

# INFLUENCE OF GLOBALIZATION AND ITS IMPACT ON PERFORMANCE: RESEARCH ON NETWORK ABILITY

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**ABSTRACT**--*In this study, the author uses the term "born global firms" as a special term to describe such "accelerated" small and medium-sized enterprises that carry out international operations, and uses the relationship network as the main research perspective and analysis framework. Although studies have shown that the relationship network as an opportunity recognition carrier plays a significant role in the accelerated international development of enterprises, it is important to identify and develop international opportunities for how born global firms build and manage relationship networks. Then it affects the key issues such as international market development and performance improvement.*

**Keywords**--*International Entrepreneurship, Network Ability*

## I INTRODUCTION

This research paper takes born global firms as the research object, and puts the network ability, international opportunity identification and development, and international performance into an integrated framework for in-depth research. Second, although international entrepreneurship scholars tend to criticize the lack of attention to transnational entrepreneurship in international business research, international entrepreneurship scholars themselves have not been able to adequately research the concept of opportunity in international entrepreneurship at the theoretical and empirical levels (Farooq, M. & Raju, 2019). Some foreign scholars have tried to analyze the content of international business and international entrepreneurship from the perspective of opportunity research and found that "international opportunities are often described as abstract in international entrepreneurship research, and the research of the concept of opportunity is also relatively narrow from a theoretical point of view. Judging from the results achieved by the existing International Entrepreneurship Research Institute, the research on international opportunities has still not reached its maximum potential. There are two main but inconsistent ideas of opportunity in entrepreneurship (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018): Schumpeter believes that opportunities are created, and Kezina believes that opportunities are discovered and recognized. Later, some scholars put forward the middle line on this basis, proposing that some elements of the opportunity are derived from identification and discovery, but the overall opportunity is generated by creation and development. In general, the identification and development of opportunities as the two basic frameworks for supporting opportunities have not yet been fully studied in theory and empirical measurement.

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DOI: 10.37200/IJPR/V24I4/PR201005

Received: 12 Oct 2019 | Revised: 23 Sep 2019 | Accepted: 15 Jan 2020

The in-depth research on the nature and influence of network ability, especially the combination of network ability and the identification and development of opportunities in the international market, can effectively fill the lack of research in this field, and can also further deepen and develop the research on international entrepreneurship.

### ***1.1 Problem Statement***

The main research problem can be specifically divided into the following three branches: 1) how does network ability affect the international opportunity identification and international opportunity development of born global firms? 2) How can the identification and development of international opportunities affect the international performance of firms born globally? 3) Network ability, including network vision ability, network building ability, network relationship management ability, network occupancy ability and internal communication ability have an impact on the international performance of born global firms? (Raju, Dr. Valliappan, and Dr. Amiya Bhaumik, 2018)

Further enrich the research on the international entrepreneurship theory of the internationalization of small and medium-sized firms in emerging economies. In the international community, most scholars' research on born global firms is mostly concentrated in high-tech firms in knowledge-intensive industries in developed countries.

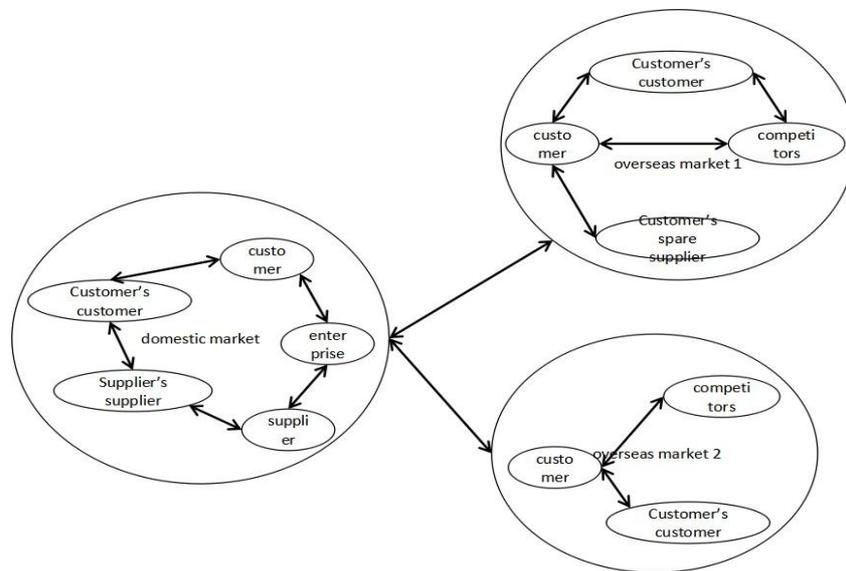
## **II LITERATURE REVIEW**

The process of firm internationalization is the most important topic in international business research from the beginning, and the analysis of firm internationalization has always been the driving force for the development of international business research. However, although the term has been widely used, there is still no unified consensus on the concept of internationalization (Raju, Dr. Valliappan, and Dr. Amiya Bhaumik, 2018). The earlier definition of firm internationalization can be traced back to Johanson and Wiedersheim-Paul's "a gesture of an enterprise to engage in overseas activities or to truly implement overseas operations" in 1975. The theory involved in the economic perspective is mainly the theory of OFDI by large multinational groups. In OFDI, these large multinational companies choose the best structure for each stage of production by assessing economic transaction costs (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018).. In order to facilitate the organization form and location chosen by the enterprise, it is possible to minimize the overall transaction costs. Vernon proposed the International Product Life Cycle Theory in 1966, which describes the process of enterprise internationalization from export to OFDI by focusing on market expansion and technological innovation. Buckley and Casson proposed the theory of internalization in 1976. Due to the objective existence of imperfect markets, companies tend to become multinational companies by internalizing their own specific assets in the process of internationalization.

It's Because of the consideration of cost, the internalization theory also further integrates the theory of transaction cost economy into the field of international business. Based on an in-depth analysis of the shortcomings and limited explanatory power in the above theory, Dunning proposed the eclectic paradigm theory of international production (also known as OLI theory), which is the integration of the three major advantages of the company: ownership specific advantages, location specific advantages and internalization advantages.

Relational network theory was first proposed by Harrison White and his followers in the 1970s. They studied and analyzed the social structure from the perspective of relational networks. The relationship network perspective of enterprise internationalization is partly based on behavioral theory and partly on sociological theory of inter-enterprise relations (Raju, Dr. Valliappan, and Dr. Amiya Bhaumik, 2018). From the perspective of relationship network, the industrial market is understood as a "relationship network between enterprises", and enterprise internationalization can be seen as a process of initiating, developing and maintaining international relations (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018).. According to Coviello's point of view, the internationalization of the company actually depends on the organization's set of relational networks rather than the specific advantages of the company. In the relationship network, each company can establish direct relationships with customers, suppliers, distributors, and even competitors, and further establish indirect relationships with other companies through their partners. When enterprises interact actively with partners, there is a coordination effect between them, and through the establishment of other partnerships within the network, enterprises can access external resources and provide opportunities for the sale of their products and services in overseas markets.

According to Forsgren in 2002, the relationship network perspective regards the internationalization of enterprises as a process of initiating, developing, and maintaining business relations between enterprises. It even believes that from the perspective of relationship networks, national borders have become redundant. This is quite different from the internationalization process theory, which believes that the differences between different countries are the main obstacles that limit and affect the entry of overseas markets of enterprises.



**Figure 1:** Overseas market

Early starters: There are few or no significant links with overseas companies, companies have little knowledge of overseas markets, and they can not use the network of domestic markets to gain knowledge of overseas markets. The internationalization process of early starters is often gradual, and knowledge development is the driving force behind the internationalization of such enterprises. Therefore, the internationalization process of the early starters followed the gradual model proposed in the Upsala model. Although the degree of market

internationalization has not changed, as the degree of internationalization of companies has deepened, such companies have slowly developed from the early starters to the lone international.

### **III RESEARCH METHODOLOGY**

This chapter first on the specific questionnaire design, object selection, variable measurement, data recovery and other aspects of detailed explanation. Secondly, the research paper makes descriptive statistical analysis of the data obtained through the questionnaire in order to have a more specific understanding of the subjects. Finally, the proposed research methods, including validity and reliability test, validation factor analysis and structural equations, are explained. The core research field in international entrepreneurship research is the study of the phenomenon of rapid internationalization of new start-ups, which accounts for most of the current achievements of international entrepreneurship. The internationalization process theory believes that the internationalization of enterprises is gradually carried out through a series of evolutionary stages (Raju, Dr. Valliappan, and Dr. Amiya Bhaumik, 2018). In the field of international business, many empirical studies have used the theory of internationalization process to study the process, path and location of enterprise internationalization. The emergence of the so-called Born Global Firm phenomenon has largely criticized and questioned the progressive internationalization process theory. The first is to compare the different types of international start-ups and the entrepreneurial traits that drive entrepreneurs to create a born global business. Some authors pointed out that there are great differences between born global firms and progressive international companies in terms of thinking patterns, degree of risk tolerance, international experience, international learning, network ability, and international entrepreneurship ability.

The third category considers the impact of organizational factors, including the study of enterprise performance, orientation, knowledge and competence in the context of international entrepreneurship. These studies explored the antecedent variables that influence the performance of born global firms such as: international work experience, product differences and company size, formal export planning and technical sophistication, attitudes towards overseas markets and government support, entrepreneurship orientation, organizational structure, and opportunity drive behavior, etc. In addition to corporate performance, entrepreneurship orientation is another variable that deserves consideration in these types of research. International entrepreneurship research has tested the role of entrepreneurship orientation. According to Knight, Entrepreneurship orientation has affected the response of enterprises to internationalization, technology absorption and internationalization preparation (Raju, Dr. Valliappan, and Dr. Amiya Bhaumik, 2018). Enterprises with higher entrepreneurship orientation often have a higher degree and scope of internationalization. In addition, the study of organizational factors also includes the topic of corporate knowledge and ability. For example, Sapienza and others found that learning efforts in domestic and international markets are being influenced by the entrepreneurial orientation and degree of internationalization of enterprises.

The key options for this part are whether the company has international business, the time it has established so far, and the time it has started its international business for the first time (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018). According to the key conditions defined in this article for born

global firms, the establishment time is within 3 years, and at least 25 % of the turnover from overseas markets is a natural global company. If these two conditions are not met at the same time, the questionnaire will fail.

Forms	Total Q'ty	Received Q'ty	Valid Samples	Valid Questionnaires
Field visits	157	126	73	46.50%
E-mail	505	371	146	28.91%
Total	662	497	219	33.08%

The second part responds to the questionnaire. This questionnaire is in the form of a Richter 5 component table. Richter is a social psychologist in the United States. The scale he proposed in 1932 was widely used in subsequent questionnaires. The scale usually consists of a set of statements and requires respondents to judge their degree of recognition of this group of statements, from full consent to complete disagreement with the five answers, which are recorded as 5, 4, 3, 2, 1 points. (It can also be divided into 7 points or 9 points according to demand). The Lickert scale has now become the most widely used scale in social investigation studies. Its main advantages are: For researchers, it is easy to construct corresponding statements according to the purpose of their research. For respondents, the Richter scale is easy to understand and can be selected accordingly (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018).. According to the object and purpose of this questionnaire, we choose to use the form of 5-point scale. We hope that according to the situation described in the questionnaire, the questionnaire finisher will choose the corresponding score to reflect the degree of conformity of the situation described by the enterprise. Among them, 1 is "very low", 2 is "slightly low", 3 is "general", 4 is "slightly high", and 5 is "very high."

#### IV DATA ANALYSIS

Network vision ability refers to the planning of the relationship network from the strategic point of view according to the evolution trend of the relationship network and the development of the enterprise itself (Chetty, Dr. Valliappan Raju Karuppan, and Dr. Siew Poh Phung, 2018).. Its main feature is to predict the degree and direction of changes in the structure and scope of the relational network, thus discovering valuable innovation opportunities embedded in the relational network. According to the definition of network vision capability, the initial measurement clause of network vision capability is set as follows:

**Table 1:** Initial Measurement Provisions for Network Vision Capacity

Initial measurement clause for network vision capability	
Item	Specific content
A1	Enterprises attach great importance to the role of relational networks in international market development in development planning and strategy
A2	Enterprises can effectively identify the value and potential business opportunities of international partners

A3	Enterprises have a strong sense of subjectivity in identifying, evaluating and selecting international partners
A4	Enterprises are able to predict the evolution of international cooperative relations to a certain extent

The identification of international opportunities for intermediary variables and the development of international opportunities have set a total of 7 topics; the internationalized performance of the explained variables is three dimensions (1) internationalized financial performance (2) international market operation performance (3) internationalized strategic performance, with a total of 9 topics

**Table 2:** Measurement model assessment

Constructs	Item	Loading (> 0.7)	M	SD	$\alpha$ (> 0.7)	CR (> 0.7)	AVE (> 0.5)
Internal Recruitment (IR)	IR1	0.929	4.66	1.77	0.946	0.965	0.902
	IR2	0.957					
	IR3	0.963					
External Recruitment (ER)	ER1	0.810	4.68	1.69	0.963	0.969	0.817
	ER2	0.899					
	ER3	0.923					
	ER4	0.913					
	ER5	0.911					
	ER6	0.941					
	ER7	0.926					
Selection Methods (SM)	SM1	0.906	4.38	1.84	0.978	0.982	0.869
	SM2	0.907					
	SM3	0.948					
	SM4	Deleted					
	SM5	0.939					
	SM6	0.938					
	SM7	0.940					
	SM8	Deleted					
	SM9	0.945					
	SM10	0.934					

Note: M=Mean; SD=Standard Deviation,  $\alpha$ = Cronbach's alpha; CR = Composite Reliability, AVE = Average Variance Extracted.

**Key:** IR: internal recruitment, EX: external recruitment, SM: selection methods.

Most network relationships are not formed naturally. Instead, after the company recognizes the corresponding network value, he needs to choose a suitable way and strategy to build this network relationship. Companies in particular should be good at judging the strengths of their partners, some may provide unique or complementary resources, some may have a good reputation for cooperation or rich industry experience. At the same time, due to the richness of network forms, enterprises also carefully consider which form of connection network, property rights bond, contract bond or information bond to build according to different cooperation situations and needs. According to the definition of the network building ability, the initial measurement clause of the network building ability.

## V CONCLUSION

The internationalization of born global firms is composed of the process of identifying and developing international entrepreneurial opportunities. Network capabilities can have an impact on the identification and development of international opportunities. The efficiency and effectiveness of international opportunity identification and development determine the internationalization performance of enterprises. In the follow-up study, we can further explore the dynamic relationship between the three, that is, as born global firms gradually transition from the founding period to the initial growth period and maturity period, what kind of dynamic evolution relationship these three will show with the development of the company. At the same time, it is also necessary to try to obtain support data from a wider range of regions to further test the universality of the research model. This research paper only reveals the mechanism of network capability, international opportunity recognition and development on the international performance of born global firms, and further research can deeply explore the contextual factors that regulate the relationship between network capability, international opportunity recognition and development, and international performance.

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