

Globalization and the Role of E-Commerce in Its Expansion

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ABSTRACT

Nowadays Corporations pass through lots of stages in order to become an international corporation or company and profit from its advantages. Companies can overcome long-lasting limitations facing international commerce by making use of the Internet. Companies must, first of all, equip themselves to this powerful tool in the stages of globalization. By the appearance of the Internet many companies have attempted to reach themselves to international markets and gain the advantages in this field. This review paper is to identify the effects of e-commerce on globalization. In order to reaching this goal, the steps of entering global markets are recognized and then interaction between e-commerce and globalization reviewed according to Paterson, Kraemer and Rasson's Theories. The results show that in the upstream processes international companies show more willingness to use E-commerce, while this is not true for downstream processes. It can be concluded that the Internet has a strong influence on the globalization processes and even can transform the nature of these processes.

KEYWORDS: E-commerce, Globalization process, Paterson's theory, PLC model, INV model.

INTRODUCTION

The main objective of all societies is development, exuberance, and providing security and relief for its citizens. It is evident that no society is able to maintain all of these development plans, so inevitably supplies foreign currency via business with other countries (Internal Business). So, countries put special emphasis on the international business and supplying foreign currency via this in their development plans, and this is one of their major concerns. However most of industries are under developing regarding e-commerce acceptance [1], nowadays most of the countries in the world pay special attention to the globalization of exports and have lots of supportive policies and try hard to encourage state-owned and private sectors to export and gain currency more and more.

Considering that globalization has its own special processes, nowadays in the competition field, those companies and countries are successful which, by the use of information technology and mainly E-commerce, have increased their efficiency, dynamism, and speed in the process of export and by minimizing the processes of work, make it facile and cost-effective. This paper is to investigate steps of globalization process and the role of E-commerce in its expansion.

Globalization Theories and Models

Corporations pass through lots of stages in order to become an international corporation or company and profit from its advantages. In a word, globalization of business requires passing through stages by the step-by-step execution of which the strategies of the organization can be got closer to the expansion of exports and globalization and profit from its advantages as an international corporation or company [2]. So many studies conducted in the field of globalization have led to the globalization theories and models, because of the variety and extension of which, are discussed in sum in this section.

Generally, by reviewing literature it can be said that the theories and models of globalization can be categorized in the following way:

- 1- PLC model (Product Life Cycle): In this model, corporations become globalized when their products have passed through maturational stages and the companies can produce standard products in an economic measure [3-5].
- 2- Process models: Process models view globalization as a gradual, step-by-step process. In these models it is believed that corporations must pass through various stages to become globalized [6-9].
- 3- INV model (International New Ventures): Based on this model, the nature of products, industrial norms and administrators tendencies, and entrepreneurs within corporations, are the determining and major factors in turning a corporation into a globalized one [10-11].
- 4- Network Approach: It is believed in this approach that the business network within which a corporation acts plays a vital and determining role in the globalization of corporations [12-13].

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- 5- Eclectic Theory: This theory tries to explain the issue of globalization of a corporation by drawing upon these two factors: internal advantage and location advantage [14].
- 6- The "Economic approach" theory: The issue of globalization is studied from the economic perspective [15].
- 7- 3D-PLC theory: Based on this model, the process of globalization is operationalized in three dimensions [16]:
 - Depth: That is to what percentage of the activities in the chain can be globalized. This dimension has been considered in INV model also.
 - Distance: That is to what extent the corporation has entered far-reaching markets in the process of globalization, and how much is this distance culturally, regionally, etc?
 - Diversity: To the extent that a corporation uses diverse methods in entering to the global markets, it will be at a higher level globally.

Steps of Entering Global Markets

It can be concluded that a comprehensive stages model has stated by Filadarlis [17]:

- 1- Evaluating the readiness of the company and readiness to export goods: questions like what are the expectations of the company from exporting? Are the exports consistent with the aims of the company? The act of exporting requires what kinds of key resources including administrative, personnel, production capacity, and financial resources? How is the current competitiveness condition of the company? To what extent the current products and processes require improvement? What prices should be determined proportionately to the target market? These are questions which are arising in this issue.
- 2- Identifying the superior markets: Gaining specific information about the superior markets, marketing procedures, economic processes and the factors which affect them, the procedures of import and legal limitations (tariff and non-tariff limitations), and the potential for selling the products of the company are important in identifying the superior market.
- 3- Selection and development of a market strategy: This stage includes direct export marketing and indirect export marketing.
- 4- Operationalizing the strategy: This stage is concerned with conducting the appropriate strategy according to the activities of the company in the field of export which can include phases like using the Internet in this field, going in person to the target country, choosing representative agencies and agents, establishing a local office in the target country, co-investment, choosing the advertisement method, choosing the appropriate channels of distribution, sale guarantees, etc.
This stage can be used together with using state-of-the-art tools and services like export marketing based on electronic media, B2B E-commerce, working with foreign partners, etc.
- 5- Choosing the conditions and situation for sales: This stage includes such issues as liquidity, document credits, the method for supplying money, the currency used, taking into account political and economic risks, delivery conditions, etc.

Globalization and the Role of E-commerce in its Expansion

Companies can overcome those long-lasting limitations facing international commerce by making use of the Internet. Companies must, first of all, equip themselves to this powerful tool in the initial stages of globalization and in fact by making use of E-commerce they should reach a competitive merit which is called Internet-based merits.

In this section, the relationship between globalization and E-commerce is studied from the views put forward by Peterson, Kraemo, and Rasson:

Peterson's Theory:

Multi-nationalism theories put strong emphasis on tactical knowledge by use of which it would be possible to operate in the international markets and that corporations must have enough knowledge base to become globalized. Peterson in his studies sought the answer to the question that to what extent the Internet can help companies gain this knowledge base in the process of globalization. The Internet should fulfill 3 duties to create the required knowledge base for globalization [18]:

- Knowledge Creation
- Knowledge Transfer
- Knowledge Retention

From his point of view, information technology has caused lots of developments in the domain of commerce which are not the result of its speed or easiness, but the major reason for the rapid expansion in information technology and specially the Internet is that by making use of that international borders can easily be passed and the exchange of information is being done without any consideration to the geographical borders.

Information and knowledge are the two driving force for companies in leading them to foreign markets, so gaining the required information about foreign markets is a very important factor in the speed with which companies move toward international markets. If we divide knowledge into two types: empirical knowledge which comes from experience but cannot be transferred easily to others, and concrete knowledge which comes by the way of the standardized methods of gathering and transferring information, it is obvious that the Internet enables companies to gain concrete information about the international markets but does not guarantee at all gaining empirical knowledge for them [18].

Using the Internet in the international markets can provide diverse forms of empirical knowledge for companies. For example, getting familiar with the behavior of consumers in different markets has differing cultures. This acquired knowledge affects the companies' globalization patterns and their strategies for entering to international markets.

Kraemer's Studies:

Their studies showed that E-commerce has a direct and meaningful effect on globalization. The results of Kraemer's studies show that the Internet is used mainly for the information exchange with customers and suppliers. The following are also done through the Internet [19]:

- Giving harmony and cohesion to business process
- Support and after-sale services
- Purchase and marketing

Based on his studies, corporations less often use the Internet for sales and use it mainly for purchasing. Its major reason is that companies in their foreign purchases face lots of complex processes, also purchasing from foreign countries requires coordination with those suppliers which have a long distance from them, and so electronic purchases via the Internet have so many economic advantages for companies.

On the other hand, companies which are in a higher status from the perspective of globalization mainly use B2B method for their business transactions and making use of B2C-type E-commerce in the global level is less popular.

So, it can be concluded that in the upstream processes international companies show more willingness to use E-commerce, while this is not true for downstream processes.

A close look to the companies which are placed in a high position from the perspective of globalization and comparing them to those companies which are placed lower shows that the former group use B2B interchange services much more than the latter one; while they are equal in their use of B2C sales. On the other hand, the latter group show much more willingness to use B2C services than the former group and it shows that companies use E-commerce in sections that gain much profit from them.

Rasson's Study:

The studies conducted by Rasson et.al. concerning the Internet and the SME's being multi-national show that merely having a website does not mean entering to the global markets. But, the major point is that companies be able to draw target customers toward their websites and via them encouraging the customers to make purchases through the Internet.

Rasson et, al. have conducted their studies at three levels which include [20]:

- Application level
- Mediatory level
- Commerce level

All the companies under study, from the beginning, were seeking to act internationally a not locally. However, there have been some companies which established a website but were not seeking to enter international markets via this.

On the other hand, Internet diminishes or transforms the role of mediators in commerce and creates new mediators in this field, because information flows easily in the Internet and the nature of mediation also changes.

Based on economic approaches, companies in the way to globalization must try to reach economic measures. In fact, based on this theory companies must be turned into a world-class enterprise in order to become globalized. But Internet is a very useful tool that can put the accuracy and application of this theory under question.

In Rasson's study, B2B companies usually establish offices for themselves in foreign countries and employ individuals to have closer relations with their customers. This act causes the companies to improve their knowledge of the target markets through taking part in local networks. Information technology makes it possible for them to do it more efficiently by establishing virtual interaction and cooperation. However, there is the need, yet, to maintain (direct) human relations.

Discussion and suggestions

Usually, those companies which operate in a global level need to alertness management and preparing the required information in order to investigate the market and economic changes and the amount of consumption of the products, and the status of rivals. Also, there are organizations which provide these services. Those organizations which require alertness management in competition are categorized in one of these categories: (1) Organizations which are pioneer in industry and related branches. (2) Organizations which are active in the global market and are affective in economic conditions, types of production, prices and the latest technologies, the amount of needs and supplies and their changes in time and place. (3) Organizations pioneering and activities of which have put them on the path of using new methods and innovation. By the appearance of the Internet many companies have attempted to make use of this opportunity and reach themselves to international markets and gain the advantages in this field.

Limitations and Conclusion

It seems that the theories of the globalization stages does not account completely the stages of globalization based on the Internet in a complete and exact way. Because the Internet is a new and direct channel to access target markets and shortens and facilitates the globalization stages for companies. It can be concluded that in the upstream processes international companies show more willingness to use E-commerce, while this is not true for downstream processes.

The literature review shows that, in addition to increasing the efficiency of the market, Internet can increase learning processes in international activities (these learning activities can be accomplished by way of easy and fast access to the information of international markets. So, the Internet has a strong influence on the globalization processes and even can transform the nature of these processes.

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