

# COMPETITIVENESS THROUGH STRATEGIC ORIENTATION

## KONKURENTNOST KROZ STRATEŠKU ORIJENTACIJU

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### Ključne riječi:

*poduzetnička orijentacija, tržišna orijentacija, međunarodni rezultat, međunarodna konkurentna pozicija, međunarodni novi poslovni pothvati*

### Key words:

*entrepreneurial orientation, market orientation, international performance, international competitive position, international new ventures*

### SAŽETAK

Cilj je ovog rada dalje istražiti čimbenike utjecaja na međunarodnu konkurentsku poziciju novih poslovnih pothvata i, posljedično tome, njihovog međunarodnog rezultata. Preciznije, analiziramo ulogu poduzetničke i tržišne orijentacije u međunarodnoj konkurentskoj poziciji tih poduzeća. Podaci su prikupljeni od španjolskih i belgijskih međunarodnih novih poslovnih pothvata. Za testiranje postavljenih hipoteza korišten je model strukturnih jednadžbi. Oba

### ABSTRACT

The aim of this paper is to further the study of the factors that influence the international competitive position of international new ventures and, consequently, their international performance. Specifically, we analyze the role of entrepreneurial and market orientations in the international competitive position of such firms. Data were collected at Spanish and Belgian international new ventures. The structural equations model approach was used to test our hypotheses. Both

uzorka, španjolski i belgijski, otkrivaju pozitivnu i značajnu povezanost poduzetničke i tržišne orijentacije. Nadalje, obje orijentacije imaju pozitivan i značajan učinak na međunarodnu konkurentsku poziciju poduzeća. Zaključno, međunarodna konkurentska pozicija poduzeća pozitivno je i značajno povezana s njegovim međunarodnim uspjehom. Istraživanje, čini se, upućuje na to da je za nove poslovne pothvate suradnja dviju orijentacija ključni čimbenik u postizanju superiorne konkurentске pozicije i pozitivnog rezultata na međunarodnom tržištu.

the Spanish and the Belgian sample revealed a positive and significant relationship between entrepreneurial orientation and market orientation. Furthermore, both orientations have a positive and significant effect on the international competitive position of such firms. Finally, any firm's international competitive position is positively and significantly related to its international performance. The study therefore appears to indicate that, when it comes to international new ventures, the conjunction of these two orientations is a key factor to attaining a superior competitive position and a positive performance in international markets.

## 1. INTRODUCTION

Since 1994, when the *Journal of International Business Studies* published Oviatt and McDougall's paper entitled "Toward a Theory of International New Ventures";<sup>1</sup> the examination of international new ventures (INVs) has attracted the attention of numerous researchers. Their studies have identified the factors that explain the exceptional speed with which these firms launch their international operations.<sup>2</sup> However, almost two decades after the publication of this seminal paper, there are still major gaps in our knowledge about this new business reality, which is destined to play a key role in the economic and social progress of practically every country in the world.<sup>3</sup> Specifically, Autio<sup>4</sup> and Zahra<sup>5</sup> highlight the importance and the need for future research to focus on the reasons that might explain how these firms reach an advantageous international competitive position after their establishment.

It can be argued from past research that, in order to reach an advantageous competitive position in international markets, INVs must overcome two major liabilities: liability of newness and liability of foreignness.<sup>6</sup> In this respect, an understanding of the process through which these firms acquire and manage market information is essential if we are to understand their international competitive position.<sup>7</sup> When it comes to domestic markets, it has been argued that developing a market orientation not only helps to obtain market information but that it also facilitates its management and integration in the firm's knowledge base.<sup>8</sup> Moreover, researchers have also claimed that developing an entrepreneurial orientation can act as an antecedent to the development of market orientation, especially in new ventures.<sup>9</sup> This relationship, however, has not been analyzed in the case of INVs.

The present paper takes up the challenge of steering the existing research in this very direction; to this end we presume, following Sharma and Blomstermo<sup>10</sup> or Laanti et al.,<sup>11</sup> that the INVs are mainly characterized by their entrepreneurial

orientation.<sup>12</sup> We take the influence that entrepreneurial orientation might have as an antecedent of market orientation in these firms as a starting point to exploring the relationships between the entrepreneurial orientation of such firms and their international competitive position. Specifically, our analysis concentrates on the study of the international competitive position of INVs from the marketing point of view, based on the 4Ps framework.<sup>13</sup>

The paper begins with a theoretical justification for the hypotheses that form the basis of the model proposed in it. To validate the model, we then present the results obtained by testing the hypotheses on the samples of both Spanish and Belgian INVs. The main results obtained are then discussed from the perspectives of the entrepreneurship and international marketing body of theory. The paper ends with our conclusions.

## 2. THEORETICAL DEVELOPMENT

### 2.1. Entrepreneurial orientation and market orientation

The most widely accepted definition of entrepreneurial orientation found in the specialized literature is that coined by Miller.<sup>14</sup> He based his definition on the relationship among three dimensions: innovation, propensity to take risks and proactiveness. The key element in defining an innovation as entrepreneurial is that it entails the search for new relationships between existing resources and/or products.<sup>15</sup> Proactiveness implies being constantly ready to take initiatives and anticipate competitors' moves.<sup>16</sup> Finally, entrepreneurial orientation assumes that strategic decisions will involve moderate to high risk-taking. Accepting risk in business decisions is, logically, an inevitable element of innovative and proactive behavior.<sup>17</sup>

Any firm's international activity is entrepreneurial *per se*<sup>18</sup> as it consists of identifying and exploring new business opportunities in new environments and, to do this, the firm must assume an innovative and a proactive attitude.<sup>19</sup> Furthermore, international activity carries an additional risk: there is a greater likelihood of failure brought about by operating in unknown competitive environments with typically high rates of potential change.<sup>20</sup> On this subject, McDougall and Oviatt<sup>21</sup> argue that entrepreneurial orientation is a characteristic of the international venture creation. In fact, several studies have corroborated that INVs are entrepreneurially oriented.<sup>22</sup> However, in order for INVs to be able to develop an entrepreneurial orientation in international markets, they need information and knowledge about the characteristics of those markets.

In this respect, based on the two main market orientation approaches<sup>23</sup> together with the definitions they comprise,<sup>24</sup> a market-oriented organization can be defined as the one that develops a set of behaviors, coordinated among its departments, which are designed to search for and gather information on its consumers, competitors and environment. It disseminates this information throughout the organization, and designs and implements a response in accordance with the information obtained by identifying and constructing its own distinctive competencies so as to raise customer satisfaction by delivering superior value. Thus, in INVs, market orientation emerges in a bid to develop the behaviors designed to improve the firm's internal and external information flow so that it can explore changes in the environment more quickly and adapt its actions to the specific needs of each market.

Taking into account these definitions of entrepreneurial and market orientations, we can study the possible relationship among both factors. In this sense, innovative attitude, proactiveness and risk-taking may become the trigger for the kind of market-oriented behavior enabling INVs to identify the innovations or improvements that the end consumer requires, to get ahead of its

competitors and to assume the risks involved in these decisions.<sup>25</sup> The development of innovative activities creates the processes of seeking out and analyzing market information for the purpose of implementing innovation strategies,<sup>26</sup> and promotes the exchange and use of information.<sup>27</sup> On the other hand, a proactive attitude prioritizes the search for and capitalization of new business opportunities in the market ahead of competitors, requiring an efficient information system that facilitates both information on these opportunities and the capability to capitalize on it.<sup>28</sup> Finally, the risk-taking dimension of entrepreneurial orientation may be considered to be driving the development of information generation and dissemination activities typical of a market orientation. Indeed, as Matsuno et al.<sup>29</sup> point out, one way of attempting to reduce the risk implicit in entrepreneurial orientation is by implementing a market orientation that provides information on the specific needs of the respective market. Market orientation can help INVs to reduce the strategic "missteps" that they might make as a consequence of the inherently exploratory nature of their entrepreneurial orientation.<sup>30</sup> Based on the above arguments, we put forward the hypothesis that:

**H<sub>1</sub>:** *Entrepreneurial orientation is positively related to market-oriented behaviors in INVs.*

## 2.2. Entrepreneurial orientation and international competitive position

Numerous authors report that entrepreneurial orientation has positive effects on company performance and growth in domestic markets<sup>31</sup> and also on the performance of INVs.<sup>32</sup> The development of an entrepreneurial orientation reflects not only *what* a company does but also *how* it does what it does.<sup>33</sup> The influence of entrepreneurial orientation on an INV's performance therefore seems to be a result of its contribution

to the firm's international competitive position, especially from a marketing point of view.<sup>34</sup> Firstly, a strong emphasis on innovation can drive the INV to enter new markets and to increase its presence in.<sup>35</sup> The capacity to introduce innovations in a market ensures that new products incorporate ideas from the market, along with the technological advances that are more up to the minute than competitive products.<sup>36</sup> Carbonell and Rodríguez<sup>37</sup> empirically test a positive relationship between innovation and positional advantage. As a rule, proactive INVs are more used to the changes and trends in the market so they develop processes to anticipate and prepare for change which, in turn, give them a better market position. When changes occur, these firms can mobilize resources before their rivals. Finally, risk-oriented INVs are less likely to adopt an attitude of calm, inactivity or sticking to traditions.<sup>38</sup> Managers who take risks normally seize the opportunities that the market offers and commit resources to markets in highly uncertain situations.<sup>39</sup> Consequently, we propose that:

**H<sub>2</sub>:** *Entrepreneurial orientation in INVs positively influences their international competitive position.*

### 2.3. Market orientation and international competitive position

Evidence on the positive relationship between market orientation and business performance, although not free of controversy, has been provided by researchers from the initial studies in this field mainly in domestic contexts<sup>40</sup> up to the most recent papers.<sup>41</sup> Specialized literature does, however, include some research that finds no support for the relationship.<sup>42</sup> Although past research seems to suggest that the general effect of market orientation on performance varies, depending on the specific measure of performance in use,<sup>43</sup> it also points out that the absence of any direct effect of market orientation on performance may be considered an indicator that market orientation is an efficient means of providing

superior value for the consumer, one that will also allow the firm to develop new products, set higher prices or improve relationships in the distribution channel, as the activities that will have a positive effect on organizational performance.<sup>44</sup> In this sense, the literature appears to suggest that the superior performance attributed to market orientation is due to the advantageous competitive position attained by the firms adopting such an orientation.<sup>45</sup> This perspective is based on the premise that a market-oriented firm is better placed to identify the factors that might foster sustainable competitive advantages while also improving and defending its market position.<sup>46</sup> Thus, the quantity and quality of information about customers, competitors and the firm itself that the INV has at its disposal and applies in order to provide superior value to the consumer are crucial factors in achieving a favorable international competitive position.<sup>47</sup> For this reason, market-oriented INVs concentrate on generating information on the market, thereby constantly improving and updating the values and skills that can facilitate overall learning in the organization<sup>48</sup> and also developing an organizational competence that enables distinctive activities to be performed.<sup>49</sup> These, in turn, drive INVs to offer products and services that consumers perceive as having greater value than the alternatives on the market.<sup>50</sup> Hence, we propose that:

**H<sub>3</sub>:** *Market orientation in INVs has a positive impact on their international competitive position.*

### 2.4. International competitive position and international performance

The INVs with a favorable international competitive position as regards strategic aspects may be expected to perform better than the INVs that do not reach the same positional advantage. As detailed above, adopting an entrepreneurial and a market orientation should lead to a continuous, proactive disposition by INVs towards the understanding of consumers' needs. It should

prioritize a wider use of information,<sup>51</sup> thus placing them in a privileged position compared to their competitors in terms of certain marketing factors.<sup>52</sup> Such an international competitive position should have a direct influence on improving the INVs' performance.<sup>53</sup> To summarize, the INVs that can develop the products which are better adapted to their consumers' demands and considered to be of a higher quality, better price and superior design than those of their competitors will attract more loyal and satisfied customers and that will have positive repercussions on their profits.<sup>54</sup> Similarly, the INVs will be able to provide a better service to their customers if they are capable of attaining a superior competitive position in the aspects such as sales force or distribution channel structure; in turn, this position will have a positive impact on their international performance.<sup>55</sup> Based on the above arguments, it can be suggested that:

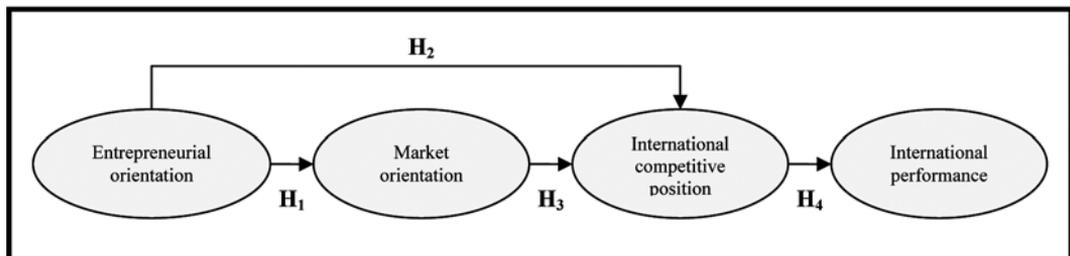
**H<sub>4</sub>:** *The international competitive position of INVs positively influences their international performance.*

Figure 1 presents the model resulting from the hypotheses put forward:

Belgian firms were taken from the Gewestelijke Ontwikkelingsmaatschappij database. The firms belonging to industrial groups and those with a single SIC code were eliminated from both databases. Others established more than 7 years previously were also removed to ensure that the sample consisted of new ventures. All the firms were required to be operating internationally. Following this selection procedure, we obtained a total of 537 Spanish and 2,471 Belgian INVs.

Managers were invited to participate by telephone, and were asked for their e-mail addresses. Those who agreed to participate received both a Spanish and an English version of the questionnaire by e-mail. A further telephone follow-up was made a few days later to boost the response rate. After the field research, the sample consisted of 198 Spanish and 383 Belgian international ventures. The average number of employees per Spanish firm was 22.42, with the annual turnover below 800,000 euros for 47.3%, between 800,000 and 5,000,000 euros for 33.3% and more than five million euros for the remaining 19.4% respondent firms. Of the Belgium firms, 22.7% had a turnover of less than 800,000 euros, 54.6%

Figure 1: Effects model



## 3. METHODOLOGY

### 3.1. Sample

Data obtained on the samples of Spanish and Belgian INVs from various industries were used to test the hypotheses. Spanish firms were selected from the Dun & Bradstreet database while

between 800,000 and 5,000,000 euros and 22.7% more than five million euros in turnover.

### 3.2. Measurement instruments

We opted to measure the entrepreneurial orientation of INVs by means of a scale designed

by Miller<sup>56</sup> and further developed by Covin and Slevin<sup>57</sup> which is based on the interrelationship among three basic characteristics: innovative attitude, proactiveness and risk-taking. This scale

has been used in a wide range of studies and has shown high levels of reliability and validity on numerous occasions (Table 1).<sup>58</sup>

**Table 1:** Entrepreneurial orientation measurement scale

<b>INNOVATION</b>
1. My firm prioritizes research, development and innovation of products and technologies (INNOVA1).
2. My firm has recently entered into new businesses and/or launched new products (INNOVA2).
3. My firm makes significant changes to its product or service lines relatively frequently (INNOVA3).
<b>PROACTIVENESS</b>
4. My firm only begins new actions in the sector once it knows about its competitors' moves (PROACT1).
5. My firm instigates actions in the sector that its competitors subsequently follow (PROACT2).
6. My firm is a pioneer in the development of new products, administrative techniques or technologies (PROACT3).
7. My firm avoids confrontation in the market when faced with competitors' moves (PROACT4).
<b>RISK-TAKING</b>
8. Due to the dynamism in the environment, my firm prefers to begin with small investments and gradually increase its resource commitment (RISK1).
9. My firm prefers to take on high-risk investment projects (RISK2).
10. When my firm has to take a decision with a degree of uncertainty, it usually adopts a prudent position (RISK3).

Source: Based on Covin and Slevin (1989).

To measure their market orientation, we used the eclectic scale designed by Blesa and Bigné.<sup>59</sup> This scale is essentially based on the MARKOR<sup>60</sup> and MKTOR<sup>61</sup> scales, and also incorporates items from other scales for the aspects such as pricing

and market trends,<sup>62</sup> identification of emerging segments, appearance of new products, promotion of information exchange, strategies addressed to the environment and information flow towards the consumer (Table 2).

**Table 2:** Market orientation eclectic scale

<b>INTERFUNCTIONAL COORDINATION</b>	
1.	We hold inter-departmental meetings at least once a quarter to discuss market trends and developments (COORDIN1).
2.	Employees from the firm's different departments meet regularly to jointly plan its response to changes in the environment (COORDIN2).
<b>INFORMATION SEARCH AND GATHERING</b>	
3.	We regularly hold meetings with a selection of our customers to find out about their current needs and what products they will need in the future (SEARCH1).
4.	We systematically inquire about any problems distributors may be having in marketing our products (SEARCH2).
5.	We regularly gather information on distributor satisfaction (SEARCH3).
<b>INFORMATION DISSEMINATION</b>	
6.	The information on end-user satisfaction is systematically distributed to all the firm's departments (DISSEMIN1).
7.	The marketing staff spend a great deal of their time debating -among themselves and with other staff- the possible needs our customers will have in the future (DISSEMIN2).
8.	Senior managers discuss our competitors' strengths and weaknesses with other managers in the firm (DISSEMIN3).
9.	When a person in the firm has important information about our competitors, he or she quickly passes it on to the other departments (DISSEMIN4).
10.	Any information coming from the market is distributed throughout all the firm's departments (DISSEMIN5).
<b>RESPONSE DESIGN</b>	
11.	We regularly review our range of products/services to ensure that it matches our end users' demands (RESDES1).
12.	Our firm ensures its market strategy is compatible with the distributors' targets (RESDES2).
<b>RESPONSE IMPLEMENTATION</b>	
13.	We offer our end users full information to improve the use they make of our products (RESIMP1).
14.	We provide our distributors with pertinent information on our marketing strategy (RESIMP 2).
15.	We undertake actions to convince our distributors of the advantages of working with us (RESIMP 3).
16.	We actively participate in the actions designed to show the social usefulness of our sector to the general public (RESIMP 4).

To measure the international competitive position, managers were asked to describe their firm's position in its principal foreign market in comparison to that of its main competitors in that market with regard to various areas of com-

petition. The items for this scale were taken from the studies by Leonidou et al.<sup>63</sup> and Leonidou,<sup>64</sup> which essentially focus on analyzing the aspects of marketing that contribute to the firm's international development (Table 3).

**Table 3:** International competitive position measurement scale

<b>INTERNATIONAL COMPETITIVE POSITION</b>
1. Development of new products (POS.NEW).
2. Adaptation of product design (POS.DESI).
3. Compliance with quality standards or specifications (POS.STAN).
4. Compliance with packaging and labelling requirements (POS.PACK).
5. Technical or after-sales service provided (POS.SERV).
6. Pricing policy (POS.PRIC).
7. Access to distribution channels (POS.CHAN).
8. Control of distribution channels (POS.CONT).
9. Sales staff activities (Sales force) (POS.SALE).
10. Advertising campaigns (POS.ADVE).
11. Design of offers (POS.OFFE).

Source: Based on Leonidou, Katsikeas and Samiee (2002) and Leonidou (2004)

Finally, we opted to consider three general international performance indicators; the applicability of these indicators should not defer to or be bound by possible influences of the sample characteristics or of the other variables included in the model. Specifically, managers were asked to define their firm's position in its principal foreign market in comparison to that of its main competitors in the same market with regard to profitability, profits<sup>65</sup> and market share<sup>66</sup> (Table 4).

**Table 4:** International performance measurement scale

<b>INTERNATIONAL PERFORMANCE</b>
1. Increase in profitability.
2. Increase in profits.
3. Market share.

Source: Based on Zahra and Garvis (2000) and Knight and Cavusgill (2004)

### 3.3. Validity and reliability of the scales

With regard to the scales' content validity, all the items were taken from a thorough review of

the relevant literature. Furthermore, every effort was made to ensure that they correspond to the conceptual definition and reflect all the relevant dimensions.

The technique most widely used by social researchers to assess convergent validity is confirmatory analysis. Specifically, the initial models were adjusted according to the indications by Jöreskog and Sörbom:<sup>67</sup> each indicator must have a minimum loading of 0.45 and a significant *t* value to assure its continuity on the scale. In accordance with these criteria, PROACT1 and PROACT4 indicators from the entrepreneurial orientation scale and RES-IMP4 from the market orientation scale were rejected for both the Spanish and the Belgian sample. Also, RISK1 indicators from the entrepreneurial orientation scale as well as POS.PRIC and POS.SALE from the international competitive position scale were rejected for the Belgian sample. All these items were eliminated from both samples following this analysis to ensure a greater comparability of the model in the two countries. The main result of the validity and reliability testing are detailed in Tables 5 and 6.

**Table 5:** Results of the measurement model testing for the Spanish sample

Scale	Entrepreneurial orientation	Market orientation	International competitive position	International performance				
<b>Parameters</b>	0.46-0.78	0.45-0.89	0.45-0.76	0.68-0.79				
<b>Significant loadings</b>	All t > 2.58	All t > 2.58	All t > 2.58	All t > 2.58				
<b>α</b>	0.84	0.76	0.81	0.79				
<b>CR</b>	0.86	0.80	0.82	0.77				
<b>EV</b>	0.61	0.58	0.43	0.52				
Goodness-of-fit measures								
χ <sup>2</sup> / gl	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
2.72	0.078	0.94	1.00	1.00	0.92	0.072	0.95	0.94

**Table 6:** Results of the measurement model testing for the Belgian sample

Scale	Entrepreneurial orientation	Market orientation	International competitive position	International performance				
<b>Parameters</b>	0.50-0.91	0.51-0.79	0.51-0.84	0.81-0.85				
<b>Significant loadings</b>	All t > 2.58	All t > 2.58	All t > 2.58	All t > 2.58				
<b>α</b>	0.80	0.90	0.85	0.85				
<b>CR</b>	0.87	0.92	0.86	0.86				
<b>EV</b>	0.50	0.45	0.51	0.67				
Goodness-of-fit measures								
χ <sup>2</sup> / gl	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
2.46	0.080	0.94	0.99	0.99	0.91	0.078	0.94	0.93

## 4. RESULTS

Structural equation models have proven to be particularly useful when the research aim is to establish a direct causal contribution of one variable to another in a non-experimental situation.<sup>68</sup> This type of analysis was used in the present

study as well. Tables 7 and 8 show the results of the estimation of the relationship model with the SEM. To simplify the model, the entrepreneurial and the market orientation measurement scales were narrowed down to three and five indicators, corresponding to their dimensions. To do this, the items making up each dimension were averaged.

**Table 7:** Results of estimating standardized parameters of the effects model in Spanish INVs

Spanish sample								
Entrepreneurial orientation – Market orientation		0.65	12.42 (p<0.001)	H <sub>1</sub>	Accepted			
Entrepreneurial orientation – International competitive position		0.30	3.69 (p<0.001)	H <sub>2</sub>	Accepted			
Market orientation – International competitive position		0.39	2.72 (p<0.01)	H <sub>3</sub>	Accepted			
International competitive position – International performance		0.74	10.37 (p<0.001)	H <sub>4</sub>	Accepted			
Goodness-of-fit measures								
$\chi^2/ gl$	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
2.16	0.079	0.95	1.00	1.00	0.94	0.068	0.97	0.95

**Table 8:** Results of estimating standardized parameters of the effects model in Belgian INVs

Belgian sample								
Entrepreneurial orientation – Market orientation		0.78	10.85 (p<0.001)	H <sub>1</sub>	Accepted			
Entrepreneurial orientation – International competitive position		0.41	2.34 (p<0.05)	H <sub>2</sub>	Accepted			
Market orientation – International competitive position		0.23	2.17 (p<0.05)	H <sub>3</sub>	Accepted			
International competitive position – International performance		0.84	9.37 (p<0.001)	H <sub>4</sub>	Accepted			
Goodness-of-fit measures								
$\chi^2/ gl$	RMSEA	NFI	CFI	IFI	RFI	RMSR	GFI	AGFI
1.83	0.074	0.94	1.00	1.00	0.92	0.082	0.96	0.94

All the proposed relationships in both samples were statistically corroborated. As expected, a positive and significant relationship was found to exist between market and entrepreneurial orientations ( $\gamma = 0.65/0.78$ ,  $t = 12.42/10.85$ ), thus confirming hypothesis H<sub>1</sub>. Similarly, a positive and significant relationship between the two orientations and the international competitive position ( $\gamma = 0.30/0.41$ ,  $t = 3.69/2.34$ ;  $\gamma = 0.39/0.23$ ,  $t = 2.72/2.17$ ) was found, thus confirming hypotheses H<sub>2</sub> and H<sub>3</sub>. Finally, a positive effect of international competitive position on the international performance was also determined ( $\gamma = 0.74/0.84$ ,  $t = 10.37/9.37$ ), thus confirming hypothesis H<sub>4</sub>.

## 5. DISCUSSION

The results obtained in this research facilitate a better understanding of the reasons for an advantageous international competitive position of INVs and, as such, are important from the perspective of international entrepreneurship. Moreover, since they highlight the role of market orientation in explaining the international competitive position of these firms, they are also highly relevant to the researchers who work in the area of marketing. The use of arguments and contributions from both marketing and entre-

preneurship to explain the international competitive position of INVs is in line with the recommendations of Spence and Crick,<sup>69</sup> who argue that the incorporation of contributions from a range of scientific disciplines will ensure a better understanding of firms' internationalization.

At the beginning of this paper, and following Autio<sup>70</sup> and Zahra,<sup>71</sup> we argued that the area of international entrepreneurship needed further research into the factors that might clarify the reasons why INVs typically achieve advantageous competitive positions. The results obtained in this study suggest that both entrepreneurial orientation and market orientation help INVs to position themselves better than their competitors in the international markets they operate in. Essentially, we have studied the competitive position of INVs from the marketing perspective. The study confirms that both orientations contribute to the capabilities of INVs to better define the technical characteristics of their products, together with their quality, price and post-sales services. Also, they are able to structure their distribution channels and sales force better than their competitors in international markets.

The present study therefore endorses a suggestion made by Knight and Cavusgil,<sup>72</sup> namely, that entrepreneurial orientation and market orientation play a determining role in the success of INVs. Its findings also follow the same pattern as those obtained in previous analyses conducted in other business contexts.<sup>73</sup> As expected, having an advantageous international competitive position results in increased international performance by INVs both in terms of increased profitability and profit on the one hand, and of the market share size on the other hand.

Moreover, in the case of INVs an entrepreneurial orientation can act as an antecedent to the market orientation they adopt in different countries. These results correspond with other studies that highlight the importance of information acquisition and learning processes to overcoming the negative consequences that the development of an entrepreneurial orientation may have on

companies.<sup>74</sup> A market orientation not only facilitates the acquisition by INVs of the information they need in order to compete in international markets successfully but it also prepares them to adapt quickly to unforeseen circumstances and changes in the environment by restructuring their actions. Specifically, Santos et al.<sup>75</sup> regard market orientation as a learning process, the main target of which is to successfully adapt to changes in the environment. In this way, a market orientation helps the firm to understand and efficiently satisfy its customers' latent and real needs. In addition, it enables the firm to anticipate future market upheavals by preparing the organization to react.

Hence, this study has shown that the entrepreneurial orientation generates the market orientation of the INVs, which facilitates the identification of new business opportunities in international markets. In other words, it facilitates development of the processes that allow the INVs to obtain information about their customers, their competitors and the market in general, as well as about the institutional factors that define these markets. Moreover, with a view to taking advantage of these opportunities, the conjunction of entrepreneurial and market orientations implies that these firms should develop new capacities, transform their key resources and reconfigure their processes and structures in order to constantly adapt to changes in the environment. As a consequence, it has been proposed that the know-how generated from the entrepreneurial market orientation itself might be considered a strategic, critical and valuable resource capable of providing new firms with the long-term sustainable competitive advantages they need for positive growth.<sup>76</sup>

In addition, Autio et al.<sup>77</sup> (2000) report that INVs develop international competitive positions characterized by an advantage over other firms which might follow a slow internationalization track. In the words of Autio et al.:<sup>78</sup> *"The learning advantages of newness are related to the way INVs manage the information they obtain from international markets"*. These authors essentially argue

that the firms taking their internationalization at a slow pace come up against numerous organizational obstacles that make both the search and the assimilation of new market knowledge difficult.<sup>79</sup> Our results confirm that INVs are capable of developing external information search and management processes entrepreneurially, thus incentivizing the introduction and development of new business opportunities; and that such management of external information is what gives these firms their competitive advantage in international markets. In this vein, the results of our study may be considered as a counterpoint to a generally accepted view that size-related challenges can cause difficulties for new firms in attaining an international competitive position and that this position essentially depends on the knowledge derived from their physical presence in international markets.<sup>80</sup> Thus, in the words of Zahra<sup>81</sup> this study has contributed *“to opening the black box that seems to exist when it comes to theorizing about what advantages INVs may reach”*.

Centering on the market orientation factor, the results appear to show positive effects of adopting a market orientation. Behaviors that lead to the shared gathering and processing of market information assume special relevance in building the INVs' competitive position, particularly in marketing-related aspects.<sup>82</sup> This effect, added to a positive relationship between the international competitive position and international performance, lends further support to the explanation that a positive outcome of market orientation on business performance lies in the effect it has on the advantageous position obtained by the firms that adopt a market orientation. The indirect influence of market orientation on the business performance reported in the literature<sup>83</sup> is therefore corroborated by our sample. A superior competitive position on the variables such as price, communication or sales force stemming from a market orientation is positively reflected in the performance of INVs.

Finally, the use of respondents from different countries in the sample strengthens the generalization of our findings. Although both are Euro-

pean countries, their socio-economic characteristics differ. Belgium's industry has a long history and a tradition of international trading with its neighbors that goes back to its very beginnings, thanks to a major network of infrastructure that facilitates communications and a population with a better command of foreign languages than the Spanish. These results complement the work of Dana<sup>84</sup> which, while publishing the results of studies of INVs from a variety of countries, does not provide empirical evidence relating to Spanish or Belgian INVs.

## 6. CONCLUSIONS AND IMPLICATIONS

The results of this research enable us to move forward in the examination of the factors that explain the competitive position of INVs. The research also proposes a mediating effect of the international competitive position on the relationship between market and entrepreneurial orientations and on the performance of Spanish and Belgian INVs.

Broadly speaking, this study confirms a positive relationship between entrepreneurial orientation and market orientation. The two orientations also have a positive and significant effect on the competitive position of INVs which, in turn, improves their international performance.

Hence, the uncertainty that arises in INVs as a result of entering international markets soon after their establishment requires that market-oriented activities be developed by committing to systematically understanding and anticipating the explicit and latent needs of their clients, along with any plans and capacities of their competitors, through information acquisition and evaluation processes. One way in which firms may reduce the risks associated with entrepreneurial behavior is by adopting a market orientation.

Managers who encourage an entrepreneurial orientation can enhance their international com-

petitive position and international performance by implementing a market orientation in their firms. This possibility is of particular interest to the INVs which are still in an initial stage and concentrate their efforts on consolidating their position in the international market. Managers of such firms should be proactive by focussing on innovation and taking on board high-risk projects on the one hand, and, on the other, by developing information processing mechanisms to obtain a more accurate picture of their customers' present and future needs, their competitors' strengths and weaknesses and the most influential factors in the environment. By taking that path, they will achieve competitive advantage over their main international rivals, and as a result, perform better at an international level.

## 7. LIMITATIONS AND FUTURE LINES OF RESEARCH

The use of transversal data may be regarded as a limitation of the present study for the purposes of making causal inferences. However, bearing in mind that the main explanatory variables of the proposed model (market orientation and entrepreneurial orientation) are manifested in the activities and behavior embedded in the organizational routines and processes that depend

on the same orientation process and that span a long period of time, it seems reasonable to use a causal explanation structure such as this one, where market and entrepreneurial orientation have a positive impact on the firm's competitive position and, in turn, lead to improved international performance.

A further limitation may lie in the empirical study, which was based on the responses obtained from a single interviewee at each sample firm. This procedure raises the question of whether a single interviewee can adequately respond on behalf of an entire organization. In this case, the manager of each INV would appear to be the most capable person to speak for the firm.

Taking these limitations into account, future studies should examine the relationships we propose here by using longitudinal data. It would also be interesting to introduce the effect of other variables into the analysis, such as the speed of internationalization, learning orientation, or the effect of entrepreneurial, learning and market orientations on distinctive marketing or on the strategic adaptation and networking capabilities prior to the time they affect the international competitive position and the international performance. Further research in such directions would extend our understanding of the combined effect of market orientation and entrepreneurial orientation on the achievement of superior performance in the international context of new firms.

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