



## Entrepreneurial Decision-Making of Born-Digital Companies Using An Effectuation Lens

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### Abstract

In order to examine how born globals in developing economies create global possibilities in a digital global business environment, this paper will reply to requests for papers in the field of international entrepreneurship. This study's goal is to use effectuation theory to analyze how digital businesses develop prospects in international marketplaces. This study is based on numerous case studies from two Indonesian game firms and qualitative data. By offering insights into the decision-making logic utilized by international entrepreneurs in born-digital enterprises, this study contributes theoretically to the literature on IE. The results also support further study in this field and improve our understanding of born globals.

**Keywords:** *International Entrepreneurship; Effectuation; Born Globals; Indonesia*

### INTRODUCTION

The subject of international entrepreneurship has to pay more attention to research on the internationalization of digital enterprises (Gabrielsson, Raatikainen, & Julkunen, 2022). Since its inception, emerging businesses have had the ability to serve global markets thanks to digital products, processes, and business models. Born globals refer to the phenomena of early and quick internationalization. Young firms, the firm as the unit of analysis, and exporting as the main entrance mechanism are the characteristics of Cavusgil and Knight's (2015) definition of born globals. Digital technologies encourage the emergence of enterprises that were founded as born-digital businesses. Digital technologies make it possible for novice business owners without previous expertise, industry understanding, or access to networks to launch new ventures.

Small businesses with digital value offerings that operate in foreign marketplaces have not received much attention in the present literature. Additionally, the importance of digital technologies in the pursuit of entrepreneurial prospects has received little attention in the field of entrepreneurship study. Even while some businesses are similar in certain aspects, there may be variances in how they approach digitalization, internationalization, and entrepreneurial activity. These businesses frequently operate in demanding conditions with significant levels of uncertainty that affect decision-making. A scant amount of research has been done to fully understand how young and tiny businesses that have access to few resources, networks, and business experiences quickly internationalize after their founding.

Although much academic study on born globals has come from developed economies (Weerawardena, Mort, Salunke, Knight, & Liesch, 2015), the field is still in its infancy in emerging markets like Indonesia. Despite the crucial role that these markets play in fostering global economic growth, there are few studies that focus on born globals from these regions. For IE research to advance, it is essential to comprehend the role of entrepreneurs who operate businesses across borders from emerging nations (Kiss, Danis, & Cavusgil, 2012). Most current studies have focused on a firm as a unit analysis. As a result, the behaviors and decision-making processes of firms' founders have not been well explored. Entrepreneurs, particularly in small firms, play a central role in making decisions or guiding the firm to internationalize.

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The decision-making processes of born-digital businesses during accelerated internationalization are examined in this study. The primary research issue that the current study addresses is this: How do Indonesian-born digital enterprises decide whether to go global? The methodology used in this study is a response to recent requests in international business research that underline the need for qualitative research in order to gain from more methodological transparency (Fletcher, Massis, & Nordqvist, 2016).

By incorporating studies on entrepreneurial decision-making into the digital context, born globals, and the function of effectuation for the internationalization of early and rapidly internationalizing enterprises, this work adds to the body of past international entrepreneurship literature.

## **LITERATURE REVIEW**

### **International Entrepreneurship (IE)**

International entrepreneurship has become an important field of study for entrepreneurship and international business researchers. Mainela, Puhakka, and Servais (2014) and Styles and Seymour (2006) both claim that IE research has shifted from initially concentrating on a specific type of early and rapidly internationalizing firms, such as BGs and INVs, to now emphasizing the behaviors of actors (such as individuals and organizations) that cross national borders, such as opportunity discovery, enactment, evaluation, and exploitation. The growth of opportunity, according to scholars, has influenced the IE literature's theoretical significance and the predominant focus on early and swift internationalization. Opportunity-driven behaviors have not been a key focus of theoretical discussions despite the fact that influential IE researchers have acknowledged the role of opportunity (Korhonen & Leppäaho, 2019). The search of international prospects is at the heart of the IE field's entrepreneurial behaviors (Chandra, Styles, & Wilkinson, 2015). It is necessary to investigate the business practices of entrepreneurs from emerging economies, which have helped more than a quarter of the world earn sizable profits from overseas marketplaces. Numerous calls from IE academics, in particular, to investigate globalization that started in emerging nations (Knight, 2015). Cavusgil and Knight (2015) claim that the characteristics of Born Globals are driven by extraordinary entrepreneurial talent, which is frequently supported by owners/founders or managers who are endowed with distinctive intangible resources and past experience doing business abroad.

This study focuses on businesses that are referred to as "born-digital", meaning they were founded in the Internet age or very soon thereafter (Vadana, Kuivalainen, Torkkeli, & Saarenketo, 2021). Being digital and economical opens them the possibility to experiment with various strategic stances. Although they could start selling to foreign clients online quite readily from the beginning, not all BD companies have worldwide operations; it is crucial to note [21]. BD companies reach customers early in their life cycles by using the internet and other technologies to deliver their goods and services (Nambisan, 2017). Online platforms or digital business models, for example Spotify, which specialises in streaming media are another sort of BD enterprise that has been examined in the literature. As their business strategy is centred on selling services to their user base rather than just maximising the sales margin, these companies are frequently compared to brick-and-mortar businesses because they are less capital expensive, simpler to expand, and more successful in the long run (Haenninen, Smedlund, & Mitronen, 2018; Hennart, Majocchi, & Hagen, 2021). They stand out from businesses whose value chains have become increasingly digitalized over time (mature digital businesses) as well as from young and mature low-digital businesses that have not yet experienced a digital transformation (Vadana et al., 2021).

**Effectuation**

By selecting various effects that can be produced with the given tools at hand, Sarasvathy (2001) proposed the decision-making logic known as effectuation in the literature on entrepreneurship. Entrepreneurs must recognize opportunities and make choices while dealing with ambiguous circumstances while starting new businesses. Entrepreneurs who follow the principles of effectuation begin with three sets of resources: who they are, what they know, and who they know. Entrepreneurs and managers who adhere to this logic typically consider a particular effect as given and concentrate on picking particular ways to achieve a certain effect goal. Sarasvathy (2001) contrasts effectuation with causality. Assuming that the future is unpredictable, entrepreneurs analyze rivals, market trends, and perceived competitive advantage to find possible markets. Affordable loss is the second effectuation principle. Entrepreneurs are advised by Effectuation to concentrate on what they can afford to lose rather than on forecasting potential gains. Entrepreneurs decide to form partnerships with self-selected stakeholders rather than investing in deliberate planning and market research to target possible stakeholders based on preselected goals. Crazy patchwork is a concept that encourages business owners to work with a variety of acquaintances as well as brand-new contacts. Entrepreneurs encounter unexpected circumstances when starting new businesses. The fourth principle, "Lemonade," advises businesspeople to view shocks as chances rather than as things to stay away from in order to maintain control over a fluid situation.

Most entrepreneurship academics have assumed that people engage in rational, goal-driven behaviors when pursuing entrepreneurial possibilities (Fisher, 2012). Thus, a goal-driven, purposeful model of decision-making, known as a causality model by Sarasvathy (2001), is the most common entrepreneurial choice model taught in many business schools. The sub-constructs in causation are as follows: (1) starting with a predetermined objective, (2) emphasizing expected returns, (3) emphasizing competitive analysis, (4) utilizing prior knowledge, and (5) attempting to predict a risky future. When someone utilizes causal reasoning, they start with a predetermined objective, concentrate on projected rewards, prioritize competitive analyses, take advantage of known information, and attempt to forecast an unknown future.

**RESEARCH METHOD**

This study included a multiple case study and an abductive qualitative methodology. The decision-making logic of international entrepreneurs in the context of internationalization in emerging markets was the subject of in-depth investigation using the multiple case study approach (Muzychenko & Liesch, 2015). Additionally, this method is helpful when there is a blurring of the lines between context and phenomenon (Yin, 2003) and when there are a lot of descriptions and information available about the IE process in emerging markets (Eisenhardt & Graebner, 2007). To gather information for triangulation, main data sources were employed, including in-depth interviews and site visits. In addition, archival data from businesses' records, press announcements, and publications, as well as field notes and memos, were employed to triangulate data.

To guide the case selection process, the following four selection criteria for case studies were identified:

1. During the time of data collection, entrepreneurs continued to engage in foreign activities (such as exporting) and had been personally involved in decisions regarding internationalization.
2. Within three years of its establishment, the entrepreneurs had begun foreign business ventures, and at least 25% of their earnings came from exports (Knight & Cavusgil, 1996).
3. Small or medium-sized businesses that were founded in Indonesia were owned or co-owned by entrepreneurs.

4. Their companies have a fully digitalized value chain and are based around exclusive online platforms.

Prior to conducting interviews, the researcher outlined the study's goals, requested consent to audio-record, and assured participants that all remarks and responses would be kept private. Interviews were conducted with business owners who were also the founders/co-founders of SMEs in each case. Prior IE research has demonstrated that entrepreneurs drive SMEs' decisions about internationalization (Chetty, Ojala, & Leppäaho, 2015). A single interview may last around 60 minutes, and it was conducted in Bahasa Indonesia. All were recorded, and then verbatim transcripts were made based on the recordings, with English translations of the original Bahasa Indonesian statements.

## **FINDINGS AND DISCUSSION**

This section describes the decision-making logic of the two case companies and points out critical events throughout the process.

### **Case A**

In Bandung, West Java, 18 young people with a shared interest for games created the firm Case A. When they were both students at the same university in 2008, they took part in a lot of gaming tournaments. Due to the unfriendly business climate in Indonesia, the company decided to expand into foreign markets by developing web flash games in the foreign flash marketplace, such as in the Netherlands and the UK. Only 18 of the 40 flash games it created were sold. The company began developing advertising and service games in 2010 and 2011. PlayStation, web, and smartphones are the platforms where these games are currently playable. In 2012, it collaborated with the leading American video game publisher. In 2013, it created a game with a Japanese company and established the Indonesian Gaming Association. The business moved into Southeast Asia the next year after working with a well-known Malaysian game developer to create a well-liked game based on a popular TV drama. The company produced training games for businesses in 2016 and obtained funding from angel investors. It created a console game project and made it available on the crowdsourcing website, such as Kickstarter in order to conduct market research and get feedback from funders. The company has worked with a well-known UK-based gaming distributor since 2018 to help them promote their products. Additionally, the business has created cutting-edge marketing and instructional solutions in partnership with MNCs, including Samsung, Unilever, Ford, and Nokia. It has also partnered with universities to offer internship programs for students and establish curricula and courses about games in an effort to actively promote the advantages of the Indonesian game industry to the government and state-owned businesses and secure their support for the sustainability of game development. It has also held game competitions. The co-founder has also worked with the government to develop a curriculum for games in Indonesia and set legislation for the gaming industry. The company has so far created more than 250 games for various platforms and genres, serving a variety of functions and appealing to a wide range of players and audiences.

### **Case B**

A digital studio called Case B creates games and apps mostly for mobile devices. Entrepreneur C and his college pals were active members of student organizations that frequently took part in competitions, research, and various projects since they were both interested in technology. They made the decision to start the company when they were still undergraduates at Yogyakarta's Faculty of Computer Science, opening a cooperative studio in 2011. At first, they didn't

think much about growing the business; instead, they focused on developing products, competing in events, and managing projects. The founders' first chance to expand internationally came when they joined a group of software developers organized by a Finnish MNC with an Indonesian headquarters. In order to become a legal organization, they had to register their business after landing their first significant project in 2012. Since then, the business has focused on the B2B and B2C (business-to-consumer) markets and has provided a variety of services, including games and mobile apps (for education, travel, health, and music) that are accessible for smartphones running iOS and Android operating systems in the App Store and Google Play Store, respectively. This case demonstrates how unexpected contacts can lead to unanticipated internationalization, as was the case with B2B, and how international chances can occur with the help of existing networks (such as a business partner). From Malaysia, a subsequent worldwide possibility appeared in 2016. Since the company's B2C largely caters to foreign clients, it frequently comes across worldwide chances through its current networks, including its business partners in Jakarta. In 2019, a Japanese business accidentally offered the entrepreneurs a project, which was the most recent international possibility. Recently, the business developed an internship program for college students and began working with a Yogyakarta University's vocational program.

The findings demonstrate that the born global-digital enterprises tended to follow effectuation logic when seeking the first international opportunity, then unfolded to causation in the late internationalization. In the beginning, the naturally born digital entrepreneurs who lacked international experience and knowledge tended to apply the principle of effectuation, being flexible in how they explored international markets, for instance, by conducting experiments to identify buyers/customers who might need their products/services. In other words, they didn't have a specific target nation in mind for entering the international market. They were able to enter foreign markets rapidly and early by using the bird in hand principle or by relying on the means they already had— *Who I am* (e.g. characteristics), *What I know know*, and *Who I know social network* (e.g. family, friends).

Entrepreneurs from born-digital firms were also challenged to establish their businesses when lacking demand from domestic markets but global markets, like in the game industry. By relying on their knowledge of digital technologies and limited knowledge about international markets, they were able to enter international markets, as stated by the co-founder of Case A:

*"It was hard to say because when we started our company, we had made games that focused on international markets. In 2009, as a start-up in the game industry, the strategy was to earn money by making a flash game. The business model was selling games to the owners of portals of flash games overseas. If I was not mistaken, the companies were from the Netherlands and the UK around Europe." (Co-founder of Case A)*

Case studies demonstrate that when entrepreneurs wanted to enter international markets but lacked local networks, they turned to partnerships (crazy quilt). As stated in the following quotation from the co-founder of Case B, the crazy quilt principle emphasizes negotiation and pre-commitment before market entry and advises responding favorably to new partners, customers, or stakeholders who present as interested in collaborating:

*"The Japanese company found us from the website. We agreed to work together with the Japanese developers to help to create a game that will be distributed there. Even though we had different time working, we followed their rules such as to report the tasks through the system regularly." (Co-founder of firm B)*

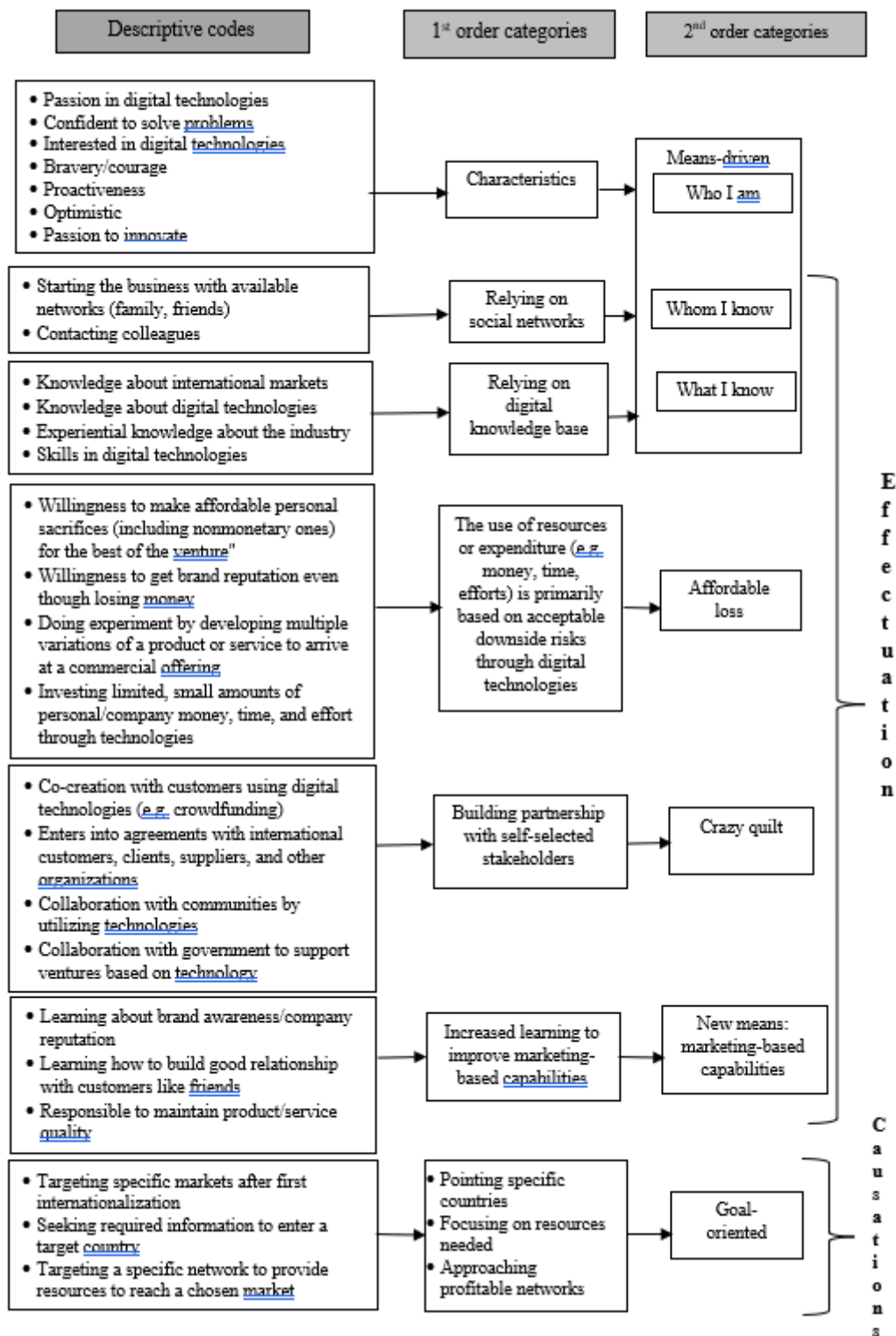


Figure 1. Data structure in born digital firms

**CONCLUSIONS**

With regard to Indonesia specifically, where there is a dearth of research on the IE, an important Southeast Asian economy, this study seeks to expand research on born globals from emerging countries (Falahat, Knight, & Alon, 2018). We emphasize how born-digital enterprises and born-traditional firms in Indonesia behave, make decisions, and implement

internationalization strategies differently than born globals described in the literature from industrialized nations. In addition, this study demonstrated how born-digital businesses adopted and applied the digital business model/servitization in the IE setting (Gabrielsson et al., 2022; Tolstoy, Nordman, Hånell, & Özbek, 2021). By documenting how born-digital businesses might support internationalization efforts, this study answers to calls for action (Tolstoy et al., 2021). Third, our work contributes to the expanding body of knowledge on the application of IE's effectuation theory to the world of born-digital businesses. By using effectuation, we may observe the reasoning for the quick internationalization of digital enterprises (Sarasvathy, Kumar, York, & Bhagavatula, 2014). The effectuation principles, such as means-driven, affordable loss, lemonade, and crazy quilt, were adhered to in this study.

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