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THE EFFECT OF EARLY INTERNATIONAL COMMITMENT ON INTERNATIONAL POSITIONAL ADVANTAGES IN SPANISH AND BELGIAN INTERNATIONAL NEW VENTURES

Abstract: Past research into internationalisation processes assumes that prior experience influences a firm's capability to absorb foreign market knowledge and its international competitiveness. However, recent international entrepreneurship research seems to suggest that an early international commitment can also contribute to develop competitive advantages. Further study of this relation will provide a better understanding of the competitive behaviour of international new ventures. This paper focuses on how international new ventures acquire market knowledge from and develop sustainable positional advantages in foreign markets. The hypotheses derived from our model were tested using extended data gathered from samples of Spanish and Belgian new ventures. To support the validity of the scale content used, all the items were taken from a review of related literature. Furthermore, we attempted to ensure that they meet the conceptual definition and reflect all the relevant dimensions. We used confirmatory analysis to evaluate convergent validity. A structural equation model was used in the study to test the hypotheses posited. The results of the data analysis allow us to confirm that an early international commitment influences the positional advantages of international new ventures, since it facilitates the development of market orientation.

Introduction

Most previous research on internationalisation behaviour concludes that firms become involved in exporting and other forms of international business gradually (Johanson and Vahlne, 1977). However, in the last twenty years a new business reality has called into question the main assumptions on which the gradualist approaches are based. This reality concerns companies that do not follow a gradual pattern of internationalisation, but rather are characterised by their rapid commitment to the development of international activities. These companies are known as "International New Ventures" (McDougall et al., 1994; Servais and Rasmussen, 2000; McDougall et al., 2003; Coviello, 2006), "Born Globals" (Knight and Cavusgil, 1996; Madsen and Servais, 1997; Aspelund and Moen, 2001; Andersson and Victor, 2003), "Global Start-ups" (Oviatt and McDougall, 2005), "Born-Again Global Firms" (Bell et al., 2001), "Committed Internationalists" (Bonaccorsi, 1992), "Early Internationalizing Firms" (Rialp et al., 2005), "Instant Internationals" (Preece et al., 1999), "High Technology Start-ups" (Jolly et al., 1992) and "Internationally Focused Knowledge-Intensive Firms" (Bell, 1995). The most accepted definition of international new ventures is that put forward by Oviatt and McDougall (2005), who define these companies as business organisations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. In other words, they are companies created with a commercial and managerial projection limited by neither local nor national borders, and their product/market area takes on an international dimension from the moment of creation.

The study of this business reality is important because it cannot be explained in terms of gradualist approaches. Gradualist approaches have perceived the internationalisation of a venture as a learning process associated with several stages of international commitment (Bilkey and Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota and Johnston, 1983; Sharkey et al., 1989). These models are based on the premise that managers are risk avoiders rather than risk takers, so choices about foreign investments are primarily based on firms' experiential knowledge (Björkman and Foresgren, 2000) and are related to the size of the company (Cavusgil, 1980; Bonaccorsi, 1992; Calof, 1993). The international behaviour demonstrated by international new ventures cannot be understood under the deterministic assumptions made by the gradualist models. In fact, the international activity of these ventures is not the result of saturation in domestic markets, and its sequence of international growth is not conditioned by an international experience derived from its physical presence in the foreign market. The emergence of this new type of firm has therefore opened up gaps in the theory that demand new theoretical approaches with which to analyse them (McDougall et al., 1994; Oviatt and McDougall, 2005; Bell, 1995; Knight and Cavusgil, 1996; Madsen and Servais, 1997; Aspelund and Moen, 2001; Westhead et al., 2001, Dana and Wright 2004), that provide an understanding

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4 of this new business reality, and that help the managers of such firms to overcome the liabilities
5 of newness and foreignness they face.

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7 In summary, the increasing number of firms classified as international new ventures, the
8 importance of such firms in terms of innovation, employment and economic growth, the
9 challenges facing their managers, and finally the limitations of existing theory combine to
10 highlight the importance of research focusing on this phenomenon (Zahra and George, 2002).
11 As a consequence, many researchers have centred their interest on the factors that can act as
12 enablers of international commitment in new companies, as well as accelerating the process of
13 internationalisation itself (see Oviatt & McDougall, 2005; Rialp et al., 2005 for a review).
14 Nevertheless, research into how international new ventures can develop international positional
15 advantages and grow in foreign markets has not attracted the same attention in the literature
16 (Autio, 2005; Zahra, 2005). In this respect, some authors have examined how age at first
17 international entry and technical knowledge can influence international growth in new ventures
18 (Autio et al., 2000; Oviatt and McDougall, 1997; 2005; Congcong, et al., 2005). Others have
19 examined how business networks contribute to success and international growth in new
20 ventures (Chetty and Campbell-Hunt, 2003; Autio et al., 2005; Fernhaber and McDougall, 2005;
21 Congcong, et al., 2005). However, since intangible assets such as market knowledge and
22 capabilities have become more and more crucial to develop a positional advantage in
23 international markets (see, e.g., Knight and Cavusgil, 2004; Jantunen et al., 2005 and 2007),
24 there is a need to investigate further how international new ventures can leverage their
25 international positional advantage by mobilising these intangible resources (Jantunen et al.,
26 2007).

27 In this sense, many researchers have indicated that an early international commitment may be
28 a contributing factor in international new ventures' attainment of important positional advantages
29 over companies that follow slower internationalisation processes (Oviatt and McDougall, 2005;
30 Erikson et al., 1997; Hitt et al. 1997; Autio et al., 2000; Wagner, 2004). An early international
31 commitment may also help international new ventures to assimilate new foreign market
32 information and knowledge and rapidly develop actions to respond to this information. In this
33 vein, Autio et al. (2000) point out that "learning advantages of newness" (p.919) can be
34 identified that derive from the speed with which new companies operate in international
35 markets. Oviatt and McDougall (2005) state that "the learning advantages of newness represent
36 a counterpoint to the widely accepted concept that there is a liability of newness for young
37 firms...and deserve additional empirical testing and conceptual development" (p. 549). Zahra
38 (2005) indicates that "the concept of learning advantages of newness opens the black box that
39 appears to exist in theorizing about the advantages that international new ventures might reap
40 from internationalization" (p.26).

41 As a result, we know little about what affects the learning advantages of newness of
42 international new ventures. In response to this gap, we seek to address the following research
43 question: How can international new ventures develop international positional advantages in
44 international markets? The main objective of the paper is to analyse how early international
45 commitment contributes to the generation of positional advantages in two ways: directly, with
46 early international commitment as an antecedent of international positional advantage; and
47 indirectly through its effect on market orientation which, in turn, has a positive influence on
48 international position advantages. Figure 1 shows the model comprising our hypotheses. We
49 tested the mediating effect of market orientation through empirical research on Belgian and
50 Spanish international new ventures.

51 **Insert Figure 1**

52 The paper continues with a review of the background literature to justify the hypotheses of our
53 theoretical model. The empirical study is then divided in two parts: first the measuring
54 instruments used are presented, and second the results obtained from the study of Spanish and
55 Belgian international new ventures are compared with the hypotheses. This is followed by a
56 discussion of the results based on the body of theory underpinning entrepreneurship and
57 international marketing, and taking into account the limitations of the study. Finally, the paper
58 closes with conclusions, implications and suggestions for future research.

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International Positional Advantages in International New Ventures

International new ventures are companies that operate internationally from their very creation. They are characterised by an early international commitment that seems to provide them with certain international positional advantages in relation to companies that develop slow processes of internationalisation (Oviatt and McDougall, 2005).

A firm's international commitment is understood as its development of an activity in foreign countries (either by exports or by direct investment). Degree, scope and speed can be considered as the most representative variables of a firm's international commitment (Dess et al., 2003). Degree refers to the firm's percentage of foreign turnover, scope reflects its geographic diversification, while speed of internationalisation represents the number of years since firm foundation to initial entry into foreign markets. A firm's commitment in foreign markets will vary depending on these dimensions. The greater the international degree scope and speed, the greater the firm's international commitment will be. For well-established firms, it can be argued that international commitment is an extension of their domestic activities (Johanson and Valhne, 1977, 1990; Bilkey and Tesar, 1977; Cavusgil, 1980). These firms have normally developed and built up resources and capabilities at home that spread into international markets (Johanson and Valhne, 1990). In order to compete in an international arena, companies need to develop new resources, routines and organisational processes, which implies that well-established firms must unlearn routines rooted in domestic operations before new internationally oriented routines can be learned (Grant, 1996). Unlearning embedded routines becomes more difficult as firms get older because new knowledge that leads to new routines tends to conflict with both existing operations and management's embedded mental models (Autio et al., 2000). As Autio et al. (2000) point out, the cognitive, political and relational impediments associated with older firms are obstacles to the identification and development of new business opportunities in international markets in favour of national markets. In addition, some authors raise the point that experiential knowledge, the term used to define knowledge generated by the firm's experience, bears a series of associated costs that could limit the capability of the firm to be competitive in international markets (Erikson et al., 1997; Hitt et al. 1997; Wagner, 2004).

International new ventures attempt to avoid domestic path dependence by the early establishment of routines to manage multicultural forces, coordinate international resources and sell in different countries (Oviatt and McDougall, 2005). In this vein, Autio et al. (2000) claim that new ventures with an early international commitment are better able than more slowly internationalising companies to identify and take advantage of new business opportunities in international markets and to achieve better positions in them as a result.

Consequently, we can propose that:

H₁: Early international commitment by international new ventures has a positive effect on their international positional advantages.

Market Orientation and International Positional Advantages: The mediated effect

As we have seen, an early international commitment can have a direct effect on the international positional advantage enjoyed by new ventures. However, in this paper we argue that this relationship will be mediated by the market orientation the international new venture develops. Indeed, international new ventures need market information and knowledge both to overcome the liabilities of newness and foreignness (Knight and Liesch, 2002) and to develop international positional advantages (Oviatt and McDougall, 2005). In addition, these companies must process and integrate this information into their existing organisational knowledge to generate tacit market knowledge and marketing capabilities (Cohen and Levinthal, 1990; Zahra and George, 2002). The shortage of resources and the lack of experience in foreign markets would lead international new ventures to develop market oriented behaviours that facilitate tacit knowledge to identify and take advantage of new business opportunities (Knight and Cavusgil, 2004). Definitions taken from the two most relevant market orientation approaches (Kohli and

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4 Jaworski, 1990; Narver and Slater, 1990) (for a review see Bigné and Blesa, 2002), enable us
5 to define a market-oriented organisation as one that develops behaviours to coordinate the
6 various company functions designed to search for and gather information from consumers,
7 competitors and the environment; it disseminates this information across the company and
8 designs and implements a reaction in accordance with the information obtained, based on
9 identifying and constructing distinctive capabilities of the organisation in order to satisfy
10 consumers by providing them with superior value.

11 Knight and Cavusgil (2004) demonstrate that developing a market orientation can help an
12 international new venture to gain positional advantages in international markets. They contend
13 that market orientation provides not only market information, but also market intelligence
14 processes that help new ventures to obtain the advantages of entrepreneurial
15 internationalisation (Knight and Cavusgil, 2004). In order to be innovative and identify new
16 opportunities in international markets, international new ventures need to develop searching
17 processes, as well as analyse market information to redesign innovation according to the
18 different needs and characteristics of international markets. Moreover, market orientation of
19 international new ventures contributes to their proactiveness through scanning and sharing
20 information activities (Slater and Narver, 1995; 1998). Market-oriented businesses carry out
21 much wider explorations, adopt a long-term approach and are far more likely to take on a
22 generative learning process (Slater and Narver, 1998). This takes the form of a commitment to
23 understanding both the expressed and unexpressed needs of their customers and their
24 competitors' plans and capabilities through the processes of acquiring and evaluating market
25 information in a systematic and anticipatory way.

26 Thus the following hypothesis is proposed:

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28 H₂: The relation between an international new venture's early international commitment and its
29 international positional advantage is mediated by the market orientation of the firm.

30 31 32 **Method**

33 To test these hypotheses, data were gathered from samples of international new ventures from
34 Spain and Belgium operating in several industries. Spanish firms were selected from the Dun &
35 Bradstreet (2002) database, which contains references of 850 000 Spanish firms, classified in
36 terms of turnover. Belgian firms were selected from the Gewestelijke
37 Ontwikkelingsmaatschappij (GOM 2005) database of Flemish enterprises containing 15 000
38 Flemish firms employing at least 5 full time employment equivalents. This database appeared to
39 be the most appropriate in view of obtaining a maximum response from new ventures
40 (according to our definition). In addition, the GOM database also provided us with useful extra
41 information such as the VAT number and contact persons of interest in the firm. The distinctive
42 characteristic of these companies is their high international commitment from the outset, as a
43 high percentage of their sales derive from foreign markets in a short period of time after their
44 foundation (Oviatt and McDougall, 1997). In light of this, three criteria were used to select the
45 companies for the survey in both countries. First, the companies had to be of recent creation.
46 According to various studies, this short period of time ranges from three years (Madsen and
47 Servais, 1997), six years (Zahra et al., 2000), seven years (Jolly et al., 1992) and up to eight
48 years (McDougall and Oviatt, 1996) after beginning their activity. Since the aim of this work is to
49 study the behaviour of these companies after their creation, the requirement set for the sample
50 was that firms had been created after 1997. Second, companies had to be engaged in
51 international activities; we considered businesses whose level of exports was over 25% of their
52 annual sales to have a consolidated international presence. Third, companies could not be
53 subsidiaries or affiliates.

54 The questionnaire was pre-tested through personal interviews with 25 CEOs of international
55 new ventures. Each participant in the pre-test answered the questions as s/he read them and
56 verbalised any thoughts that came to mind. The interviewers specifically asked the CEOs to
57 consider ambiguities, inapplicable questions, interesting issues etc. The items were revised in
58 relation to each personal interview, but no changes were required.

59 The field research was carried out during the last quarter of 2005. After applying the above-
60 mentioned selection procedures, our sample consisted of 537 Spanish and 382 Belgian
61 international new ventures. For the field research, interviewee collaboration was requested,
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4 together with confirmation of the e-mail address. Once the questionnaire had been sent out,
5 follow-up contact was made by telephone to increase the response rate. The questionnaire was
6 posted on the Internet and an e-mail was also sent to each CEO with a link to the questionnaire.
7 A total of 135 Spanish companies (25.14 per cent) and 72 Belgian companies (18.85 per cent)
8 completed the questionnaire. These response rates are in line with previous studies that have
9 undertaken multi-country analyses (e. g. Kreiser et al., 2002 or Kustin, 2004).

10 To test for non-response bias, the responses of early and late respondents were compared.
11 Analysis of the *t*-test showed no significant differences at the 0.05 level, indicating an absence
12 of non-response bias (Armstrong and Overton, 1977).

13 The average age of Spanish companies was 4.38 years (SD 1.68) and they had been operating
14 internationally for the previous 3.9 years (SD 1.61). These companies had an average of 25.91
15 employees, and their annual turnover was below 800 000 euros for 22.6 per cent of the firms,
16 between 800 000 and 5 000 000 euros for 45.9 per cent, and over five million euros for the
17 remaining 25.7 per cent. The Belgian firms had an average age of 4.55 years (SD 2.31), they
18 had been operating internationally for the previous 4.04 years (SD 1.70) and had an average of
19 46.81 employees. Of the Belgian firms, 22.7 per cent had a turnover below 800 000 euros, 54.6
20 per cent between 800 000 and 5 000 000 euros and 22.7 per cent had a turnover of over five
21 million euros.

22 **Measuring instruments**

23 **Early International Commitment**

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26 Following Oviatt and McDougall's (2005) reasoning, we use three indicators to measure three
27 vital aspects that define early international commitment. First, the time between the creation of
28 the company and its internationalisation. Second, the international degree of the company,
29 measured as the percentage of foreign activity of the firm since internationalisation. This
30 indicator considers that a company whose percentage of international activity is over 50% in the
31 period since its internationalisation has a higher international commitment than a company that
32 carries out no more than, for example, 10% of its activity abroad over a comparable period. The
33 following activities of the company value chain were taken into account to compute the
34 percentage of activity carried out abroad: manufacture, research and development, marketing,
35 advertising and promotion, after-sales service. Finally, we consider the total number of countries
36 where the company sells its products.

37 **Market orientation**

38
39 We opted to measure market orientation with the eclectic scale developed by Blesa and Bigné
40 (2005). The dimensions of this scale were based on the MARKOR (Kohli et al., 1993) and
41 MKTOR scales (Narver and Slater, 1990). However, due to the scale's structure, some items
42 had to be relocated from their place on the original scale because, although both scales deal
43 with the same construct, they consider different approaches and the dimensions used were
44 therefore not the same. Repeated items were also removed and items from other scales
45 referring to aspects not reflected in the above scales were included, such as price policies,
46 discussion of market tendencies (Deshpandé et al., 1993), identification of emerging segments,
47 appearance of new products, information exchange stimulations, environment-directed
48 strategies, and information flow to consumers (see Table 1). This procedure was similar to that
49 applied by Matsuno et al. (2000) to refine the MARKOR scale.

50 **Insert Table 1**

51 **International positional advantage**

52
53 To measure international positional advantage, the CEOs were asked to state the position of
54 their business in its main foreign market with respect to its main competitors in that market for
55 different competitive areas such as products, services, price, distribution, communications,
56 profitability, performance and market share (see Table 2). This scale is based on previous
57 research by Szymanski et al. (1993), Zahra and Garvis (2000), Knight and Cavusgill (2004),
58 Vorhies and Morgan (2005) and Rasheed (2005).
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4 **Insert Table 2**
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7 **Validity and reliability of the scales**

8 Most researchers in the social sciences assume that the indicators of a scale measure the
9 effect of the measured construct, and as such the items (observed variables) that comprise the
10 scale are perceived as reflective indicators of the underlying constructs (the latent variable)
11 (Diamantopoulos and Winklhofer, 2001). Nevertheless, causal indicators seem to be more
12 appropriate when they may be considered as the reason more than the effect of the latent
13 variable measured (MacCallum and Browne, 1993).

14 This alternative measurement perspective involves the creation of an index rather than a scale
15 (Bollen and Lennox, 1991). The key characteristics of these formative models are (Jarvis et al.,
16 2003): (1) the direction of causality from the measurement to the construct, (2) there is no
17 reason to think that the measurements are correlated, (3) the elimination of a measurement
18 model indicator can change the meaning of the construct, (4) the measurement error is
19 considered at the level of the construct, and (5) the value in the scale does not adequately
20 represent the construct. One construct of the model proposed in this paper has these
21 characteristics: early international commitment.

22 As a consequence of these characteristics, the conventional procedures used to evaluate the
23 validity and reliability of reflective indicator scales are not appropriate for indices with formative
24 indicators (Diamantopoulos and Winklhofer, 2001). Four questions are critical to construct
25 indices appropriately (Diamantopoulos and Winklhofer, 2001): content specification, indicator
26 specification, indicator collinearity and external validity. To check the content and specification
27 of the index indicators, all the items were extracted from a review of the related literature,
28 verifying that all the relevant dimensions of the construct were brought together.

29 The multicollinearity analyses between the indicators of the different indices show that the
30 maximum variance inflation factors (1,029 in the Spanish sample and 1,236 in the Belgian
31 sample) are below the commonly accepted threshold of 10 (Kleinbaum et al., 1988) in every
32 index.

33 Finally, following recommendations by Jarvis et al. (2003) on the evaluation of the external
34 validity, three reflective indicators were added to the formative construct, and a multiple
35 indicators and reasons model was estimated for every index. Table 3 shows the reflective
36 indicators. The estimation of the models attain a good overall fit.

37 **Insert Table 3**

38 Confirmatory factor analysis was performed to purify the reflective scales (market orientation
39 and international competitive position). This methodology allows the researcher to contrast
40 theoretical models in which the representative latent variables of a certain theoretical concept
41 and the indicators designed to measure them are present. Confirmatory factor analysis has
42 become an essential tool in validating measurement scales as a result of these properties
43 (Steenkamp and Van Trijp, 1991).

44 The model was progressively improved by the sequential elimination of the least suitable
45 indicators. Thus, indicators whose standardised coefficients (λ) were below 0.4 (Hildebrandt,
46 1987), and whose student t-test statistic was lower than 2.58, were removed. Following these
47 criteria, we eliminated items Disemin5 and Implem4 from the market orientation scale in the
48 Spanish sample. None of the scale items were eliminated in the Belgian sample. One diagnostic
49 tool to evaluate internal consistency is the coefficient of reliability that evaluates the consistency
50 of the entire scale, and in which Cronbach's alpha (Nunnally, 1979) is the most extensively used
51 measurement. Additionally, other complementary reliability tests were carried out: the composite
52 reliability of the construct and the extracted variance analysis.

53 A confidence interval test was performed to examine discriminate validity. This test consists of
54 verifying that the value "1" does not appear in the estimated confidence intervals for the
55 correlations between each pair of dimensions. The results of the validity and reliability analyses
56 are described in Tables 4 and 5.

57 **Insert Table 4**

58 **Insert Table 5**
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4 On comparing our validity analyses with Blesa and Bigné's (2005) results, some of the
5 standardised coefficients for our market orientation scale were lower than the lowest coefficient
6 in Blesa and Bigné's study, but the goodness of fit improves in both of our samples. The
7 Cronbach's alphas are very similar in both studies. When we compare the scale for international
8 positional advantage with the scale for performance in international markets used by Knight and
9 Cavusgil (2004), some of our standardised coefficients were lower than their lowest coefficients,
10 but our composite reliability reached a similar level.

11 ANOVAs were performed to ensure that the characteristics of the sample do not have any effect
12 on the constructs involved in the model. Firms' international experience and size were used as
13 control variables, with the latter measured by the previous year's turnover and number of
14 employees. No significant differences were found in any of the analyses.

15 **Results**

16 Structural equation models have proven to be particularly useful when the research aim is to
17 establish the direct causal contribution of one variable to another in a non-experimental situation
18 (Jöreskog and Sörbom, 1993). This type of analysis was used in the present study. Table 6
19 shows the results of the estimation of the relationship model with the SEM.

20 The sample size required by this type of analysis increases in proportion to the complexity of
21 the model. Given the small size of our samples, in order to simplify the model, the market
22 orientation measurement scale was narrowed down to five indicators, which corresponded to its
23 dimensions. To do this, the items making up each dimension were averaged.

24 **Insert Table 6**

25 All the relations proposed were statistically corroborated in both samples (see Table 6). As
26 expected, positive and significant effects were found between early international commitment
27 and international positional advantages ($\gamma = 0.47/0.59$, $t = 5.27/5.78$); early international
28 commitment and market orientation ($\gamma = 0.13/0.41$, $t = 3.21/7.01$); and market orientation and
29 international positional advantages ($\gamma = 0.50/0.68$, $t = 4.08/4.43$). In Table 7 the direct effect of
30 early international commitment on international positional advantages was compared with the
31 indirect effect through market orientation, concluding that in both samples the effect through
32 market orientation is greater than the direct effect. These results demonstrate that the
33 competitive positions achieved by international new ventures are better when these companies
34 are market orientated; thus confirming hypotheses H_1 and H_2 (see Table 7).

35 **Insert Table 7**

36 **Discussion**

37 The results of this research confirm the importance of early internationalisation by new ventures
38 in explaining their international positional advantages. Specifically, the study's results
39 demonstrate that early international commitment is associated with some positional advantages
40 and that learning advantages of newness –the term used by Autio et al. (2000) to talk about the
41 positional advantages associated with early internationalisation– not only have a positive
42 influence on the international growth of new ventures, as Autio et al. (2000) indicate, but they
43 also contribute to improve the competitive position of the company regarding products, services,
44 distribution, communication, profitability, performance and market share. Early international
45 commitment by new ventures generates international positional advantages both directly and
46 indirectly through its influence on market orientation. Our research has shown that the moment
47 in which new businesses move into international markets, positive effects are noted in market
48 orientation.

49 Additionally, the paper has corroborated the positive relation between market orientation and
50 international positional advantages. This result suggests that market orientation provides the
51 information, knowledge and the actions that international new ventures need in order to
52 compete in foreign markets. The analysis of the sources of competitiveness for international
53 new ventures helps to better understand how newly created companies struggling with liabilities
54 of newness and foreignness can be competitive at an international level. For this reason, our
55 results extend and complement past research in international entrepreneurship. Indeed, Oviatt
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4 and McDougall (2005) indicate that the enterprising and networking capabilities associated with
5 international new ventures could be behind their competitive advantages at an international
6 level. This paper highlights the importance of a new factor in explaining the international
7 competitiveness of international new ventures.

8
9 Furthermore, by viewing early international commitment as an independent variable, we
10 complement past research that has mainly considered it as a dependent variable. Indeed, most
11 studies in this line of research have focused on determining the factors that can explain the
12 exceptional speed with which certain new companies are internationalised (see Zahra and
13 Garvis, 2002 or Rialp et al., 2005 for a review). For example, some studies emphasise industry
14 characteristics or environmental factors (Oviatt and McDougall, 2005; Bloodgood et al., 1995).
15 Other studies discuss the internal capabilities required to facilitate early internationalisation,
16 such as the entrepreneur's level of experience, managerial strategic orientation (McDougall and
17 Oviatt, 2000; Dimitratos and Jones, 2005) and networking relationships (Eriksson and Chetty,
18 2003; Fernhaber and McDougall, 2005; Godesiabois, 2005).

19 This paper confirms that early international commitment influences the capability of international
20 new ventures to generate and understand, in a systematic and anticipatory way, both the
21 expressed and latent needs of their clients, as well as the plans and capabilities of their
22 competitors, through processes of acquisition and evaluation of information, since it can be
23 considered as an antecedent of market orientation in these companies. In other words, early
24 international commitment influences how these firms acquire data and knowledge from the
25 market, process this information and generate actions according to it. The establishment of an
26 early international commitment by international new ventures as a factor that can influence their
27 capability to acquire new knowledge about international markets contrasts with one of the
28 hypotheses raised by the gradualist models of internationalisation, namely, that a company's
29 experience and physical presence in international markets play a fundamental role in explaining
30 how they acquire tacit knowledge of the market (Johanson and Valhne, 1990). These results
31 are in keeping with the recent contributions that approach company internationalisation from a
32 holistic perspective, which implies that the internationalisation of single companies can be
33 understood by considering factors belonging to various theoretical trends (Crick and Spence,
34 2005). Thus, "no single existing explanation, concept or model could fully explain firm's
35 internationalisation processes, and strategies should be viewed in the context of the individual
36 set of factors faced by respective entrepreneurs" (Spence and Crick, 2006: 528).

37 In relation to marketing literature, the results obtained are in line with recent contributions that
38 consider company internationalisation as an antecedent of market orientation. Cadogan et al.
39 (2002 and 2006) indicate that the internationalisation of the company involves collecting more
40 information, establishing better and faster processes to disseminate it and taking it into account
41 in designing marketing activities addressed to segments of consumers not directly known.

42 Furthermore, these relations have been confirmed in samples from Spain and Belgium, which
43 enables these findings to be generalised. Thus, from our research it could be posited that an
44 early international commitment by new ventures provides international positional advantages
45 regardless of the international new venture's country of origin.
46

47 48 **Conclusions** 49

50 Our research has shown that an early international commitment provides international positional
51 advantages to Spanish and Belgian international new ventures in two ways: directly, and
52 through the adoption of market orientation. Moreover, since the research was applied to two
53 different countries, the results are more generalisable than those obtained in studies where a
54 single a country is analysed. Nevertheless, the generalisation of the results remains relative
55 given the limited number of countries studied and the somewhat more limited response from
56 Belgian international new ventures.

57
58 These results will be useful in four ways. From an academic point of view, the results
59 demonstrate that stage models cannot explain the international new venture phenomenon,
60 because an early international commitment is a key contributing factor to their international
61 positional advantages.
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5 From an educational perspective, our findings suggest that business schools should provide
6 their students with the tools required to rapidly take advantage of international opportunities.
7 Second, entrepreneurs who are considering developing business abroad should be aware that
8 the timing of international entry could provide them with international positional advantages, and
9 that these advantages could be fostered if they adopt a market orientation. Thus, in order to
10 reduce the risks involved in international activities, entrepreneurs should develop market
11 orientation behaviours that allow information to be sought out and disseminated and that
12 respond to this information, by focusing their attention on the consumer, competition and the
13 environment. Through market orientation, entrepreneurs will acquire advantages for their
14 companies over their competitors, thus improving their competitive position in international
15 markets. Entrepreneurs need to consider that our society advances in a global environment
16 characterised by technological progress, intense competition and a type of consumer whose
17 tastes and preferences change continuously. These circumstances, together with the adoption
18 of a global and international position, place the company in a situation of instability, which
19 demands the development and adoption of mechanisms that allow the company to obtain and
20 generate data from its market so that they can be analysed and an innovating and proactive
21 response can be selected. This response should help the firm not only to react to possible
22 changes that may take place in the market, but also to provoke those changes. This paper
23 argues that early internationalisation and market orientation are key factors that allow new
24 international companies to face this dynamic environment in a competitive way.

25 **Limitations and directions for future research**

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27 The use of cross-sectional data to make causal inferences could be seen as a limitation of the
28 present study. However, as the main explanatory variables of the proposed model are path-
29 dependent and time-consuming activities embedded in organisational routines and processes
30 (Jantunen et al., 2005), it might be reasonable to assume a causal explanation structure such
31 as we have done in this paper, in which market orientation has a positive impact that implies a
32 better international competitive position will be obtained.

33
34 On the other hand, our empirical study was based on the responses of a single respondent from
35 each of the companies from our samples. This procedure raises the question of whether one
36 respondent alone can adequately report for the entire firm. On this question, as our study is
37 based on new ventures, the entrepreneur is the appropriate respondent to provide information
38 about new ventures' strategic orientations and the results associated to them (Davidsson,
39 2004). Taking into account the above limitations, future research should study the proposed
40 relationships using longitudinal data.

41
42 Chetty and Campbell-Hunt (2004) analyse the extent to which international new ventures
43 deviate from the conventional internationalisation model. Their research suggests that many of
44 the phenomena believed to distinguish the born-global internationalisation path are also
45 characteristics of firms that began their internationalisation in the traditional way. In this sense,
46 future research might analyse how these two business realities differ (Bell et al., 2004; Chetty
47 and Campbell-Hunt, 2004; Laanti et al., 2006). Further studies are required to study whether the
48 relations proposed in this paper are characteristics of international new ventures or if they also
49 exist in companies that follow a slower process of internationalisation.

50
51 From the Resources Based View and Dynamic Capabilities theories, the relevance of market
52 orientations in determining the competitive position of international new ventures is based on
53 the learning created by the development of these orientations. Blomstermo et al. (2004)
54 concludes that international new ventures show a different structure of absorptive capacity from
55 firms which have five years or more domestic duration before the first foreign assignment.
56 However, our research has not studied in depth how this learning effect is generated or how the
57 development of market and entrepreneurial orientations affect the absorptive capability of these
58 companies. New research should thoroughly examine the learning processes that these
59 companies develop and how this learning is translated into concrete entry strategies in new
60 markets (Chetty and Campbell-Hunt, 2004).
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4 Additionally, it seems to be accepted that the competition in the markets has shifted from
5 companies to networks of companies; in this way, the set of relations that the company
6 maintains to provide value to the client is what distinguishes its competitive position from other
7 similar managerial networks. If this is in fact the case, research on international new ventures
8 should be extended to include the networks in which they take part; this would lead to
9 contemplating the market orientation of the whole network as determinant of their success in
10 international markets.

11 Furthermore, this paper has shown positive and significant relations between global constructs
12 that can be divided into several dimensions. In this line, future research might analyse the
13 influence of early international commitment on each market orientation dimension (inter-
14 functional coordination, the search for and collection of information, dissemination of
15 information, response and implementation). In the same way, the effects of early international
16 commitment on several dimensions of international positional advantage (product, service,
17 price, communication, and channel) and on performance could also be analysed. Finally, the
18 influence of each market orientation dimension on each international positional advantage may
19 be explored.

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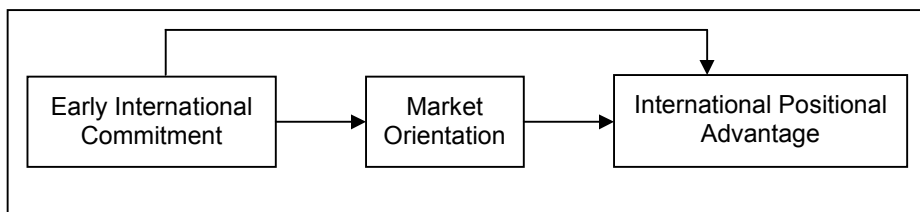
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51 **Figure 1: Effects of early international commitment on international positional advantage**



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60 **Table 1. Market Orientation Scale**

We hold an interdepartmental meeting at least once a quarter to discuss market tendencies and development. (Coordina1)
 The personnel of all our firm's departments hold periodic meetings to jointly plan responses to changes occurring in the environment. (Coordina2)
 We periodically meet with some of our customers to ascertain their current needs and the products they will be needing in the future. (Search1)
 We systematically gather information on the problems that distributors may have when marketing our products. (Search2)
 We periodically collect information on distributor satisfaction. (Search3)
 The information on end-user satisfaction is systematically distributed to all sections of our firm. (Disemin1)
 Sales or marketing personnel devote a great deal of their time to debating potential future needs of the customers, both amongst themselves and with the rest of the staff. (Disemin2)
 High-level managers discuss the strengths and weaknesses of our competitors with the other managers in the firm. (Disemin3)
 When a firm staff member has important information on our competitors, he or she quickly alerts other departments in the firm. (Disemin4)
 Any information coming from the market is distributed to all sections in the firm. (Disemin5)
 We periodically revise our products to make sure they match end-user needs. (Design1)
 Our firm makes its market strategy compatible with our distributors' objectives. (Design2)
 We offer full information to our end-users for better use of our products. (Implem1)
 We provide relevant information to our distributors on our marketing strategy. (Implem2)
 We carry out actions to convince our distributors of the advantages of working with us. (Implem3)
 We participate actively in actions that show the social usefulness of our sector to the general public. (Implem4)

Table 2. Measurement of International Positional Advantage.

Developing new products. (IntComAd1)
 Adapting export product design style. (IntComAd2)
 Meeting export-product quality standards/specifications. (IntComAd3)
 Meeting export packaging/labelling requirements. (IntComAd4)
 Providing technical/after sales service. (IntComAd5)
 Price policies. (IntComAd6)
 Accessing export distribution channels. (IntComAd7)
 Maintaining control over foreign middlemen. (IntComAd8)
 Personal selling. (IntComAd9)
 Advertising. (IntComAd10)
 Promotion design. (IntComAd11)
 Increase of profitability. (IntComAd12)
 Increase of performance. (IntComAd13)
 Market share. (IntComAd14)

Table 3 - External validity of early international commitment

Sample	Spanish	Belgian
Reflexive Indicators	1. Percentage of manufacturing and development activities that your business carries out in other countries. 2. Percentage of marketing activities that your business carries out in other countries. 3. Risk associated to the main countries in which your firm sells its products.	
χ^2/ fd	1.19	0.986
RMSR	0.035	0.010
RMSEA	0.037	0.015
GFI	0.99	1.00
AGFI	0.97	1.00
NFI	0.98	1.00
CFI	1.00	1.00
IFI	1.00	1.00
RFI	0.93	1.00

Table 4. Results of measurement model analysis

Spanish sample	
Scale	Parameters
Market orientation	0.43-0.89
International positional advantage	0.44-0.76

Measurements of quality of fit							
$\chi^2/df = 2.72$	RMSR = 0.072	GFI = 0.95	AGFI = 0.94	NFI = 0.94	CFI = 1.00	IFI = 1.00	RFI = 0.92
Belgian sample							
Market orientation				0.50-0.89			
International positional advantage				0.34-0.88			
Measurements of quality of fit							
$\chi^2/df = 3.56$	RMSR = 0.084	GFI = 0.94	AGFI = 0.93	NFI = 0.93	CFI = 1.00	IFI = 1.00	RFI = 0.92

Table 5. Results of the analyses of reliability of the measurement models

Spanish sample						
Scale	Market orientation					International positional advantage
Dimensions	Interfunctional coordination	Search	Dissemination	Design	Implementation	
α	0.814	0.819	0.737	0.730	0.715	0.838
CR	0.90	0.84	0.81	0.68	0.75	0.82
EV	0.78	0.64	0.47	0.51	0.51	0.43
Belgian sample						
Scale	Market orientation					International positional advantage
Dimensions	Interfunctional coordination	Search	Dissemination	Design	Implementation	
α	0.812	0.706	0.796	0.781	0.729	0.805
CR	0.93	0.73	0.88	0.78	0.71	0.83
EV	0.57	0.46	0.57	0.52	0.50	0.50

Table 6. Results of the estimation of standardised parameters for the model of effects of early international commitment on international competitive position

Spanish Sample		
Early international commitment – International positional advantage	0.47	5.27 (p<0.001)
Early international commitment – Market orientation	0.13	3.21 (p<0.01)
Market orientation – International positional advantage	0.50	4.08 (p<0.001)
Measurements of quality of fit		
$\chi^2/df = 1.78$	RMSR = 0.068	RMSEA= 0.076
GFI = 0.96	AGFI = 0.94	NFI = 0.94
CFI = 1.00	IFI = 1.00	RFI = 0.91
Belgian Sample		
Early international commitment – International positional advantage	0.59	5.78 (p<0.001)
Early international commitment – Market orientation	0.41	7.01 (p<0.001)
Market orientation – International positional advantage	0.68	4.43 (p<0.001)
Measurements of quality of fit		
$\chi^2/df = 1.43$	RMSR = 0.077	RMSEA= 0.078
GFI = 0.96	AGFI = 0.93	NFI = 0.94
CFI = 1.00	IFI = 1.01	RFI = 0.90

Table 7. Total effects of early international commitment on international positional advantage

Spanish Sample		
Direct effect	0.47	5.27 (p<0.001)
Indirect effect	0.53	5.93 (p<0.001)
Belgian Sample		
Direct effect	0.59	5.78 (p<0.001)
Indirect effect	0.88	8.78 (p<0.001)

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Keywords: Entrepreneurship, Market Orientation, Internationalisation, Positional advantage.

Firstly, please accept our sincere apologies for the undue delay in sending you our revised manuscript, but we have made a thorough revision of both theory and empirical aspects, following your recommendations.

Moreover, we wish to point out that we have changed the term “International Competitive Advantages” to “International Competitive Position” and the term “speed of entry” to “early international commitment”, as we consider that the new terms better reflect the constructs analysed. Consequently the title of the paper has also been changed to:

“The Effect of Early International Commitment on International Positional Advantages in Spanish and Belgian International New Ventures”

We also would like to apologise for the English language mistakes. The final version has been reviewed by a native speaker. We hope the new version now reaches an acceptable standard of English.

In the following lines we shall address the reviewer’s comments.

Introduction:

Firstly, we have introduced the concept of International New Ventures:

“The most accepted definition of international new ventures is that put forward by Oviatt and McDougall (2005), who define these companies as business organisations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries..”

Secondly, we have put forward some reasons that justify the importance of the study of the international new ventures phenomenon:

“In summary, the increasing number of firms classified as international new ventures, the importance of such firms in terms of innovation, employment and economic growth, the challenges facing their managers, and finally the limitations of existing theory combine to highlight the importance of research focusing on this phenomenon (Zahra and George, 2002).”

Following these points, we have focused specifically on the variables that comprise our model and their relationships; we have extended the reasons that motivate this study (not only the lack of sufficient analysis), and we have introduced an explanation about the mediated relationship between Early Internationalisation Commitment and International Competitive Position across Market Orientation.

Theory development:

In general, we have revised the three hypotheses sections and restructured the presentation of the material in an attempt to clarify as well as possible the proposed ideas and to concentrate only on the proposed relationships. We have also avoided

unsubstantiated statements. Moreover, we have introduced the definition of the constructs of our study earlier in the paper.

We have positioned Knight and Cavusgil (2004) in the subsection??? section of the relation between early internationalisation commitment and market orientation. This has contributed to a more solid basis for H2:

“Knight and Cavusgil (2004) demonstrate that developing a market orientation can help an international new venture to gain positional advantages in international markets. They contend that market orientation provides not only market information, but also market intelligence processes that help new ventures to obtain the advantages of entrepreneurial internationalisation (Knight and Cavusgil, 2004).”.

Method:

We have significantly re-worked the method section. In fact, all the empirical work has been reconstructed. More specifically:

- We have corrected Duns & Bradstreet to Dun & Bradstreet; the title of the section Methodology now reads Method, and Belgian firms has replaced Belgium firms.
- It has been clarified that Belgian and Spanish firms were selected on the same basis:

“In light of this, three criteria were used to select the companies for the survey in both countries (...).”

- Furthermore, we have also explained why we used a different database for the Belgian firms, namely the GOM database. The GOM database, containing 15,000 firms each employing at least 5 full time employment equivalents, offers numerous advantages such as extra detailed information and contact data of employees with key functions in the firms and also the VAT number which enabled us to check some financial and other data from other officially published databases, e.g., from the National Bank databases.
- We have introduced a short explanation about why we selected companies up to 7 years old:

“According to various studies, this short period of time ranges from three years (Madsen and Servais, 1997), six years (Zahra et al., 2000), seven years (Jolly et al., 1992) and up to eight years (McDougall and Oviatt, 1996) after beginning their activity. Since the aim of this work is to study the behaviour of these companies after their creation, the requirement set for the sample was that firms had been created after 1997.”.

- A discussion on the pre-testing of the instrument has been included in the method section:

“The questionnaire was pre-tested through personal interviews with 25 CEOs of international new ventures. Each participant in the pre-test answered the

questions as s/he read them and verbalised any thoughts that came to mind. The interviewers specifically asked the CEOs to consider ambiguities, inapplicable questions, interesting issues etc. The items were revised in relation to each personal interview, but no changes were required.”

- We have specified that our response rates follow the line of previous studies that use a multi-country sample:

“A total of 135 Spanish companies (25.14 per cent) and 72 Belgian companies (18.85 per cent) completed the questionnaire. These response rates are in line with previous studies that have undertaken multi-country analyses (e. g. Kreiser et al., 2002 or Kustin, 2004).”

- The test used for non-response bias has been explained:

“To test for non-response bias, the responses of early and late respondents were compared. Analysis of the t-test showed no significant differences at the 0.05 level, indicating an absence of non-response bias (Armstrong and Overton, 1977).”

- We have clarified what we meant by relocating items in our market orientation scale:

“We opted to measure market orientation with the eclectic scale developed by Blesa and Bigné (2005). The dimensions of this scale were based on the MARKOR (Kohli et al., 1993) and MKTOR scales (Narver and Slater, 1990). However, due to the scale’s structure, some items had to be relocated from their place on the original scale because, although both scales deal with the same construct, they consider different approaches and the dimensions used were therefore not the same. Repeated items were also removed and items from other scales referring to aspects not reflected in the above scales were included, such as price policies, discussion of market tendencies (Deshpandé et al., 1993), identification of emerging segments, appearance of new products, information exchange stimulations, environment-directed strategies, and information flow to consumers (see Table 1). This procedure was similar to that applied by Matsuno et al. (2000) to refine the MARKOR scale..”

- Furthermore, we have distinguished between formative and reflective scales in the validity of the scales:

“Most researchers in the social sciences assume that the indicators of a scale measure the effect of the measured construct, and as such the items (observed variables) that comprise the scale are perceived as reflective indicators of the underlying constructs (the latent variable) (Diamantopoulos and Winklhofer, 2001). Nevertheless, causal indicators seem to be more appropriate when they may be considered as the reason more than the effect of the latent variable measured (MacCallum and Browne, 1993).

This alternative measurement perspective involves the creation of an index rather than a scale (Bollen and Lennox, 1991). The key characteristics of these

formative models are (Jarvis et al., 2003): (1) the direction of causality from the measurement to the construct, (2) there is no reason to think that the measurements are correlated, (3) the fall of a measurement model indicator can change the meaning of the construct, (4) the measurement error is considered at the level of the construct, and (5) the value in the scale does not adequately represent the construct. One construct of the model proposed in this paper has these characteristics: early international commitment..

As a consequence of these characteristics, the conventional procedures used to evaluate the validity and reliability of reflective indicators scales are not appropriate for indices with formative indicators (Diamantopoulos and Winklhofer, 2001). Four questions are critical in the suitable construction of indices (Diamantopoulos and Winklhofer, 2001): content specification, indicator specification, indicator colinearity and external validity. To check the content and specification of the indices indicators, all the items were extracted from a review of the related literature, verifying that all the relevant dimensions of the construct were brought together.

The multicollinearity analyses between the indicators of the different indices show that the maximum factors of the variance inflation in every index (1,029 in Spanish sample and 1,236 in Belgian sample) are below the commonly accepted threshold of 10 (Kleinbaum et al., 1988).

Finally by following Jarvis's et al. (2003) recommendations about the evaluation of the external validity, three reflexive indicators were added to the formative construct, and a multiple indicators and reasons model was estimated for every index. Table 3 shows the reflexive indicators and the estimation of the models that attain a good global fit.”

- Tables 3, 4 and 5 show the results for the variables comprising the inputs to our constructs in our SEM.
- We have compared the results of validity and reliability of our measures with the studies from which we took the scales:

“On comparing our validity analyses with Blesa and Bigné’s (2005) results, some of the standardised coefficients for our market orientation scale were lower than the lowest coefficient in Blesa and Bigné’s study, but the goodness of fit improves in both of our samples. The Cronbach’s alphas are very similar in both studies. When we compare the scale for international positional advantage with the scale for performance in international markets used by Knight and Cavusgil (2004), some of our standardised coefficients were lower than their lowest coefficients, but our composite reliability reached a similar level. ”

- Firms' international experience and size have been taken as control variables:

“ANOVAs were performed to ensure that the characteristics of the sample do not have any effect on the constructs involved in the model. Firms' international experience and size were used as control variables, with the latter measured by the previous year’s turnover and number of employees. No significant differences were found in any of the analyses.”

- We now explain why we simplified the model:

“The sample size required by this type of analysis increases in proportion to the complexity of the model. Given the small size of our samples, in order to simplify the model, the market orientation measurement scale was narrowed down to five indicators, which corresponded to its dimensions. To do this, the items making up each dimension were averaged..”

- We have introduced a new measure of the total effects of the model, comparing the direct and indirect effect of early international commitment on international positional advantage, and then, testing the relevance of the mediating effect of market orientation. See Table 7.

Discussion and Conclusion:

- We have separated the last sections into three: Discussion; Conclusions; and, Limitations and future research directions. We have tried to reformulate our statements in a more ‘relative’ way in response to the revisers’ comments concerning the ‘too strong statements’.
- We have moderated our statement about generalisation by considering the limitations of the research.

“Our research has shown that an early international commitment provides international positional advantages to Spanish and Belgian international new ventures in two ways: directly, and through the adoption of market orientation. Moreover, since the research was applied to two different countries, the results are more generalisable than those obtained in studies where a single a country is analysed. Nevertheless, the generalisation of the results remains relative given the limited number of countries studied and the somewhat more limited response from Belgian international new ventures.”

- We have included the suitability of CEOs as respondents as a limitation:

“(…)our empirical study was based on the responses of a single respondent from each of the companies from our samples. This procedure raises the question of whether one respondent alone can adequately report for the entire firm. On this question, as our study is based on new ventures, the entrepreneur is the appropriate respondent to provide information about new ventures’ strategic orientations and the results associated to them (Davidsson, 2004). Taking into account the above limitations, future research should study the proposed relationships using longitudinal data”.

**THE EFFECT OF EARLY INTERNATIONAL COMMITMENT ON
INTERNATIONAL POSITIONAL ADVANTAGES IN SPANISH AND BELGIAN
INTERNATIONAL NEW VENTURES¹**

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