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## E-Commerce Policy and International Business. Guest Editors' Introduction

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## **E-Commerce Policy and International Business**

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## **Abstract**

The rise of digitization and information and communication technologies (ICT) is playing a vital role in facilitating global trade and business activities and in overcoming cross-border transaction costs. In so doing, it offers firms significant benefits and opportunities to compete on a global scale, as witnessed during the ongoing COVID-19 pandemic. The growth and widespread diffusion of internet-enabled technologies and platforms have created numerous opportunities for firms to provide products and services across both developed and developing markets. Yet, limited research has been conducted in the international business domain to explore the rise of ecommerce and its implications for international business scholarship. In this focused issue, we present an examination of the role played by e-commerce in international business, paying particular attention to the policy aspect of e-commerce and issuing a call for a greater integration of e-commerce policy in international business research.

**Keywords:** e-commerce; cross-border online business activities; global ecommerce; platforms; networks; institutions

## **1. Introduction**

Over the past two decades, e-commerce has significantly changed the landscape of innovative business models and activities across the globe. Fueled by emerging technologies such as artificial intelligence, the Internet of Things (IoTs), and big data, e-commerce activities are on the rise, creating significant opportunities for both small and large firms to operate and provide products and services on a global scale (cf. McKinsey, 2021). In 2019, the global cross-border e-commerce market was estimated to be worth around US\$780 billion and is expected to reach around US\$4,820 billion by 2026 (cf. AP News, 2020). Similarly, other estimates indicate that around 9.3 billion cross-border e-commerce orders were placed in 2020, compared to 3.2 billion in 2015 (e.g., McKinsey, 2022). This shows the growing importance and rise of cross-border e-commerce activities, which offers important opportunities to both small and large firms to scale up their cross-border e-commerce business models.

Changing consumer behaviors and buying patterns, favorable regulatory environments, and a growing trend of digitalization are playing a significant role in the development of global online markets. Several countries have also enacted regulations aimed at supporting the development of online infrastructure; for instance, the EU digital single market (European Parliament, 2020) and China's Belt and Road initiative have provided important opportunities for businesses to interact with their customers online (cf. Yang et al., 2017). This suggests that there is a huge potential for both small and medium-sized enterprises (SMEs) and large multinational ones (MNEs) to conduct their business activities through online channels (cf. Ojala et al., 2018; Tolstoy et al., 2021). Such growth has been further amplified by the rapid spread of COVID-19 pandemic, which has impacted and dramatically changed social and economic activities on a global scale. Many governments around the world took unprecedented strict measures to contain the spread of the virus, including the imposition of lockdowns, social distancing, and border closures (cf. Dörrenbächer et al., 2021). These adversely affected economic activities,

severely damaging many brick and mortar businesses, several of which, including both large and small firms, even went bankrupt and failed (cf. Amankwah-Amoah et al., 2021). Besides social activities, those measures had a profound impact on international business activities, including global e-commerce (e.g., Mena et al., 2022; McKinsey, 2021).

The COVID-19 pandemic also accelerated the pace of digitalization and the adoption of emerging technologies in all spheres of life, changing our buying patterns and causing many brick and mortar stores to shift from offline to online business models (cf. Amankwah-Amoah et al., 2022). In essence, we are witnessing the rise of digital globalization, whereby digital capabilities and business models are taking on a more prominent role in the global economy (cf. Luo, 2022). In such a context, McKinsey (2021) noted that COVID-19 has amplified e-commerce related activities, which were instrumental in surviving the challenges of the pandemic and will remain pivotal in the *new normal*. However, the growth of e-commerce is not uniform across the globe, as the internet penetration rate is quite uneven, especially across many developing and late liberalizing economies; this hinders firms from participating in e-commerce activities (cf. Zhu & Thatcher, 2010). Much e-commerce activity is now taking place in a number of emerging markets—such as China and India—potentially providing important opportunities for firms to locate their value chain activities. Yet, the location whence the virus originated and spread may have adversely affected the locational advantages of countries, potentially forcing firms to shift to other locations in order to mitigate the prolonged impact of the crisis on their business activities. Such issues deserve greater attention from international business (IB) scholars interested in understanding the fine-slicing of MNE value chain activities and the impact of locational advantage on e-commerce growth.

Extant studies have examined e-commerce strategy; i.e., the barriers challenges related to the adoption of e-commerce (cf. Agarwal & Wu, 2015 for an overview). Within the IB field, one stream of research applies Dunning's OLI paradigm to explain the rise of e-commerce firms

(cf. Singh & Kundu, 2002). Recent IB scholarship has focused on examining the rise of platform-based firms and has highlighted the importance of both direct and indirect networks effects in explaining their internationalization and cross-border activities (e.g., Brouthers et al., 2016; Chen et al., 2019; Zeng, Khan & De Silva, 2019). The rise of e-platforms has been noted for being crucial to facilitate exports from emerging markets in relation to lessening the role played by information intermediaries (e.g., Jean et al., 2021). Despite the contributions made by the extant literature, limited discussions have been conducted around e-commerce-related policy and on how it affects international business activities and the global value chain configurations of MNEs. The key aim of this focused issue was to solicit contributions at the intersection of the international business, public policy, and legal aspects of e-commerce. This introductory article as well as the articles that are part of this focused issue provide useful insights on e-commerce policy and international business. Below, we briefly discuss e-commerce policy and international business, and then some of the key enabling factors that are facilitating the growth of cross-border e-commerce. Next, we explore the constraining factors, and key theories that can be utilized to study cross-border e-commerce, as well as the articles which are part of this focused issue.

## **2. E-commerce Policy and International Business**

The 18<sup>th</sup> century's economic geography was affected by the cost of transporting raw materials to local production locations, where they could be processed to make end products. The primary challenge of home production was that the greatest amount of the capital remained idle for most of the time (cf. Leamer et al., 1999). In the 19<sup>th</sup> century, the impact of mechanization on manufacturing and the deeper division of labor brought about improvements in transportation systems—canals, roads, railways, and fast ships (Robinson et al., 1990). Over the 20<sup>th</sup> century, further improvements in transportation and communication caused a greater geographical fragmentation of production (cf. Arndt & Kierzkowski, 2001). Businesses

outsource many of their specialist activities to specialized firms, thus producing intermediate intellectual inputs. Also, the international distribution of value-added activities is encouraged, matching the relative competitive advantage of each geographic location. These business revolutions are observed mainly due to the acceleration of the information and communication technology (ICT) transformation that connects firms, suppliers, and consumers in seamless webs; as such, this new connectivity is playing a vital role in facilitating business activities across the globe (e.g., Luo, 2022).

In particular, over the last decade, e-commerce has become an indispensable part of the global economy, as the advent of the internet has substantially transformed the world. During recent years, this has attracted significant attention from IB scholars (see Table 1). The digitalization of modern life has enabled consumers to virtually benefit from online transactions. As access to and the adoption of the Internet is growing globally, the number of digital buyers keeps rising yearly. According to Statista (2020), over two billion people purchase goods and services online and e-retail sales have surpassed US\$4.2 trillion worldwide. This upsurge in online consumers was observed during the COVID19 pandemic, as online shopping became almost a necessity due to the restrictions and lockdowns imposed by governments across the globe (McKinsey, 2021). Also, the availability of e-commerce platforms, marketplaces, and digital solutions has enabled different types of firms to navigate and pursue opportunities in international business environments (Schu et al., 2016). The usage of the Internet enables firms to acquire and interpret external knowledge, thereby gaining cheaper access to a wide variety of foreign markets (cf. Tolstoy et al., 2021). For instance, Farfetch and Asos, as well as many other similar firms are utilizing e-commerce business models and rapidly expanding into foreign markets. Some of these firms (e.g., Zalando) have initially expanded into close proximate markets (cf. Swoboda & Sinning, 2022). This suggests that e-commerce firms also

face significant institutional challenges stemming from the policy and contextual differences found across different markets.

To understand how the field has progressed, we also conducted a keyword search on articles published in major IB journals between 1999 and May 2022. We selected this time period because, during the last two decades, interest in e-commerce adoption and growth has risen across the globe. Table 1 provides an overview of the number of articles published in leading IB journals.

[Insert Table 1 about here]

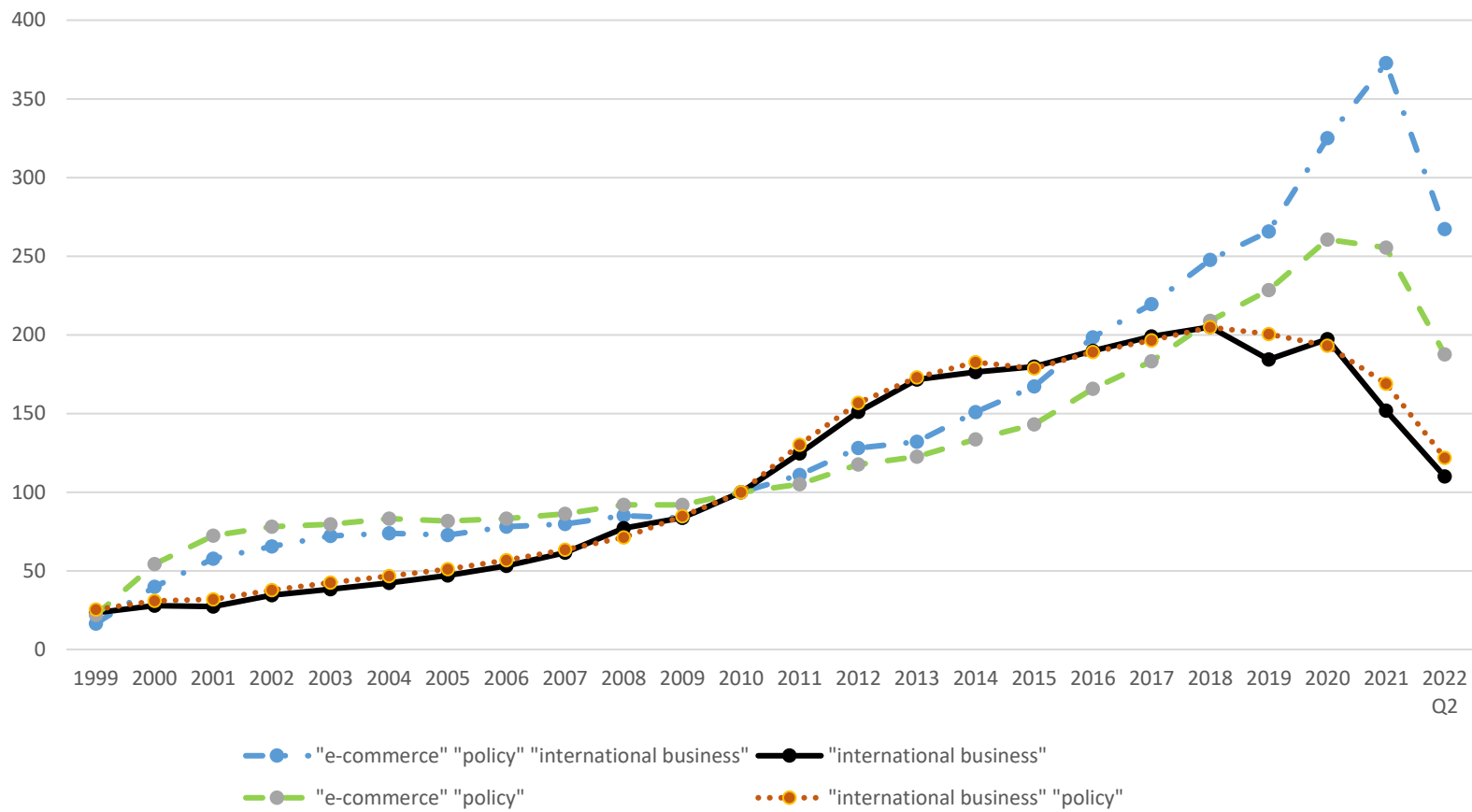
To further understand how the international e-commerce policy field has progressed relative to the more general IB one, we carried out searches on Google Scholar by year from 1999 to May 2022. The results are shown in Figure 1, which takes as its benchmark the year 2010=100. We noted that, in 2010, there were 1,280, 40,200, 13,700, and 22,900 hits for the search terms "e-commerce" "policy", "international business", and "international business" "policy", respectively. The graph presents some noteworthy findings. First, it shows that IB policy and, more generally, IB are topic areas that have exhibited very similar patterns of interest over time, with a rapid growth over the 2010-2015 period but a decline in recent years. Second, it shows that, although international business e-commerce policy and, more generally, e-commerce policy have recorded similar levels of interest over time, the former has had a relatively stronger growth over the last few years, with the highest level of growth over the 1999-2022 Q2 period. These trends likely reflect the global nature of e-commerce and the relevance of its related policies and regulations across countries due to linkages and spillovers among them (Allen et al., 2021). This also reflects the growing importance of financial technology (fintech) in international e-commerce, including but not being limited to the role played by digital currencies, initial coin offerings, and crowdfunding (Coakley & Lazos, 2021; Corbet et al., 2022; Philippi et al., 2021; Rossi et al., 2021).

[Insert Figure 1 about here]

**Table 1. Number of papers on e-commerce published in international business journals.**

<b>Journal</b>	<b>Number of papers</b>	<b>% of total</b>	<b>1999</b>	<b>2001</b>	<b>2002</b>	<b>2005</b>	<b>2006</b>	<b>2010</b>	<b>2011</b>	<b>2016</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Journal of International Business Studies	12	24.49	0	4	1	0	0	0	0	1	0	1	0	3	2
Journal of World Business	7	14.29	1	0	0	0	1	0	0	0	0	1	0	2	2
Asia Pacific Journal of Management	4	8.16	0	0	0	0	0	0	0	0	0	1	0	1	2
International Business Review	7	14.29	0	0	0	0	1	1	1	0	1	0	0	0	3
Journal of International Management	11	22.45	0	1	0	3	0	0	0	0	0	0	2	0	5
Management International Review	4	8.16	0	0	0	0	1	0	0	1	0	1	0	0	1
Global Strategy Journal	4	8.16	0	0	0	0	0	0	0	1	1	0	1	0	1
<i>Total</i>	<i>49</i>	<i>100%</i>	<i>1</i>	<i>5</i>	<i>1</i>	<i>3</i>	<i>3</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>1</i>	<i>4</i>	<i>2</i>	<i>6</i>	<i>15</i>

Figure 1. Google Scholar Hits  
Indexed to 100 in 2010



In some countries, the government plays an administrative role in regulating Internet activity content and form. For example, the European Union has taken strategy initiatives, such as the ‘*Digital Single Market*’, aimed at harmonizing the rules on digital content and online sales and at facilitating global ecommerce (European Union, 2022a). Also, in 2017, in an attempt to end geo-blockage, a new ‘*cross-border portability*’ regulation was developed in order to promote cross-border e-commerce sales (European Union, 2022b). However, some governments act opportunistically and reserve policy obligations at will. Particularly, the rise of ecommerce firms in developing countries worries policy makers concerning legal challenges related to competition, antitrust and data localization (Oxley & Yeung, 2001). Government officials feel that, given the absence of adequate infrastructure investment and human resource development, less developed countries may become further marginalized in the e-commerce world. As a result, e-commerce firms are discouraged by sunk costs in technology and legitimacy building (cf. Leamer & Storper, 2001). In this light, it can be argued that the regulatory environment differences found between developed and developing countries hamper the foreign market decisions of e-commerce firms.

Host country policies and regulations place pressure on e-commerce firms, as they require legal compellability to gain foreign market access and external legitimacy (Dong et al., 2017). In the presence of policy and regulatory distance, e-commerce firms experience challenges to the transfer of firm-specific advantages to the global stage (Ang et al., 2015). Expanding to such countries becomes even more difficult given the complexity involved in setting up reliable contracts with local logistics service providers and channel partners (Swoboda & Sinning, 2022). This also hinders firms from efficiently interacting with customers based in the more rural areas of developing markets; this makes it necessary for firms to create new types of business models suited to interact with those customers or buyers/sellers through digital platforms. Further, the Internet policies enacted in some countries hamper the learning of e-

commerce firms and increase their need to integrate prior knowledge, forcing them to internationalize to similar markets, as was the case with Zalando (Johanson & Vahlne, 1977; Swoboda & Sinning, 2022). Hence, policy differences can cause e-commerce firms to be negatively affected by a liability of outsidership, thereby discouraging their internationalization process. However, one could also argue that geographical distances matters less for e-commerce firms, as they can rapidly combine the upstream and downstream resources of their network partners and, in turn, provide products and services through digital platforms. In such a context, platform firms are developing novel business solutions for their customers through direct and indirect network effects, and are rapidly expanding across the globe (cf. Zeng et al., 2019; Stallkamp & Schotter, 2021). Institutional reforms and supportive environment are therefore vital to extend the rule of law to the policy agenda of those host countries that seek effective participation in the digital economy. Oxley and Yeung (2001) indicate that supportive institutional environment play a vital role in e-commerce growth.

## **2.1 The Key Enabling Factors of Cross-border E-commerce**

The exponential growth of cross-border e-commerce is facilitated by *economic, sociocultural, emerging technology*, and *legal* key enabling factors that promote IB activities. Below, we discuss these factors and draw implications for IB scholarship.

### ***Economic factors***

The rise of middle class, affluent consumers in many emerging markets is creating enabling environments for firms to provide them with one-click shopping experiences (cf. Cavusgil, 2021; Kravets & Sandikci, 2014). Global income level and GDP growth is spurring online business activities and supporting digital markets. This is providing firms like Amazon, eBay, Alibaba, Farfetch, Facebook, and Google with opportunities to interact with their customers and offer goods and services through online platforms. Furthermore, rapid urbanization is also supporting the growth of cross-border e-commerce activities. Increasing demand for goods and

services is creating environments conducive to traditional brick and mortar businesses converting their static business models to more dynamic and online-based ones in order to engage with their customers. During the COVID-19 pandemic, many businesses switched to online modes of delivery and engagement with their customers in order to mitigate any adverse impacts on their business activities. The impositions of lockdowns, social distancing, border closures—and the resulting panic buying—also acted as enablers and supported the global growth of e-commerce.

However, the growth of e-commerce has created potential risks for customers and sellers, as fake goods can also be advertised through online channels. This can create uncertainties because, in less developed markets, the online infrastructure is not well developed and, due to rising inflation, many customers may not be able to afford products. Also, in such markets, digital illiteracy can potentially hinder the growth of e-commerce. This offers IB scholars important opportunities to examine the impact of the rise of middle classes on global e-commerce activities and how changing demand patterns are affecting virtual intermediaries and the development of the necessary online infrastructure.

### ***Sociocultural factors***

Changes in demographics (e.g., average population age and education levels) are key enabling factors for the growth of cross-border e-commerce. Increasing numbers of young consumers are engaging with digital technologies and social media and developing virtual communities; this offers firms important opportunities to advertise and supply products and services through digital markets- see for instance luxury e-commerce platform firms like Farfetch (<https://aboutfarfetch.com/>). This enables digital platforms to disrupt traditional business models, replacing any established incumbents and reshaping firm design and structure (e.g., Ojala et al., 2018). Against this backdrop, IB scholars could examine the role played by changing demographics and by the emergence of virtual social communities in supporting

cross-border e-commerce and the associated policies related to antitrust, tariff, competition, privacy, data security, and data localization at both the national and regional levels, and how do such policies facilitate the entry of small firms from developing markets to become part of the global e-commerce value chain.

### ***Emerging technology factors***

Emerging technologies and digital connectivity are enabling firms to scale up their digital business models (e.g., Luo, 2022; Shaheer & Li, 2020). The accelerated development of digitalization, artificial intelligence, and big data technologies—as well as the penetration of the Internet across the globe—is creating substantial opportunities for firms to offer their products and services through digital markets. For example, e-platforms are supporting many emerging market firms in engaging in export activities (e.g., Jean et al., 2021). Emerging technologies, which are facilitating IB activities and creating substantial opportunities for platform-based MNEs and SMEs (e.g., Ojala et al., 2018; Zeng et al., 2019), are also paving the way for the adoption of mobile payments in many emerging markets (e.g., Kumar et al., 2021). However, variations in Internet penetration rates across developed and developing markets hinder the growth of digital markets; IB scholars could thus examine the enabling role played by emerging technologies in supporting the growth of cross-border e-commerce as well as the potential risks associated with them in relation to global digital markets. In addition, given the significant sub-national institutional variations found across emerging markets, IB scholars could examine the value creation and capture of digital firms across different regions (cf. Onuklu et al., 2021; Röell et al., 2022).

### ***Legal factors***

The legal factors and changing regulatory regimes are also playing important role in the growth of cross-border e-commerce. For instance, the EU's single digital market initiative and China's Belt and Road initiative are vital regulatory mechanisms underpinning the growth of global digital markets (e.g., European Parliament, 2020; Yang et al., 2017). However, such initiatives

are not providing small retailers with a level playing field, as e-commerce giants are engaging in predatory trade practices. Oxley and Yeung (2001) examined the barriers to the adoption and growth of e-commerce and suggested that a conducive legal system plays a significant role in them. In such a context, it would be interesting for IB scholars to examine the roles played by legal issues and by the predatory practices of giant e-commerce firms in enabling or constraining the growth of digital markets. The constantly evolving legal prescriptions in the areas of digital currency markets, crowdfunding, and other fintech applications (Allen et al., 2021) could likewise provide IB scholars with significant new research opportunities.

## **2.2 The Factors Constraining Cross-border E-commerce**

Despite the potential role played by the above enabling factors, some prominent management consulting firms, including the Boston Consulting group (BCG, 2014), have suggested that cross-border e-commerce will make the world flatter. The BCG (2014) noted six factors that are constraining cross-border e-commerce growth. Managers of both MNEs and SMEs could use this checklist and formulate strategies suited to respond to such factors.

The first factor noted by the BCG is represented by unreliable and lengthy transit times. Customers want their products to be delivered quickly; global e-commerce firms should thus pay attention to minimizing the impact of intermediaries. During the COVID-19 pandemic, the high pressure to which global supply chains were subjected due to their length caused many to question their viability (cf. Ali et al., 2022).

The second factor noted by the BCG is related to the complexity and ambiguity of product return processes. This suggests that firms need to work with a range of stakeholders—including intermediaries and government agencies—in order to make the return of products purchased online simpler and less ambiguous. In this context, e-commerce policies play an important role in aiding virtual platform buyers and sellers and supporting customs agencies in enforcing fair taxes and tariffs, and could potentially stop the entry of illicit and counterfeit products.

The BCG further identified customs bottlenecks as the third factor hindering the growth of global e-commerce. In this regard, the EU single digital market initiative is an important step toward removing bottlenecks and enhancing customer experience (cf. European Parliament, 2020).

The fourth constraining factor is related to limited transparency on delivery. Firms need to work with the governments of the countries of origin of products in order to make the tracking of items in transit more transparent by linking it with their actual delivery time.

The BCG further reported price opacity due to complicated global VAT and custom charges as the fifth constraining factor, and the limited ability to alter items' international delivery times and locations as the sixth.

These constraining factors suggest that both MNEs and SMEs involved in global e-commerce need to work closely with a range of stakeholders—including logistics service providers, sellers, and governments—to set up a supportive infrastructure for digital markets. IB scholars are uniquely positioned to investigate how firms can use their specific advantages and non-market strategies to overcome these constraints.

In addition to those identified by the BCG, legal and policy uncertainty is a significant barrier to cross-border e-commerce. For example, there is uncertainty in global fintech regulation, including but not limited to the use of digital currencies (Allen et al., 2021). How this uncertainty evolves over time and its impact on international business provide potential avenues for future scholarly work.

### **3. The Key Theoretical Perspectives of the Study of Cross-Border E-commerce Policy**

Due to its global growth, cross-border e-commerce and the associated policy regimes at the local and global level provides an important avenue in which to develop new theoretical and empirical insights and extend the existing understanding about cross-border international business activities and the rise of digital firms. In this section, we discuss a selection of the key

theories that are relevant to the examination of some of the questions pertaining to this focused issue. We start with the institutional theory as institutions shape firms strategic choices including their overseas investment decisions (cf. Peng, 2003).

### ***Institutional theory***

Institutional theory asserts that the strategic choices made by firms are influenced by the social contexts in which they operate (Meyer & Rowan, 1977; North, 1990; Peng, 2003). In explaining the behaviors of firms, institutional theorists emphasize social norms, processes, and expectations (DiMaggio & Powell, 1983). Institutional theory provides valuable theoretical insights into the cross-border activities of e-commerce firms. Specifically, institutional distances—in terms of regulations, norms, and cultures—act as important boundary conditions for international e-commerce firms, accordingly affecting their internationalization process decisions (Swoboda & Sinning, 2022). While digitalization is connecting the world and providing customers, resources, and information with global reach (Shi et al., 2020; Qi et al., 2020), the institutional environment—e.g., the policies pertaining to online businesses and customer attitudes toward online reputation—varies across countries (cf. Luo et al., 2020). Such institutional variation implies that e-commerce firms engaged in cross-border activities are often embedded in sets of challenges that differ from those involved in conducting business in a single country. Thus, institutional theory provides an important lens for the examination of how global e-commerce firms overcome the challenges associated with weak institutions and how they exploit their firm-specific advantages (FSAs) to mitigate the negative impact of such challenges on the adoption and growth of e-commerce in a given market. Future research could use institutional theory to shed light on the sustainability and non-market strategies of e-commerce firms across both developed and emerging markets, as data localization, antitrust, data security and privacy issues are becoming extremely important in the context of cross-border e-commerce activities.

### ***Internalization theory***

Internalization theory suggests that firms internally organize bundles of activities to develop and exploit their FSAs, such as knowledge, brand reputation, and management skills (Buckley & Casson, 1976, Buckley & Casson, 2009; Hennart, 1982; Rugman, 1981). Internalization theory is centered on explaining the foreign direct investments of firms with a focus on their strategic decision-making and behavioral heterogeneity. Therefore, this theory has long provided one of the main theoretical rationales explaining the progress of internationalizing firms (Benito et al., 2019; Kano et al., 2021; Narula et al., 2019). As per *new internalization theory*, MNE foreign direct investment and performance in foreign markets is shaped by the combination and exploitation of both FSAs and country-specific advantages (CSAs) (cf. Narula & Verbeke, 2015; Rugman & Verbeke, 2003). Market imperfections mean that firms need to internalize their intangible assets. As Narula and Verbeke (2015, p. 1615) indicate: “bundles of CSAs and FSAs as a starting point for the analysis, but with the combination of international business opportunities and the MNE's resources reservoir, subjected to a dual Coasean and Penrosean assessment, leading ultimately to an appropriate level of entrepreneurial resource orchestration that will in turn affect both business opportunities and the firm's resource reservoir in the next period.”

In regard to cross-border e-commerce, the proponents of internalization theory suggest that firms should accumulate, into their digital platforms, technological assets that can work in concert with human capital (cf. Banalieva & Dhanaraj, 2019). When technological FSAs—which include patents, copyrights, trademarks, and ICT-based innovations—are combined with human capital, they ensure the easy cross-border transferability of knowledge (Zeng et al., 2019). However, e-commerce firms should invest in protecting their FSAs from imitation in international markets, as superior performance can be achieved through their recombination and exploitation of FSAs across different markets. Recently, scholars have called for research

aimed at understanding the challenges associated with the recombination of FSAs (cf. Grøgaard et al. 2019; Lee et al., 2021; Verbeke & Kano, 2016); in this regard, cross-border e-commerce activities can offer important opportunities to investigate how firms exploit, bundle, and recombine their FSAs across their value chains and in different markets (Hennart, 2009; Narula & Verbeke, 2015). Also, advantages developed based on intangible assets (e.g., web-traffic and reputation) in home market can be potentially deployed by internet firms in foreign markets (cf. Kotha et al., 2001). Going forward, scholars could draw upon insights from the institutional and new internalization theory in examining the creation and capture of value through the utilization of intangible assets by e-commerce firms across different markets.

### ***Network theory***

Network theory relates to the mechanisms and processes that interact with network structures to yield outcomes for individuals and groups (e.g., Emerson, 1976; Johanson & Mattsson, 1988). It is about the complementarities among network partners that influence the behaviors and actions of actors to create value. Much of the theoretical research wealth of networks is focused on describing their structures (e.g., global, small) and node positions (e.g., central) (cf. Borgatti & Halgin, 2011). Research utilizing network theory suggests that cross-border e-commerce benefits from networks of partners located in different countries (Couclelis, 2004; Doern & Fey, 2006). By being embedded in international electronic networks, e-commerce firms gain access to external resources while efficiently governing the behavior of their cross-border partners (cf. Agarwal & Wu, 2015). The benefits of international electronic networks represent a powerful asset for e-commerce firms operating in emerging markets (Benmamoun et al., 2018). The prevalence of networks across the Internet lowers not only the entry and exit costs for emerging market e-commerce firms but also coordination and search costs. Thus, e-commerce firms are motivated to form Internet-based networks in order to gain access to complementary assets (Agarwal & Wu, 2015; Shim & Shin, 2016). Network theory can provide

novel insights into the resource acquisition strategies of e-commerce firms and the impact of direct and indirect network effects on e-commerce growth.

### ***Resource dependence theory***

The central tenant of resource dependence theory is that firms are open systems dependent on the contingencies occurring in the external environment (cf. Pfeffer & Salancik, 1978; Hillman et al., 2009). As stated by Pfeffer and Salancik (1978, p. 1), “*to understand the behavior of an organization you must understand the context of that behavior—that is, the ecology of the organization.*” Resource dependence theory deals with the influence of external factors on the organizational environment and posits that, regardless of contextual constraints, managers can reduce any external environment uncertainty and dependence. In this regard, power—i.e., control over critical resources—is vital (Ulrich & Barney, 1984). E-commerce firms engaged in cross-border operations can manage the costs of dependence and attain any constrained resources. Particularly, the Internet and other emerging technologies make any needed resources available by enabling the establishment of linkages with trading partners located in international markets (cf. Alsaad et al., 2019). Also, the use of technologies facilitates the procurement and support the transmission of information (Chatterjee & Ravichandran, 2013). Furthermore, e-commerce firms can limit the power of any international partners by switching to or relying on multiple one through the use of digital technologies, thereby supporting their own international expansion activities (Zhou et al., 2018). It would be interesting to examine the power imbalances created by digital platforms and their resource mobilization efforts across developed and developing markets. Firms can gain resources through direct and indirect network effects, and holding a central position in a given network facilitates their resource acquisition and innovation (Wu et al., 2021). Further, future studies could combine network and institutional theory with resource dependence theory and shed light on how the characteristics of emerging technologies and platforms influence the dynamics of power and

interdependencies between firms and their ecosystem partners and local governments in the diffusion and growth of e-commerce across both developed and developing markets.

### ***The dynamic capabilities perspective***

The dynamic capabilities perspective proposes that markets are dynamic and that, rather than being heterogenous in their resource endowments, firms exhibit differences in the capabilities through which they acquire and deploy resources (Teece et al., 1997; Teece, 2014). By exploiting their own dynamic capabilities, firms can implement new strategies that reflect changing market conditions by combining and transforming their resources in new and unique ways (Eisenhardt & Martin, 2000). That is to say that dynamic capabilities are change-oriented ones through which resources can be redeployed and competencies can be renewed in order to sustain competitive advantages with shifting business landscapes (Teece et al., 1997; Teece, 2014). Research based on the dynamic capabilities perspective suggests that the development of an e-business dynamic capability is vital to engage in cross-border e-commerce activities and achieve sustained competitive advantages in international markets (Daniel & Wilson, 2003; Rindova & Kotha, 2001). The e-business dynamic capability enables e-commerce transformation and fosters firms' ability to create cross-border customer value through the use of innovative technologies (Wu & Hisa, 2008). E-business dynamic capabilities can involve digital sensing, digital seizing, and digital transforming, which enable digital transformation and facilitate cross-border e-commerce (Ghosh et al., 2022; Warner & Wäger, 2019). But the ways in which firms develop and deploy their various capabilities and scale up their e-commerce business models require further research; therefore, dynamic capabilities and resource orchestration approaches (cf. Teece, 2017; Sirmon et al., 2007; Sirmon et al., 2011; Zeng et al., 2021) can be useful lenses through which to examine how e-commerce firms leverage different types of capabilities for superior performance across different markets. Institutional theory suggests that firms' strategies are shaped by institutions and that firms need

to establish their host market legitimacy; future studies could thus integrate the dynamic capabilities perspective and institutional theory to investigate which kind of capabilities are central to managing institutional uncertainties and, in turn, enable e-commerce firms to develop their host market legitimacy.

#### **4. Research Questions Featured in the Call for the *MIR* Focused Issue on E-commerce Policy and International Business**

We solicited contributions centered around these questions and related topic areas:

1. How does e-commerce affect global capital flows to emerging and developed markets?
2. What are the ways that SMEs can use crowdfunding to internationalize?
3. How are multinationals affected by e-commerce policy?
4. How does e-commerce policy affect the IB and SME ecosystem?
5. How does e-commerce affect trade flows in different institutional contexts?
6. What is the role of WTO in shaping e-commerce policy, and how does regulatory harmonization affect e-commerce policies?
7. Does e-commerce policy affect cross-border investment from venture capitalists and private equity funds?
8. How do regulatory changes affect e-commerce policies and adoption of e-commerce across different countries?
9. How does e-commerce policy affect multinational value chains?
10. How does e-commerce policy affect the link between SMEs and multinationals?

#### **5. An Overview of the Articles Included in this Focused Issue**

The aim of this focused issue was to encourage scholars to explore the potential role of e-commerce policy and IB. We received an encouraging response to the call and we appreciate the time and dedication of the anonymous reviewers in providing insightful comments to the manuscripts included in this focused issue. We received submissions covering a wide variety of topics related to e-commerce policy and IB. The five articles included in this focused issue are summarized in Table 2.

**Table 2. Summary of the Articles Included in this Focused Issue on E-commerce Policy and IB**

<b>Authors</b>	<b>Research question(s)</b>	<b>Theory/perspective</b>	<b>Context</b>	<b>Key Findings</b>
Ahi, Sinkovics and Sinkovics (2022)	What are the implications of policy for e-commerce?	National institutions	Theoretical/Conceptual	An inclusive international e-commerce needs the participation of SMEs and less developed economies through reforms in national institutional environments and the development of the infrastructure.
Lee, Yang and Ghauri (2022)	How does institutional pressure affect digital platform risk?	Institutional perspective	A quantitative survey of 260 Chinese international new ventures (INVs) with 394 responses	The uncertainties associated with domestic and foreign market e-commerce policy affect the risks of digital platforms for INVs. Further, the COVID-19 pandemic acted as a moderating mechanism affecting digital platform risk and the internationalization scope of INVs.
Singh, Munjal, Kundu and Rangarajan (2022)	RQ1: What impact do the Indian government's policies have on mitigating home country-level market barriers to SME internationalization through e-commerce platforms? RQ2: What impact do the Indian government's policies have on mitigating industry-level market barriers to SME internationalization using e-commerce platforms?	Institutional perspective	A qualitative study of a sample of Indian SMEs	The e-commerce policies enacted by the Indian government support platform-based SME internationalization due to improved procedural efficiency and educational programs. However, burdensome compliance procedures, logistical hurdles, and unfair trading practices reduce the impact of the export efficiency of e-commerce policies.

Troise, Battisti, Christofi, van Vulpen, and Tarba (2022)	<p>RQ1: How can SMEs use equity and reward crowdfunding to internationalize and bypass traditional systems/channels?</p> <p>RQ2: What are the limitations related to the use of equity and reward crowdfunding by SMEs to internationalize?</p>	The resource-based view (RBV) and knowledge-based view (KBV)	A qualitative study of a sample of Italian SMEs	<p>The findings show that equity and reward crowdfunding play a vital role in helping SMEs to overcome their financial and knowledge resource limitations in regard to internationalization. However, the lack of e-commerce policies in relation to equity crowdfunding and the regulation of the pre-ordering mechanism limit the use of crowdfunding by SMEs.</p>
Cha, Kotabe and Wu (2022)	How can the divergence of global e-commerce policies affect the internationalization of sharing economy firms across different countries?	Hayek's knowledge economy approach	Conceptual	<p>The quality of digital platforms matters for the persistence of digital platform-based transactions. In this case, detailed and well-organized e-commerce policies are needed to separate the trade-offs between value creation from data ownership and control against national security threats.</p>

In the first article of this focused issue, Ahi *et al.* (2022), emphasize the issues related to policy and the development of international e-commerce. They argue that, in terms of data protection, legal protection, and business laws, governmental policy influences the adoption of e-commerce. The authors perform a thematic analysis of academic papers and reports published by government organizations. They argue that national infrastructure environments (i.e., consumer protection environment, data security and protection, and mitigation of e-business risks) and infrastructure (i.e., access to finance, digital literacy, and advice on legal issues like taxation and exporting) determine the development of an inclusive international e-commerce environment for firms—particularly SMEs—from less developed economies. The authors conclude the paper by outlining areas for future research, including national e-commerce readiness, e-commerce taxation policy, and international e-commerce policy for SMEs. Future studies could use these conceptual insights to empirically test the relevance of various policy-related initiatives for e-commerce in less developed countries and the ways in which national level e-commerce policy affects the internationalization of SMEs as well as the inward foreign direct investment by MNEs.

In the second article, Lee and colleagues (2022), argue the role played by domestic and foreign market e-commerce policy uncertainties as well as by the COVID-19 pandemic in affecting the digital platform risk and internationalization scope of INVs. Unlike most previous work conducted from the institutional perspective, Lee and colleagues compare the effect of domestic and foreign market e-commerce policy uncertainties for digital platform risk and determine the contingency role played by the COVID-19 pandemic. The authors conducted a rigorous quantitative study by using two-by-two waves of surveys with 260 Chinese INVs, resulting in 394 responses. The results of structural equation modeling suggest that foreign market e-commerce policy uncertainty, as compared to its domestic market counterpart, has a

stronger positive impact on digital platform risks for INVs, which in turn negatively influences the internationalization scope of INVs. Additionally, the findings reveal that the COVID-19 pandemic acted as a moderator, so that it (1) weakened the positive relationship between domestic market e-commerce policy uncertainty and perceived digital platform risk; (2) strengthened the positive relationship between foreign market e-commerce policy uncertainty and digital platform risk for INVs; and (3) strengthened the negative relationship between digital platform risk and the internationalization scope of INVs. The contributions of this study lie in demonstrating the role played by e-commerce policy uncertainty, digital platform risk, the COVID-19 pandemic, and the internationalization scope of INVs from an institutional perspective.

The study of Singh et al. (2022) discusses the relevance of policy initiatives in regulating e-commerce platforms. They argue that the Indian government's policies mitigate home market barriers (i.e., enhance export efficiency, mitigate governance concerns related to e-commerce, and overcome knowledge and skills barriers) and industry-related ones (firm size, restrictive industry regulations, price competition, technological limitations, domestic and foreign competition, unfair trading practices, and industry concentration). This is in line with the claims made by Lee and colleagues in their article on the role played by policy initiatives in support of the international e-commerce activities of SMEs from emerging markets. The empirical context of platform-based internationalizing SMEs, as compared to traditional SMEs from India, opens both theories to fresh examination, and reopens debates on the importance of platform-based SMEs for international development. Based on the analysis of 16 semi-structured interviews with SME managers, government officials, and industry expert in India, the findings show that India's Draft National E-commerce policy has enhanced efficiency by simplifying any administrative hurdles and managing anticompetitive threats in the Indian

platform-economy context. The Indian government has also made a concerted effort toward educating and training SMEs to adopt e-commerce for export. However, the bureaucracy, procedural complexity, and unfair trading practices create challenges for SME exploitation of e-commerce policy initiatives. The paper extends the literature on e-commerce by showing how government policy reforms shape the internationalization activities of platform-based SMEs. As studies have demonstrated that platform firms drive superior performance through direct and indirect network effects (cf. Zeng *et al.*, 2019; Stallkamp & Schotter, 2021), it would be interesting for future studies to explore the effects of domestic and foreign networks on the internationalization of e-commerce firms from emerging/developing markets and their value creation and capture in different institutional settings. In future, there is also a need for studies aimed at examining the network effects as well as the national and global institutional factors and the digital intensity of particular industries, and how these factors influence the initial internationalization and post-entry performance of e-commerce firms. Such studies could integrate comparative institutions and examine their impact on digital globalization in facilitating or hindering the growth of e-commerce in a particular market (e.g., Oxley & Yeung, 2001; Hempel & Kwong, 2001).

The fourth article, by Troise *et al.* (2022), focuses on the role played by equity and reward crowdfunding. The study took the RBV and KBV to argue that equity and reward crowdfunding—albeit to different extents—provide SMEs with additional valuable resources (e.g., new knowledge on markets, products, and strategy) for internationalization that go beyond the traditional effect of crowdfunding for fundraising. This reflects Cumming and Johan's (2017, 2019) and Ahsan and Musteen's (2021) idea and evidence that international opportunities are identified and exploited through crowdfunding. Therefore, Troise and colleagues add to the scant body of research on the role played by crowdfunding in the international venturing of SMEs and address the neglected questions of how SMEs use equity

and reward crowdfunding to internationalize and bypass traditional systems/channels, and of what limitations related to the use of equity and reward crowdfunding affect SME internationalization. The authors adopted a multiple case study design and collected qualitative data through 48 semi-structured interviews conducted with SMEs located in Italy. The focus on Italian SMEs primarily from the service sector (e.g., information and communication services) brings our focus back to the debate surrounding the knowledge-based economies (Harris, 2001) and the prominence of the service sector in the international business context (cf. Doh et al., 2021). The authors found that both equity and reward crowdfunding are vital for the internationalization of SMEs, given their role in providing financial resources, developing international networks, increasing foreign market awareness, and establishing international agreements/brands. They further noted that Italian SMEs face challenges in the use of crowdfunding linked to the absence of e-commerce policies, restricted domestic platforms, and limitations for foreign investors. To further extend this work, future studies could consider the concept of 'culture' and understand its relevance for equity vs. reward crowdfunding in relation to SME internationalization (e.g., Jancenelle et al., 2019; Nambisan et al., 2019).

In the final article in this issue, Cha, Kotabe, and Wu (2022) address a gap in our understanding of how the divergence of global e-commerce policies can affect the internationalization process of sharing economy firms over time. While previous studies were focused on the global strategies adopted by firms on the basis of existing network advantages (cf. Brouthers et al., 2016; Chen et al., 2019), their static approach, which involved a core-periphery network model, offered a limited understanding of the internationalization of sharing economy firms that form business ecosystems with exponential and rapid growth over time. Cha and colleagues adopted the Hayekian perspective (1945, 1988) to effectively account for the internationalizing

problems faced by sharing economy firms in the presence of diverging global e-commerce policies. The paper suggests that it is vital for sharing economy firms to govern business ecosystems by facilitating the self-organization of their participants through digital protocols and code-based algorithmic rules. This can make a sharing economy firm more likely to benefit from lower profit volatility and greater flexibility through economies of scale and continuous innovation by collective intelligence. The contributions made by this study are three-fold. First, it applies Hayek's concepts related to the knowledge economy and focuses on the attributes of digital platform-based transactional opportunities for value propositions and value creation through ecosystem-specific advantages. Second, the authors concentrate on how the sharing economy can internationalize its business models based on digital algorithmic rules. Third, it is argued that, since 1998 within the WTO, the debate and discussion on e-commerce policies have not developed; the authors therefore suggest propositions suited to address these questions in future studies. Future scholarly work could build upon this study and integrate dynamic capabilities and knowledge based approaches to examine how sharing economy-based e-commerce platform firms combine heterogeneous ecosystem knowledge assets and create and capture value (cf. Teece et al., 1997; Teece, 2007; Grant, 1996; Grant & Phene, 2022; Felin & Hesterly, 2007). It would also be interesting to examine the role played by national and global institutions and managerial actions in the scaling up of global business models of e-commerce firms. As institutional theory states that firms expanding into foreign markets face different institutional logics, it would be important to study how a global e-commerce firm "*recombines the knowledge acquired in its home market with the gradual accumulation of learning in the foreign market*" (Kogut & Zander, 1993, p. 636), and develops new set of digital capabilities that are scalable across network of subsidiaries.

Finally, each of the articles examines important issues related to e-commerce policy and its ramifications for IB. Collectively, these articles provide unique insights into and advance our understanding of this important topic as many governments such as India are making e-commerce policy a key part of their foreign trade policy (e.g., Mint, 2022). The focused issue also suggests that there is further scope for more integrative and comparative studies on e-commerce policy and its implications for IB. Future studies could make national and global policies on e-commerce a central part of their theorizing in order to provide a more fine-grained understanding of the role played by e-commerce policy on cross-border e-commerce activities.

## **6. Summary and Concluding Remarks**

In this paper, we presented evidence that e-commerce policy in international business is growing at a substantially faster rate than the average research area within the field of international business. This research interest is driven by the natural intersection between e-commerce and international business and the relevance of policy and regulatory spillovers from one country to another. We provided a summary of the major factors that both enable and inhibit the expansion of e-commerce around the world, we illustrated the theoretical lenses through which these topics could be examined in future research, and we explained how the excellent papers in this special issue contribute to the literature. We expect the evolving international policy landscape surrounding e-commerce and new technologies aimed at financing e-commerce to continue to offer significant areas of scholarly inquiry in the future.

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