to valuable competitive information
Main concerns for market selection	- Psychic distance, institutional and cultural conditions	- Market potential and infrastructure conditions
The role of intermediaries	- Intermediaries as owners and keepers of critical information - Intermediaries as market players	- Intermediaries as collectors and filters of critical information - Intermediaries as market makers
Economic logic	- Economies of scale	- Economies of scale and scope - Network economics - Emergence of niche markets

Table 2

Born Global and INV versus IEI Approaches to Internationalization

	Born Global and INV	**IEI**
Type of firm	- Small firms - Resource constrained firms - Entrepreneurial firms	- Firms of all sizes - Firms of all resource endowments - Traditional and entrepreneurial firms
Dynamics	- Rapid internationalization from inception. - Lacking process dimension, mainly referring to a beginning stage	- Not necessarily international from inception. - Incorporating a process dimension, which may be followed in different speeds (rapid and/or slow)
Knowledge	- Embedded in individuals - Limited access (in time and space) - Dependence on human sources - Limited comparability of sources	- Embedded in virtual networks - Great access (in time and space) - Dependence on technology - High comparability of sources
Relationship to traditional internationalization approaches	- Replacement ('either or')	- Complementarity ('and') and parallel processes - Replacement ('either or')

Table 3

Conceptualization and Manifestations of IEI Modes

Mode	**Functionality**	**Service Strategy**	**Localization Extent**	**Possible Website Manifestations**
Global e-presence	Information provisioning And – Communication facilitation	Direct	Low - Global	- Single international language websites (mostly English). - Single format of website design and content presentation. - Standard marketing mix in terms of pricing, currency, product name, slogans, promotional offers, etc. - Website sophistication standardized regardless of visitor origin. - Presentation of general firm contact details.
Market-specific e-presences	Information provisioning And – Communication facilitation	Direct	High - Local	- Multiple language sites. - Cultural adaptations in website design and content presentation. - Local marketing mix adaptations in terms of pricing, currency, product name, slogans, promotional offers, etc. - Website sophistication adapted to target market Internet connectivity conditions and IT infrastructure. - Presentation of market-specific contact details.
Global e-shop	Transaction facilitation	Direct	Low - Global	…as in global e-presence plus: - Fixed set of payment methods. - Fixed order forms. - Fixed ordering and billing processes.
Market specific e-shops	Transaction facilitation	Direct	High - Local	…as in market-specific e-presences plus: - Payment methods adapted to local market currencies, conditions and systems. - Multiple order forms and formats. - Multiple ordering and billing processes for different target markets.
Global information provision e-alliance	Information provisioning And – Communication facilitation	Indirect	Low - Global	…as in global e-presence only on a partner website not dedicated to a specific national market. - Global directories. - Global news websites. - Global industry websites.
Market-specific information provision e-alliance	Information provisioning And – Communication facilitation	Indirect	High - Local	…as in market-specific e-presences only on multiple partner websites, each dedicated to a specific national market. - National directories. - National news websites. - National industry websites. - National versions of portals.
Global transaction e-alliance	Transaction facilitation	Indirect	Low - Global	…as in global e-shop only on partner websites not dedicated to a particular national market. - Global industry exchange websites. - General international trade websites. - Multinational e-procurement websites. - Global e-retailers' and wholesalers' websites.
Market-specific transaction e-alliance	Transaction facilitation	Indirect	High - Local	…as in market-specific e-shops only on partner websites dedicated to a specific national market. - National industry exchange websites. - Government e-procurement websites. - National e-retailers' and wholesalers' websites.

Figure 1

IEI Modes Conceptualization – The FLS Framework (Functionality-Localization-Service Strategy)

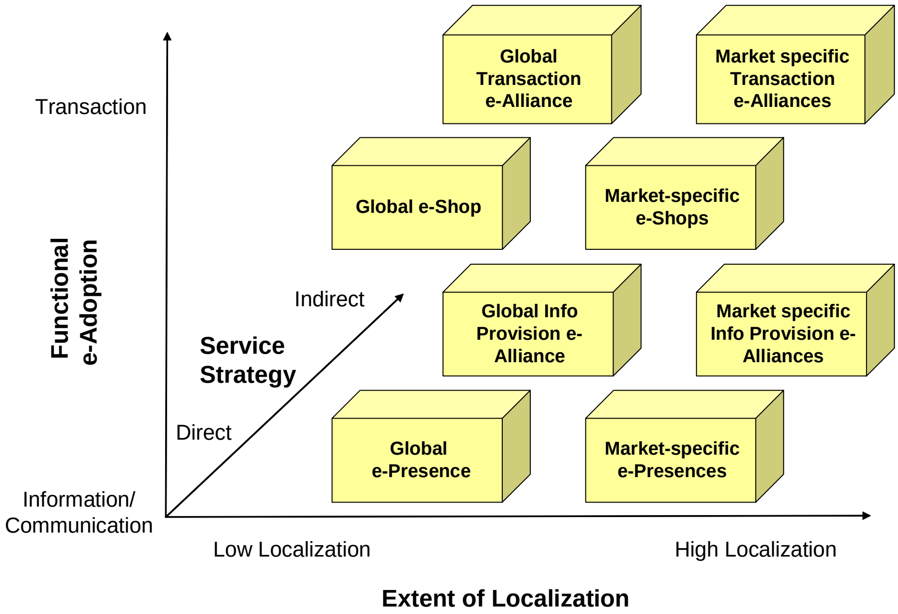

Figure 2

Conceptualization of IEI Process Sequences