

Mapping Success: A Study on Firm Capabilities in Chinese Cross-Border E-Commerce

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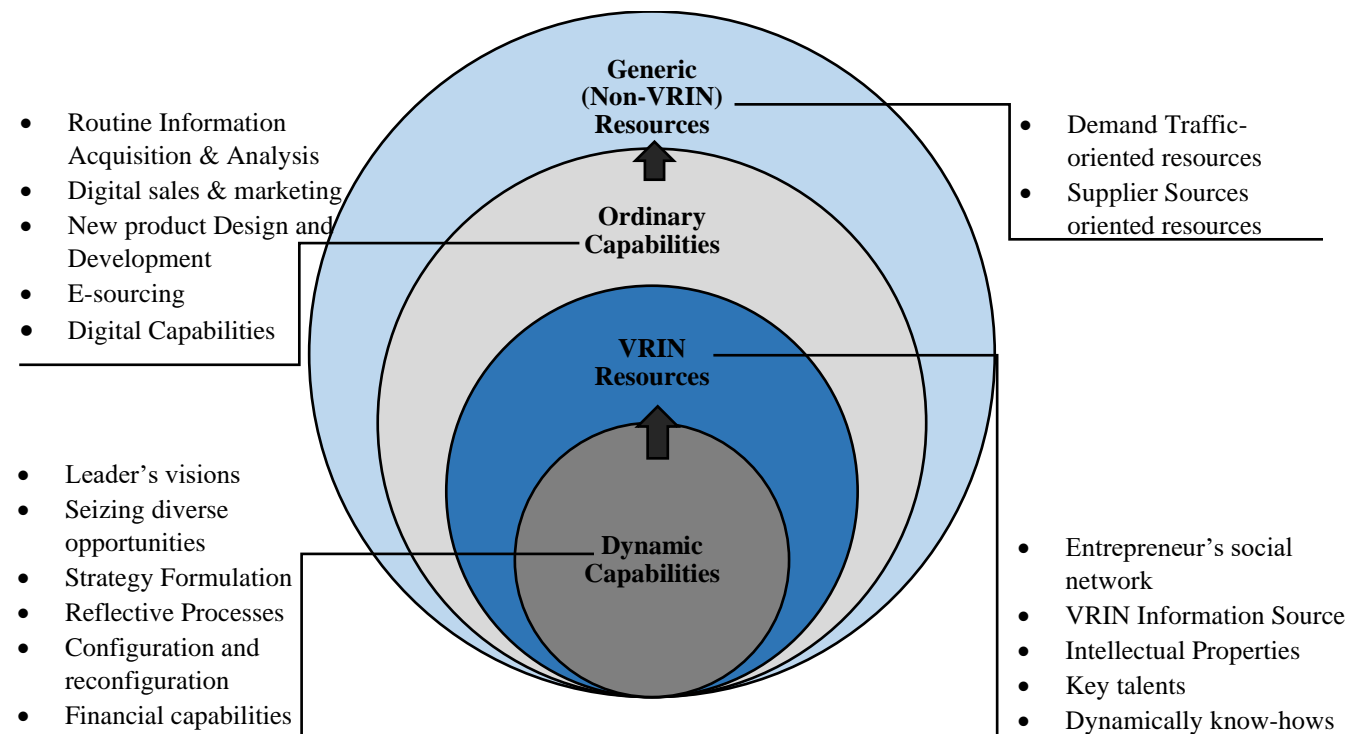
Cross-border e-commerce (CBEC) facilitates online international transactions, allowing consumers to purchase goods across national borders (Wang, 2014). China's CBEC has rapidly developed in the past decade, with new technologies, such as mobile internet applications, logistics, cross-border payments, and increasingly recognized artificial intelligence, contributing to the emergence and growth of CBEC. However, despite numerous small companies entering the CBEC sector, only a few have sustained until today. This paper explores the factors influencing the success of CBEC companies from the perspective of firm resources and capabilities.

This research, guided by resource-based theory (Barney, 1991) and the dynamic capabilities framework for multinational enterprises (Teece, 2014), investigates the Chinese fashion CBEC sector. Barney (1991) proposed that for a company's resources to provide a competitive advantage, they must meet the criteria of being valuable, rare, inimitable, and non-substitutable (VRIN). Dynamic capabilities (DC), as initially defined by Teece, Pisano, and Shuen (1997), refer to an organization's and management's ability to integrate, build, and reconfigure internal and external competencies to adapt to rapidly changing environments. Teece et al. (1997) identified the key components of firms' DC as processes, positions, and paths, later refining this concept to include sensing, seizing, and transforming. In Teece's study of multinational enterprises (2014), he emphasized the distinction between firms' ordinary capabilities (OC) and DC. While OC rely on non-VRIN resources to help CBEC firms survive, DC enable firms to sustain themselves by leveraging VRIN resources (Teece, 2014). CBEC companies have transformed adaptation and capability evolution in a fast-changing environment. Those who effectively manage OC while rapidly consolidating DC tend to survive and thrive. However, the specific OC that enable Chinese CBEC survival and the necessary DC remain unknown. Therefore, to fill this gap, this study aims to explore what are considered OC and DC, and how these capabilities have evolved.

This study employed semi-structured qualitative interview by taking a criteria sampling approach (Yin, 1994) to select participants involved in the daily operations of CBEC in China. Twelve interviews were conducted in 2023, with two additional interviews in 2024, involving a total of fourteen participants. The interviews were conducted through online conferencing tools and were audio-recorded with participants' consent. The participant pool comprised three individuals engaged in data analytics within CBEC, one business owner, three digital sourcing and marketing managers, two data professionals who working in digital platform companies, one logistics specialist, one fashion designer, and three fashion CBEC buyers. Each interview, lasting between 45 minutes and 2 hours, covered various aspects of their involvement in CBEC. The audio recordings underwent transcription and were analyzed using MaxQDA, a qualitative coding software, applying the continuous comparative study method (Glaser, 1965). The coding process commenced with a predefined list of themes based on our structured framework, with new themes emerging iteratively until data saturation was achieved (Guest et al., 2006).

Figure 1 shows the themes that emerged from the study data. Leaders' visions and the ability to seize diverse opportunities emerge as essential elements supporting DC. Reflective processes contribute significantly to the firm's DC, fostering continuous evaluation and learning. The dynamic processes of configuration and reconfiguration enable firms to adjust internal resources in response to external opportunities and threats. While traditionally viewed as static, financial capabilities also play a dynamic role in the CBEC context. Four out of thirteen participants, at the managerial or business owner level, shared insights on capabilities. Our data showed that while digital capabilities might be too expensive for SME firms, they tend to gain information through social networks. However, participants expressed concerns about the diminishing benefits of social networks. Simultaneously, most participants emphasized data-driven capabilities, a capacity that becomes ordinary capabilities eventually. In terms of VRIN resources, the participants shared that a robust entrepreneur's social network is a valuable and rare resource. This network provides resource accessibility, fosters opportunities, and serves as a source of strategic insights. VRIN information sources, intellectual properties, key talents, and dynamically evolving know-how further contribute to a firm's unique competitive advantage.

Figure1 Firm Capabilities and Resources: A Conceptual Model in the Context of Chinese CBEC



OC encompasses routine activities that are necessary for the day-to-day functioning of CBEC firms. Routine information acquisition and analysis, digital sales and marketing, new product design and development, and e-sourcing represent the foundational activities that sustain the operational aspects of the business. Rich data on OC were uncovered, such as sales forecasting and remote operation of routine tasks, exemplified by a participant who discussed a system for sales volume predictions and four others who confirmed the use of overseas warehouses. Participants shared that demand traffic-oriented, and supplier sources-oriented resources are now non-VRIN resources given many other CBEC firms have such. These resources, while not inherently rare or inimitable, become critical in optimizing operational efficiency and managing relationships with key stakeholders.

In conclusion, this study is significant because it is the first study that attempted to delineate the strategic management framework encompassing both DC and OC, underscored by a discerning focus on both VRIN and non-VRIN resources, establishing the foundational principles for CBEC firms operating within the Chinese context. The implications of these findings underscore the imperative for managerial personnel within CBEC firms to cultivate a comprehensive skill set that traverses the administrative and entrepreneurial domains. By doing so, such managers are poised to fortify CBEC firms against the challenges inherent in the dynamic market, ultimately fostering a climate conducive to enduring success and competitiveness.

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